

THE FUND FOR PUBLIC SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006



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Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Fund for Public Schools, Inc.
New York, New York

We have audited the accompanying statements of financial position of The Fund for Public Schools, Inc. (the "Fund") as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of The Fund for Public Schools, Inc. as of June 30, 2007 and 2006, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eisner LLP".

New York, New York
December 12, 2007

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Financial Position

	June 30,	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 21,777,678	\$ 15,632,952
Contributions receivable	27,602,981	22,529,158
Investment proceeds receivable	198,567	
Advances to NYC Department of Education	290,794	520,941
Investments	1,747,145	1,242,081
Property and equipment	8,788	
Other assets	<u>10,612</u>	<u>1,528</u>
	<u>\$ 51,636,565</u>	<u>\$ 39,926,660</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 115,802	\$ 38,493
Grants payable - NYC Department of Education	<u>5,795,807</u>	<u>3,970,354</u>
Total liabilities	<u>5,911,609</u>	<u>4,008,847</u>
Net assets:		
Unrestricted	1,573,998	1,500,387
Temporarily restricted	43,459,463	34,152,426
Permanently restricted	<u>691,495</u>	<u>265,000</u>
Total net assets	<u>45,724,956</u>	<u>35,917,813</u>
	<u>\$ 51,636,565</u>	<u>\$ 39,926,660</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Activities

	Year Ended June 30,							
	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and grants	\$ 574,472	\$ 29,041,271	\$ 426,495	\$ 30,042,238	\$ 489,314	\$ 39,135,351	\$ 39,624,665	
Leadership Academy income	31,988			31,988	81,753		81,753	
Donated services	794,858			794,858	779,293		779,293	
Investment income	60,265	(7,609)		52,656	16,067	(16,451)	(384)	
Interest income	531,494	430,874		962,368	393,887	168,683	562,570	
Support and revenue before release from restrictions	1,993,077	29,464,536	426,495	31,884,108	1,760,314	39,287,583	41,047,897	
Net assets released from restrictions	20,157,499	(20,157,499)		0	17,059,219	(17,059,219)	0	
Total support and revenue	22,150,576	9,307,037	426,495	31,884,108	18,819,533	22,228,364	41,047,897	
Expenses								
Program services:								
Grants to NYC Department of Education Awareness Initiative	19,042,937			19,042,937	17,069,219		17,069,219	
Total program services	20,656,237			20,656,237	17,059,219		17,059,219	
Supporting services:								
Management and general Fund-raising	839,240			839,240	814,340		814,340	
Total supporting services	1,420,728			1,420,728	1,385,338		1,385,338	
Total expenses	22,076,965			22,076,965	18,444,557		18,444,557	
Increase in net assets	73,611	9,307,037	426,495	9,807,143	374,976	22,228,364	22,603,340	
Net assets - beginning of year	1,500,387	34,152,426	\$ 265,000	35,917,813	1,125,411	11,924,062	13,314,473	
Net assets - end of year	\$ 1,573,998	\$ 43,459,463	\$ 691,495	\$ 45,724,956	\$ 1,500,387	\$ 34,152,426	\$ 35,917,813	

THE FUND FOR PUBLIC SCHOOLS, INC.

Statement of Functional Expenses

Year Ended June 30, 2007

(with summarized financial information in 2006)

	Year Ended June 30, 2007						Totals
	Grants to NYC Department of Education	Awareness Initiative	Management and General	Total	Fund-Raising	Total Expenses 2007	Expenses 2006
Grants	\$ 18,758,489	\$ 1,613,300	\$ 355,780	\$ 20,371,789		\$ 20,371,789	\$ 16,903,431
Salaries and fringe benefits	284,448		341,337	640,228	\$ 99,965	740,193	538,171
Donated services			25,000	341,337	453,521	794,858	779,293
Audit fees			1,025	25,000		25,000	19,500
Tax filing fees			64,897	1,025	19,977	1,025	1,025
Professional fees			5,832	64,897	6,813	84,874	171,796
Travel and meals			4,296	5,832	1,186	12,645	11,890
Professional development			3,991	4,296		5,482	2,523
Insurance			37,082	3,991	26	3,991	1,908
Miscellaneous				37,082		37,108	15,020
Total expenses	\$ 19,042,937	\$ 1,613,300	\$ 839,240	\$ 21,495,477	\$ 581,488	\$ 22,076,965	\$ 18,444,557

See notes to financial statements

THE FUND FOR PUBLIC SCHOOLS, INC.

Statement of Functional Expenses
Year Ended June 30, 2006

	Year Ended June 30, 2006			
	Grants to NYC Department of Education	Management and General	Fund-Raising	Total Expenses
Grants	\$ 16,903,431			\$ 16,903,431
Salaries and fringe benefits	155,788	\$ 279,666	\$ 102,717	538,171
Donated services		334,958	444,335	779,293
Audit fees		19,500		19,500
Tax filing fees		1,025		1,025
Professional fees		151,930	19,866	171,796
Travel and meals		8,939	2,951	11,890
Professional development		1,443	1,080	2,523
Insurance		1,908		1,908
Miscellaneous		14,971	49	15,020
Total expenses	<u>\$ 17,059,219</u>	<u>\$ 814,340</u>	<u>\$ 570,998</u>	<u>\$ 18,444,557</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Cash Flows

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase in net assets	\$ 9,807,143	\$ 22,603,340
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(52,656)	384
Donated securities	(667,275)	
Changes in:		
Contributions receivable	(5,073,823)	(17,230,191)
Accounts receivable		220,023
Investment proceeds receivable	(198,567)	
Advances to NYC Department of Education	230,147	
Other assets	(9,084)	1,115
Accounts payable	77,309	26,184
Grants payable - NYC Department of Education	<u>1,825,453</u>	<u>1,248,793</u>
Net cash provided by operating activities	<u>5,938,647</u>	<u>6,869,648</u>
Cash flows from investing activities:		
Proceeds from redemption of investments	1,370,015	56,317
Purchases of investments	(1,155,148)	(101,890)
Purchases of property and equipment	<u>(8,788)</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>206,079</u>	<u>(45,573)</u>
Net increase in cash and cash equivalents	6,144,726	6,824,075
Cash and cash equivalents - beginning of year	<u>15,632,952</u>	<u>8,808,877</u>
Cash and cash equivalents - end of year	\$ <u>21,777,678</u>	\$ <u>15,632,952</u>
Supplementary information:		
Noncash donations of services	<u>\$ 794,858</u>	<u>\$ 779,293</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Located in New York City, the Fund for Public Schools, Inc. (the "Fund"), a not-for-profit organization, was established in 1982 to facilitate the collection of private-sector grants and gifts and the disbursement of such funds as needed to finance certain educational programs. Oversight of the Fund is the responsibility of its directors, chief executive officer and chief financial officer. The Chancellor of the New York City Department of Education is also a director of the Fund. The Fund seeks critical funding for system-wide educational reform initiatives throughout the city's public schools. The Fund provides grants and other support to the Department of Education for these purposes.

The Fund also seeks and accepts contributions on behalf of the New York City Leadership Academy, a separate not-for-profit entity which has a similar mission as the Fund and is affiliated with the city's public school system. These contributions are received by the Fund on behalf of the Leadership Academy and transferred to them. For fiscal-years 2007 and 2006, amounts of approximately \$6,900,000 and \$5,700,000 were pledged or committed in support of the Leadership Academy, respectively, whereas in fiscal-years 2007 and 2006, amounts of \$16,300,000 and \$15,100,000 were received and transferred against these pledges or commitments, respectively. Based on the above, accounting principles generally accepted in the United States require that the contributions received for the Leadership Academy not be included in the financial statements for the Fund. The Leadership Academy compensates the Fund for its fund-raising efforts on the Academy's behalf, and, in fiscal-years 2007 and 2006, the Fund received fee income of \$31,988 and \$81,753, respectively, which is included in the support and revenue of the Fund.

On occasion, the Fund furnishes minor services to other organizations whose mission is consistent with the mission of the Fund.

The Fund is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to not-for-profit entities.

(b) Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services using reasonable ratios determined by management.

(c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingencies. Actual results may differ from those estimates.

(d) Cash equivalents:

The Fund considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(e) Net assets:

The Fund's net assets, as well as its revenues, expenses, gains and losses, are classified in the financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources available for current operations, with no donor restrictions.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources subject to donor-imposed stipulations that will be met by either specific actions of the Fund or the passage of time.

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that they be maintained permanently by the Fund.

[3] Investments:

Investments in debt securities and in equity securities having a readily determinable fair value are reported at their quoted market values or at their published fair values at fiscal year-end. Mutual funds consist primarily of equity and fixed-income funds and are reported at their fair values, as determined by the related investment manager or advisor. Realized gains and losses on assets sold, and unrealized appreciation or depreciation on investments held, are reported in the accompanying statements of activities. Net investment income, and the realized and unrealized gains and losses on investments, are reported as unrestricted unless specifically restricted by donors. Donated securities are recorded at their fair values at the date of donation.

[4] Property and equipment:

Property and equipment are recorded at their original costs. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years.

[5] Accrued vacation:

Based on their tenure, the Fund's employees are entitled to be paid for unused vacation time if they leave the organization. Accordingly, at each fiscal year-end, the Fund recognizes a liability for the obligation that would be incurred if all employees with such unused vacation were to leave. At June 30, 2007, the accrued vacation obligation was \$22,437.

[6] Contributions:

Contributions are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use, unless specifically restricted by the donor.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2007 and 2006

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Contributions: (continued)

The Fund reports contributions as temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

NOTE B - CONTRIBUTIONS RECEIVABLE

At each fiscal year-end, contributions receivable were estimated to be collected as follows:

	June 30,	
	2007	2006
2007		\$ 11,129,425
2008	\$ 20,571,495	8,141,498
2009	7,541,077	4,587,776
2010	257,250	257,250
2011	<u>131,250</u>	<u>131,250</u>
	28,501,072	24,247,199
Discount for pledges to be collected in excess of one year, at 6%.	<u>898,091</u>	<u>1,718,041</u>
	<u>\$ 27,602,981</u>	<u>\$ 22,529,158</u>

The Fund's contributions receivable consisted of pledges which had not been collected as of those dates. Amounts not due within one year have been discounted to present value. Pledged amounts are from major institutional donors, and management expects the receivables to be fully collected. Accordingly, no allowance for doubtful amounts has been established.

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2007		2006	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury securities	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Mutual funds	841,107	1,043,446	565,955	688,628
Corporate and municipal bonds	29,366	31,573	29,366	31,401
Common stock	336,470	297,203	181,474	172,052
Certificate of deposit	<u>25,000</u>	<u>24,923</u>		
	<u>\$ 1,581,943</u>	<u>\$ 1,747,145</u>	<u>\$ 1,126,795</u>	<u>\$ 1,242,081</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

**Notes to Financial Statements
June 30, 2007 and 2006**

NOTE C - INVESTMENTS (CONTINUED)

During each fiscal year, investment income consisted of the following:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Interest income	\$ 962,368	\$ 562,570
Net realized gains on investments	2,740	2,982
Net unrealized gains (losses) on investments	<u>49,916</u>	<u>(3,366)</u>
	<u>\$ 1,015,024</u>	<u>\$ 562,186</u>

NOTE D - ADVANCES TO THE NYC DEPARTMENT OF EDUCATION

To implement various programs, the Fund advanced to the New York City Department of Education amounts totaling \$189,043 and \$1,822,298 in fiscal-years 2005 and 2004, respectively. Amounts spent by the Department of Education against these advances totaled \$1,720,547 and \$1,490,400, with balances of \$290,794 and \$520,941, remaining to be spent or returned as of the end of fiscal-years 2007 and 2006, respectively. The remaining balance of \$290,794 has been returned by the Department of Education during fiscal-year 2008.

NOTE E - DONATED SERVICES

The New York City Department of Education has donated significant amounts of time and resources to the Fund. These contributed services are valued at the standard market rates that would have been incurred by the Fund to obtain them and were reported as both revenue and expense in the accompanying statements of activities because they met the following criteria as prescribed by generally accepted accounting principles:

- the services received either create or enhance nonfinancial assets, or
- the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by a contribution.

For fiscal-years 2007 and 2006, the Fund received donated services for its programs, consisting primarily of financial and administrative services, in the amounts of \$794,858 and \$779,293, respectively.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets consisted of the following:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Department of Education programs	\$ 36,572,763	\$ 34,152,426
Awareness Initiative	<u>6,886,700</u>	<u> </u>
	<u>\$ 43,459,463</u>	<u>\$ 34,152,426</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements
June 30, 2007 and 2006

NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During each fiscal year, net assets released from restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Department of Education programs	\$ 18,544,199	\$ 17,059,219
Awareness Initiative	<u>1,613,300</u>	<u> </u>
	<u>\$ 20,157,499</u>	<u>\$ 17,059,219</u>

NOTE G - CONCENTRATION OF CREDIT RISK

The Fund maintains its cash in three banks, and the balances at times may exceed federally insured limits. Management believes the Fund is not exposed to any significant risk of loss due to the failure of the banks.