PALO ALTO
Partners in Education
OUR EDUCATION FOUNDATION

Financial Statements
June 30, 2014 and 2013

Together with
Independent Auditors' Report

PALO ALTO PARTNERS IN EDUCATION

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June 30, 2014

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Palo Alto Partners in Education

We have audited the accompanying financial statements of Palo Alto Partners in Education (a California public benefit corporation "PiE" or "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
Palo Alto Partners in Education

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Robert Lee + Associates, LLP

San Jose, California
September 5, 2014

PALO ALTO PARTNERS IN EDUCATION
Statements of Financial Position

	June 30, 2014	June 30, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 666,097	$ 666,534
Prepaid expenses	32,395	23,605
Total current assets	698,492	690,139
Property and equipment, net	950	2,443
Total assets	$ 699,442	$ 692,582
NET ASSETS		
Total net assets, unrestricted	$ 699,442	$ 692,582

The accompanying footnotes are an integral part of these financial statements

PALO ALTO PARTNERS IN EDUCATION

Statements of Activities and Changes in Net Assets

	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013
SUPPORT AND REVENUE		
Contributions	$ 5,475,230	$ 5,416,538
In-kind revenue	28,075	283,000
Investment income	4,332	3,592
Total support and revenue	5,507,637	5,703,130
EXPENSES		
Program services	5,163,971	5,317,809
Management and general	84,137	87,495
Fundraising	252,669	212,118
Total expenses	5,500,777	5,617,422
Change in net assets	6,860	85,708
Net assets, unrestricted, beginning of year	692,582	606,874
Net assets, unrestricted, end of year	$ 699,442	$ 692,582

The accompanying footnotes are an integral part of these financial statements

PALO ALTO PARTNERS IN EDUCATION
Statements of Functional Expenses

	For the Year Ended June 30,							
	2014				2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
District grants	$ 5,095,116	$ -	$ -	$ 5,095,116	$ 5,259,812	$ -	$ -	$ 5,259,812
Salaries	49,345	49,345	98,690	197,380	44,319	44,319	88,637	177,275
Payroll expenses	4,870	4,870	9,738	19,478	4,436	4,436	8,872	17,744
Bank and merchant fees	-	-	50,151	50,151	-	-	28,964	28,964
Facilities	6,050	6,050	12,100	24,200	-	-	-	-
Professional fees	-	-	19,959	19,959	-	-	18,518	18,518
Training and development	-	1,582	18,075	19,657	-	1,740	13,694	15,434
Advertising and promotion	-	-	17,281	17,281	-	-	29,377	29,377
Accounting	-	14,920	-	14,920	-	14,000	-	14,000
Design and annual report	-	-	14,894	14,894	-	-	15,102	15,102
Supplies	2,043	2,043	4,085	8,171	2,361	2,361	4,721	9,443
Insurance	6,174	-	-	6,174	6,419	-	-	6,419
Donor events	-	-	5,699	5,699	-	-	2,058	2,058
Office expenses	-	799	1,250	2,049	-	945	1,250	2,195
Depreciation	373	373	747	1,493	462	462	925	1,849
Miscellaneous	-	1,446	-	1,446	-	1,446	-	1,446
Rental	-	1,378	-	1,378	-	1,350	-	1,350
Postage and mailing services	-	741	-	741	-	1,002	-	1,002
Membership dues and fees	-	590	-	590	-	840	-	840
Strategic planning	-	-	-	-	-	14,594	-	14,594
	$ 5,163,971	$ 84,137	$ 252,669	$ 5,500,777	$ 5,317,809	$ 87,495	$ 212,118	$ 5,617,422

The accompanying footnotes are an integral part of these financial statements

PALO ALTO PARTNERS IN EDUCATION

Statements of Cash Flows

Increase in Cash and Cash Equivalents

	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013
Cash flows from operating activities:		
Change in net assets	$ 6,860	$ 85,708
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,493	1,849
Changes in operating assets and liabilities:		
Prepaid expenses	(8,790)	(2,418)
Net cash provided (used) by operating activities	(437)	85,139
Cash flows from investing activities:		
Acquisition of property and equipment	-	(1,539)
Net cash used by investing activities	-	(1,539)
Net increase (decrease) in cash and cash equivalents	(437)	83,600
Cash and cash equivalents, beginning of year	666,534	582,934
Cash and cash equivalents, end of year	$ 666,097	$ 666,534

The accompanying footnotes are an integral part of these financial statements

PALO ALTO PARTNERS IN EDUCATION

Notes to Financial Statements

June 30, 2014

Note 1 - Organization and operations:

Palo Alto Partners in Education ("PiE" or the "Organization") was formed by the merging of Palo Alto Organization for Education ("PAFE") and the All Schools Fund ("ASF") in May of 2005. The Organization is a California non-profit Organization with the mission to raise money to help all Palo Alto Unified School District (PAUSD) students reach their fullest intellectual, social, and creative potential. PiE is committed to educational excellence for every student in the PAUSD. PiE works in partnership with parents and the community to raise funds to provide an educational experience beyond what is possible with public dollars. The Organization's primary sources of income are from contributions in the Palo Alto area.

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - PiE presents information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* are available to support all activities without restrictions and include those net assets whose use is not restricted by donors even though their use may be limited in other respects, such as by contract or board designation.

- *Temporarily restricted net assets* represent contributions whose use is limited to donor-imposed stipulations that expire by the passage of time or other restrictions and for which the applicable restriction has not been met as of the end of the current reporting period. PiE did not have any temporarily restricted net assets at June 30, 2014 and 2013.

- *Permanently restricted net assets* are restricted by the donor for investment in perpetuity, such as endowments. PiE did not have any permanently restricted net assets at June 30, 2014 or 2013.

Note 2 - Summary of significant accounting policies (continued):

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates included in these financial statements relate primarily to functional expense allocation and in-kind contributions.

Revenue recognition - The Organization's revenue recognition policy requires that contributions received, including unconditional promises to give, be recognized as revenue at their fair value in the period the contribution or pledge is received. Contributed support that is restricted by the donor is reported as an increase in temporarily restricted net assets and released from restrictions if the restriction expires in the reporting period in which the support is recognized. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. All other contributed support is recognized as unrestricted revenue when received or un-conditionally promised.

In-kind contributions - Contributed services, which require a specialized skill and which the Organization would have paid for if not contributed, is recorded at their estimated fair market value. In addition, a substantial number of volunteers have contributed significant amounts of time in promoting the Organization's programs. While the Board and Advisory Council members of the Organization possess specialized skills, the value of their services has not been recorded as their skills are provided in their capacity as Board or Advisory Council members. The value of other contributed volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Functional expense allocations - The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated based on estimates of time and other factors among the programs and supporting services benefited.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Prepaid expenses - The majority of prepaid expenses consisted of prepaid insurance, printing costs and subscriptions.

Note 2 - Summary of significant accounting policies (continued):

Property, equipment, depreciation and amortization - Property and equipment are stated at cost. Acquisitions of items in excess of $2,500 are capitalized. Significant donated items are recorded at estimated fair value at the date of receipt. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from two to ten years.

Grants payable - Grants are made in accordance with the Organization's mission. Unconditional grants that are expected to be paid after one year are evaluated at a discount rate as determined by the deferral interest free rate valid for the year that the grant was pledged and are stated at their net present value. Such present value reserves are recorded only if material to the financial statements. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. There were no conditional grants or grants payable as of June 30, 2014 and 2013.

Concentration of credit risk - Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents. The Organization maintains cash and cash equivalents with a commercial bank. Cash and cash equivalents are maintained in interest bearing accounts which are fully insured by the Federal Deposit Insurance Corporation ("FDIC").

Fair value of financial instruments - Financial instruments included in the Organization's Statements of Financial Position as of June 30, 2014 and 2013 include cash and cash equivalents and prepaid expenses. For all accounts the carrying amounts approximate their fair value due to their short maturities.

Concentration of expense - The Organization has a concentration in grant expense; 100% of total grant expense was used to support the Palo Alto Unified School District for the years ended June 30, 2014 and 2013.

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2014 and 2013 management did not identify any uncertain tax positions. The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are June 30, 2012 and forward. Fiscal tax years June 30, 2011 and forward are subject to potential examination by the State of California tax jurisdiction.

Note 2 - Summary of significant accounting policies (continued):

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2014.

Note 3 - Property and equipment:

Property and equipment consisted of the following at June 30:

	2014	2013
Computer equipment and software	$ 25,352	$ 26,792
Less: accumulated depreciation	(24,402)	(24,349)
Property and equipment, net	$ 950	$ 2,443

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was $1,493 and $1,849, respectively.

Note 4 - Related-party transactions:

For the years ending June 30, 2014 and 2013, the Organization received approximately $192,000 and $202,000 from Board members, management and their affiliated organizations, respectively.

Note 5 - Retirement plan:

The Organization has a 401(k) Profit Sharing Plan (the "Plan") for all employees. Employees who have met certain service and eligibility requirements may participate. Each eligible employee may elect to contribute to the Plan. The Plan does not provide for matching contributions, as defined by the plan agreement. The Organization did not contribute to the plan during the years ended June 30, 2014 and 2013.

Note 6 - In-kind services:

For the year ended June 30, 2014, the Organization received approximately $18,000 of in-kind rent and $6,000 for minor administrative services from Palo Alto Unified School District. The Organization also received approximately $4,000 for advertising space. For the year ended June 30, 2013, the Organization received from a third-party consulting firm $278,000 worth of pro bono consulting services for the benefit of students of the Palo Alto Unified School District and $5,000 worth of in-kind services for advertising space.