



**Financial Statements**  
**June 30, 2023 and 2022**

**Together with**  
**Independent Auditors' Report**

**PALO ALTO PARTNERS IN EDUCATION**

**Table of Contents**

June 30, 2023

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	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 14

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Palo Alto Partners in Education  
Palo Alto, California

### **Opinion**

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, 2023 and 2022, 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.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial positions of the Organization as of June 30, 2023 and 2022, and the 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization ability to continue as a going concern within one year after the date that the financial statements is available to be issued.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of  
Palo Alto Partners in Education  
Palo Alto, California

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.



San Jose, California  
September 20, 2023

**PALO ALTO PARTNERS IN EDUCATION**  
**Statements of Financial Position**

	June 30,	
	2023	2022
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 348,570	\$ 314,880
Prepaid expenses	20,066	54,451
Total assets, all current	\$ 368,636	\$ 369,331
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accrued expenses	\$ 5,500	\$ 5,500
Total liabilities, all current	5,500	5,500
Commitment (Note 5)		
Net assets:		
Without donor restrictions	108,636	82,510
With donor restrictions	4,500	31,321
Board designated	250,000	250,000
Total net assets	363,136	363,831
Total liabilities and net assets	\$ 368,636	\$ 369,331

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, 2023		
	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Contributions	\$ 5,516,889	\$ 4,500	\$ 5,521,389
Interest income	28,111	-	28,111
Net assets released from restrictions	31,321	(31,321)	-
Total support and revenue	5,576,321	(26,821)	5,549,500
Expense:			
Program services	5,192,062	-	5,192,062
Management and general	144,636	-	144,636
Fundraising	213,497	-	213,497
Total expenses	5,550,195	-	5,550,195
Change in net assets	26,126	(26,821)	(695)
Net assets, beginning of year	332,510	31,321	363,831
Net assets, end of year	\$ 358,636	\$ 4,500	\$ 363,136

The accompanying footnotes are an integral part of these financial statements

**PALO ALTO PARTNERS IN EDUCATION**  
**Statements of Activities and Changes in Net Assets (Continued)**

	For the Year Ended June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Contributions	\$ 5,358,111	\$ 31,321	\$ 5,389,432
Interest income	2,115	-	2,115
Net assets released from restrictions	21,150	(21,150)	-
Total support and revenue	5,381,376	10,171	5,391,547
Expense:			
Program services	5,083,024	-	5,083,024
Management and general	134,787	-	134,787
Fundraising	185,001	-	185,001
Total expenses	5,402,812	-	5,402,812
Change in net assets	(21,436)	10,171	(11,265)
Net assets, beginning of year	353,946	21,150	375,096
Net assets, end of year	\$ 332,510	\$ 31,321	\$ 363,831

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, 2023			
	Program services	Management and general	Fundraising	Total
District grants	\$ 5,117,208	\$ -	\$ -	\$ 5,117,208
Salaries	57,410	57,410	114,821	229,641
Bank and merchant fees	-	42,631	-	42,631
Facilities	8,245	8,245	16,489	32,979
Training and development	-	1,281	26,770	28,051
Payroll related expenses	5,030	5,031	10,061	20,122
Accounting	-	19,900	-	19,900
Advertising and promotion	-	-	16,500	16,500
Insurance	3,189	3,189	6,378	12,756
Donor events	-	-	11,828	11,828
Software licenses	-	1,296	4,766	6,062
Office expenses	980	1,517	1,959	4,456
Design and annual report	-	-	3,800	3,800
Rental	-	2,748	-	2,748
Membership dues and fees	-	1,388	-	1,388
Professional fees	-	-	125	125
	<u>\$ 5,192,062</u>	<u>\$ 144,636</u>	<u>\$ 213,497</u>	<u>\$ 5,550,195</u>

The accompanying footnotes are an integral part of these financial statements

**PALO ALTO PARTNERS IN EDUCATION**  
**Statements of Functional Expenses (Continued)**

	For the Year Ended June 30, 2022			
	Program services	Management and general	Fundraising	Total
District grants	\$ 5,017,143	\$ -	\$ -	\$ 5,017,143
Salaries	49,851	49,851	99,702	199,404
Bank and merchant fees	-	42,736	-	42,736
Facilities	8,005	8,005	16,009	32,019
Accounting	-	19,315	-	19,315
Payroll related expenses	4,337	4,337	8,673	17,347
Software licenses	-	1,296	14,037	15,333
Training and development	-	666	12,175	12,841
Insurance	3,117	3,117	6,234	12,468
Advertising and promotion	-	-	12,457	12,457
Donor events	-	-	8,349	8,349
Design and annual report	-	-	3,600	3,600
Office expenses	571	1,098	1,143	2,812
Professional fees	-	99	2,622	2,721
Rental	-	2,671	-	2,671
Membership dues and fees	-	1,596	-	1,596
	<u>\$ 5,083,024</u>	<u>\$ 134,787</u>	<u>\$ 185,001</u>	<u>\$ 5,402,812</u>

The accompanying footnotes are an integral part of these financial statements

**PALO ALTO PARTNERS IN EDUCATION**  
**Statements of Cash Flows**

	For the Years Ended	
	June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (695)	\$ (11,265)
Changes in operating assets and liabilities:		
Prepaid expenses	34,385	(8,982)
Accrued expenses	-	5,500
Net cash provided (used) by operating activities	33,690	(14,747)
Net increase (decrease) in cash and cash equivalents	33,690	(14,747)
Cash and cash equivalents, beginning of year	314,880	329,627
Cash and cash equivalents, end of year	\$ 348,570	\$ 314,880

The accompanying footnotes are an integral part of these financial statements

# **PALO ALTO PARTNERS IN EDUCATION**

## **Notes to Financial Statements**

June 30, 2023

### **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 from parents and the community to provide all Palo Alto Unified School District ("PAUSD") students an educational experience beyond what is possible with public funding. PiE's volunteers, in partnership with parents, schools, and the community, will ensure every student in the Palo Alto Unified School District experiences an enriched and fulfilling education. 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 two classes of net assets:

- *Without donor restrictions* 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.
- *With donor restrictions* 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.

Use of estimates - The preparation of financial statements, in conformity with generally accepted accounting principles in the United States, 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.

# **PALO ALTO PARTNERS IN EDUCATION**

## **Notes to Financial Statements**

June 30, 2023

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

Cash and cash equivalents - Cash and cash equivalents consist of checking 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 insurance and subscriptions.

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 is computed using the straight-line method over the estimated useful lives of the assets ranging from two to ten years. Expenditures for maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

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. The Organization reports contributions and other assets as restricted support if such contributions are received with donor stipulations that limit the use of donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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 at the date of receipt. The Organization receives contributed services from a substantial number of volunteers who promote the Organization's programs. While the Board of Directors 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 of Directors or Advisory Council members. The value of other contributed volunteer services has not been recognized in the accompanying financial statements because they did not meet the criteria for specialized skill or would not have been paid for if not contributed. There were no in-kind contributions during the years ended June 30, 2023 and 2022.

# **PALO ALTO PARTNERS IN EDUCATION**

## **Notes to Financial Statements**

June 30, 2023

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

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 and functional expenses. Accordingly, certain costs have been allocated based on estimates of time and other factors among the programs and supporting services benefited. Salaries are allocated to program and supporting services based on estimated percentage of hours worked by employee. The same allocation is applied to insurance, facilities, and other similar accounts. Grant expenses are allocated to program only. All other expenses are directly allocated.

Advertising - The Organization expenses advertising costs as incurred. Advertising expenses were approximately \$17,000 and \$12,000 for the years ended June 30, 2023 and 2022, respectively.

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").

Concentration of contributions - For the years ended June 30, 2023 and 2022, 26% and 25% of total contributions were received from one donor. This single donor is a third-party vendor for many companies' corporate matching programs and the donor's assets are composed of the funds provided by those companies.

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities approximate the carrying values of such amounts.

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, 2023 and 2022 management did not identify any uncertain tax positions.

# **PALO ALTO PARTNERS IN EDUCATION**

## **Notes to Financial Statements**

June 30, 2023

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

Leases - The Organization leases a building in Palo Alto, California for operations under a 12 month related-party operating lease. The lease is not recorded as an operating lease right-of-use asset or lease liability on the Organization's statements of financial position as it does not meet the recognition criteria under ASC Topic 842, *Leases*. These criteria include the existence of a lease term greater than 12 months, a non-cancellable lease term, and a fixed lease payment or a variable lease payment that is based on an index or rate.

Management only reassesses its determination if the terms and conditions of the contract are changed. The lease payments are recognized as operating expenses in the Organization's statements of activities and changes in net assets in the period in which they are incurred.

Management is not aware of any significant uncertainties related to its operating lease agreements. However, if the lease agreements are terminated or the terms are changed, the Organization may be required to recognize right-of-use assets and lease liabilities, which could have a material impact on the Organization's statements of financial position.

In accordance with Accounting Standards Update ("ASU") 2023-01, *Leases (Topic 942): Common Control Arrangements*, the Organization has elected to amortize leasehold improvements over their useful lives, which is greater than the lease term of 12 months.

Recently adopted accounting principles - In February 2016, the FASB issued 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, ASU 2018-20, *Narrow-scope Improvements for Lessors*, ASU 2019-01, *Leases (Topic 842): Codification Improvements*, and ASU 2023-01, *Common Control Arrangements (Topic 842)*. The most significant change in the new leasing guidance is the requirement to recognize ROU assets and lease liabilities for operating leases on the statements of financial position. The Organization elected to adopt this ASU effective July 1, 2022 and utilized all of the available practical expedients. The adoption did not have a material impact on the Organization's statements of financial position or statements of activities and changes in net assets.

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, 2023.

# **PALO ALTO PARTNERS IN EDUCATION**

## **Notes to Financial Statements**

June 30, 2023

### **Note 3 - Liquidity and availability of financial assets:**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ <u>348,570</u>	\$ <u>314,880</u>
 Total financial assets	 348,570	 314,880
 Less amounts unavailable for general expenditures within one year, due to:		
Board designations	(250,000)	(250,000)
Net assets with donor restrictions	<u>(4,500)</u>	<u>(31,321)</u>
 Financial assets available to meet general expenditures over the next twelve months	 \$ <u><u>94,070</u></u>	 \$ <u><u>33,559</u></u>

The Organization maintains an operating reserve balance of \$250,000 determined by the Board of Directors to meet at least six months of normal operating expenses, which are, on average, under \$200,000. The Board sets the goal for the annual grant to PAUSD based on the budget and the fundraising goal.

### **Note 4 - Property and equipment:**

Property and equipment stated at cost basis of approximately \$25,000 are fully depreciated as of the years ended June 30, 2023 and 2022.

There was no depreciation and amortization expense for the years ended June 30, 2023 and 2022.

### **Note 5 - Commitment and related-party transactions:**

Beginning in July 2014, the Organization has had a 12-month lease term with PAUSD for every year to lease office spaces. Annual rent was approximately \$33,000 and \$32,000 for the years ended June 30, 2023 and 2022, respectively. Included in the rental fees was approximately \$6,000 for administrative services provided by the district. The lease term renews automatically each year with the option for either party to cancel without penalty with a 90 day written notice.

# **PALO ALTO PARTNERS IN EDUCATION**

## **Notes to Financial Statements**

June 30, 2023

### **Note 5 - Commitment and related-party transactions (continued):**

The Organization grants to PAUSD in support of elevating student's education. For the years ending June 30, 2023 and 2022, the grant expense to PAUSD was approximately \$5,117,000 and \$5,017,000, respectively.

For the years ending June 30, 2023 and 2022, the Organization received approximately \$87,000 and \$80,000 from Board members, management and their affiliated organizations, respectively.

### **Note 6 - 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.

### **Note 7 - Net assets with donor restrictions:**

Net assets with donor restrictions as of June 30, 2023 and 2022, consisted of approximately \$5,000 and \$31,000 in restricted contributions, respectively, which had a less than one year time restriction.