

# Eisner

Eisner LLP  
Accountants and Advisors

## THE FUND FOR PUBLIC SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

**Eisner**

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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, 2009 and 2008, 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, 2009 and 2008, 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.

*Eisner LLP*

New York, New York  
December 17, 2009

# THE FUND FOR PUBLIC SCHOOLS, INC.

## Statements of Financial Position

	June 30,	
	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,587,248	\$ 14,205,513
Contributions receivable	16,243,049	33,733,387
Investments	17,731,965	21,019,139
Property and equipment	2,929	5,859
Other assets	10,107	26,420
	<u>\$ 46,575,298</u>	<u>\$ 68,990,318</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 95,713	\$ 71,666
Grants payable - NYC Department of Education	8,913,738	6,059,111
Total liabilities	<u>9,009,451</u>	<u>6,130,777</u>
Net assets:		
Unrestricted	2,223,579	1,908,181
Temporarily restricted	34,575,773	60,209,865
Permanently restricted	766,495	741,495
Total net assets	<u>37,565,847</u>	<u>62,859,541</u>
	<u>\$ 46,575,298</u>	<u>\$ 68,990,318</u>

**THE FUND FOR PUBLIC SCHOOLS, INC.**

**Statements of Activities**

	Year Ended June 30,							
	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Contributions and grants	\$ 951,068	\$ 13,829,011	\$ 25,000	\$ 14,805,079	\$ 1,020,663	\$ 42,329,726	\$ 50,000	\$ 43,400,389
Leadership Academy income					5,250			5,250
Donated goods and services	741,497			741,497	756,030			756,030
Net investment (losses) earnings	132,602	(52,959)		79,643	(74,139)	(89,893)		(164,032)
Interest income	517,134	190,384		707,518	524,174	379,427		903,601
Support and revenue before release from restrictions	2,342,301	13,966,436	25,000	16,333,737	2,231,978	42,619,260	50,000	44,901,238
Net assets released from restrictions	39,600,528	(39,600,528)		0	25,868,858	(25,868,858)		0
Total support and revenue	41,942,829	(25,634,092)	25,000	16,333,737	28,100,836	16,750,402	50,000	44,901,238
<b>Expenses:</b>								
Program services:								
NYC Department of Education Awareness Initiative	34,610,821			34,610,821	22,840,101			22,840,101
	2,721,175			2,721,175	3,417,313			3,417,313
Total program services	37,331,996			37,331,996	26,257,414			26,257,414
Supporting services:								
Management and general Fund-raising	1,323,939			1,323,939	918,729			918,729
	498,619			498,619	590,510			590,510
Total supporting services	1,822,558			1,822,558	1,509,239			1,509,239
Total expenses	39,154,554			39,154,554	27,766,653			27,766,653
Change in net assets before discontinued program	2,788,275	(25,634,092)	25,000	(22,820,817)	334,183	16,750,402	50,000	17,134,585
Discontinued program	(2,472,877)			(2,472,877)				
<b>Change in net assets</b>	315,398	(25,634,092)	25,000	(25,293,694)	334,183	16,750,402	50,000	17,134,585
Net assets - beginning of year	1,908,181	60,209,865	741,495	62,859,541	1,573,998	43,459,463	691,495	45,724,956
<b>Net assets - end of year</b>	\$ 2,223,579	\$ 34,575,773	\$ 766,495	\$ 37,565,847	\$ 1,908,181	\$ 60,209,865	\$ 741,495	\$ 62,859,541

## THE FUND FOR PUBLIC SCHOOLS, INC.

### Statements of Functional Expenses

(with summarized financial information for 2008)

#### Year Ended June 30, 2009:

	NYC Department of Education	Awareness Initiative	Management and General	Fund- Raising	Total Expenses 2009
Grants	\$ 34,460,318	\$ 2,628,830			\$ 37,089,148
Salaries and fringe benefits	150,241	92,041	\$ 736,419	\$ 113,963	1,092,664
Donated goods and services			376,691	364,806	741,497
Audit fees			33,000		33,000
Tax filing fees			2,025		2,025
Professional fees			116,905	8,363	125,268
Travel and meals			1,802	5,943	7,745
Professional development			11,255	4,416	15,671
Insurance			4,764		4,764
Miscellaneous	<u>262</u>	<u>304</u>	<u>41,078</u>	<u>1,128</u>	<u>42,772</u>
Total expenses	<u>\$ 34,610,821</u>	<u>\$ 2,721,175</u>	<u>\$ 1,323,939</u>	<u>\$ 498,619</u>	<u>\$ 39,154,554</u>

#### Year Ended June 30, 2008:

	NYC Department of Education	Awareness Initiative	Management and General	Fund- Raising	Total Expenses 2008
Grants	\$ 22,735,900	\$ 3,191,662			\$ 25,927,562
Salaries and fringe benefits	103,948	225,050	\$ 360,274	\$ 127,783	817,055
Donated goods and services			312,317	443,713	756,030
Audit fees			30,000		30,000
Tax filing fees			1,025		1,025
Professional fees			138,355	10,368	148,723
Travel and meals			3,698	6,888	10,586
Professional development			2,078	1,417	3,495
Insurance			4,779		4,779
Miscellaneous	<u>253</u>	<u>601</u>	<u>66,203</u>	<u>341</u>	<u>67,398</u>
Total expenses	<u>\$ 22,840,101</u>	<u>\$ 3,417,313</u>	<u>\$ 918,729</u>	<u>\$ 590,510</u>	<u>\$ 27,766,653</u>

# THE FUND FOR PUBLIC SCHOOLS, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2009	2008
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (25,293,694)	\$ 17,134,585
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(79,643)	164,032
Depreciation and amortization	2,930	2,929
Discontinued program	2,472,877	
Changes in:		
Contributions receivable	15,017,461	(6,130,406)
Investment proceeds receivable		198,567
Advances to NYC Department of Education		290,794
Other assets	16,313	(15,808)
Accounts payable	24,047	(44,136)
Grants payable - NYC Department of Education	<u>2,854,627</u>	<u>263,304</u>
Net cash (used in) provided by operating activities	<u>(4,985,082)</u>	<u>11,863,861</u>
<b>Cash flows from investing activities:</b>		
Proceeds from redemption of investments	4,317,537	1,239,756
Purchases of investments	<u>(950,720)</u>	<u>(20,675,782)</u>
Net cash provided by (used in) investing activities	<u>3,366,817</u>	<u>(19,436,026)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,618,265)</b>	<b>(7,572,165)</b>
Cash and cash equivalents - beginning of year	<u>14,205,513</u>	<u>21,777,678</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 12,587,248</u></b>	<b><u>\$ 14,205,513</u></b>
<b>Supplementary information:</b>		
Noncash donations of goods and services	\$ 741,497	\$ 756,030

## THE FUND FOR PUBLIC SCHOOLS, INC.

### Notes to Financial Statements June 30, 2009 and 2008

#### 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 New York 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 2009 and 2008, amounts of approximately \$50,000 and \$4,500,000 were pledged or committed in support of the Leadership Academy, respectively, whereas in fiscal-years 2009 and 2008, amounts of \$50,000 and \$200,000 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-year 2008, the Fund received fee income of \$5,250, which is included in the support and revenue of the Fund.

On occasion, the Fund furnishes minor services to other organizations the missions of which are 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.

## THE FUND FOR PUBLIC SCHOOLS, INC.

### Notes to Financial Statements June 30, 2009 and 2008

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

##### [2] Financial reporting: (continued)

###### (d) Cash equivalents:

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

###### (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] Endowment funds:

The Fund reports all applicable disclosures to its donor-restricted funds as endowment (see Note G).

##### [4] Investments:

Investments in debt securities and in equity securities are reported at their readily determinable 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 dates of donation.

##### [5] Fair-value measurement:

In fiscal-year 2009, the Fund adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting No. 157, "Fair Value Measurement." Accordingly, the Fund reports a fair-value measurement of all applicable assets and liabilities (see Note C).

##### [6] 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.

**THE FUND FOR PUBLIC SCHOOLS, INC.**

**Notes to Financial Statements  
June 30, 2009 and 2008**

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

**[7] Accrued vacation obligation:**

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, 2009 and 2008, this accrued vacation obligation was \$24,853 and \$18,541, included in accounts payable, respectively.

**[8] 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 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 a specific purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Additional contributions are forthcoming but not included in these financial statements. These contributions are contingent on pledges that are related to grant performance milestones and metrics.

**[9] Income tax uncertainties:**

In fiscal-year 2010, the Fund will adopt FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). Due to the Fund's general tax-exempt status, FIN 48 is not expected to have a material effect on its financial statements.

**[10] Subsequent events:**

The Fund considers all accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

**NOTE B - CONTRIBUTIONS RECEIVABLE**

At each fiscal year-end, uncollected contributions made to the Fund were estimated to be collected as follows:

	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>
2009		\$ 25,064,782
2010	\$ 7,239,203	3,811,465
2011	4,162,716	3,290,816
2012	3,377,242	3,173,087
2013	<u>3,110,044</u>	
	<b>17,889,205</b>	35,340,150
Discount for pledges to be collected in excess of one year, at 6%.	<u>1,646,156</u>	1,606,763
	<b><u>\$ 16,243,049</u></b>	<b><u>\$ 33,733,387</u></b>

## THE FUND FOR PUBLIC SCHOOLS, INC.

### Notes to Financial Statements June 30, 2009 and 2008

#### NOTE B - CONTRIBUTIONS RECEIVABLE (CONTINUED)

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, the Fund's investments consisted of the following:

	June 30,			
	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Money market and U.S. government short-term duration funds	\$ 17,482,525	\$ 17,534,435	\$ 20,550,567	\$ 20,524,103
Common stock	<u>269,022</u>	<u>197,530</u>	549,727	495,036
	<u>\$ 17,751,547</u>	<u>\$ 17,731,965</u>	<u>\$ 21,100,294</u>	<u>\$ 21,019,139</u>

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

	June 30,	
	2009	2008
Interest income	\$ 707,518	\$ 903,601
Net realized gains on investments	18,070	82,325
Net unrealized gains (losses) on investments	<u>61,573</u>	<u>(246,357)</u>
	<u>\$ 787,161</u>	<u>\$ 739,569</u>

The Fund reports its investments at their fair values, in the following manner:

- requiring consideration of nonperformance risk when valuing liabilities;
- defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishing a framework for measuring fair values; and
- establishing a three-level hierarchy for fair value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date.

# THE FUND FOR PUBLIC SCHOOLS, INC.

## Notes to Financial Statements June 30, 2009 and 2008

### NOTE C - INVESTMENTS (CONTINUED)

The three-level valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value levels:

- Level 1 - quoted prices for *identical* instruments in active markets;
- Level 2 - quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs for which are observable; and
- Level 3 - instruments the significant inputs for which are *unobservable*.

All the Fund's investments are classified within Level 1.

### NOTE D - PROPERTY AND EQUIPMENT

The Fund's property and equipment consisted of computers with a cost of \$8,788 and accumulated depreciation of \$5,859 at June 30, 2009 and a cost of \$8,788 and accumulated depreciation of \$2,929 at June 30, 2008.

### NOTE E - DONATED GOODS AND SERVICES

The New York City Department of Education has donated significant amounts of time and resources to the Fund. These donated goods and 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.

For fiscal-years 2009 and 2008, the Fund received donated goods and services for its programs, consisting primarily of financial and administrative services, in the amounts of \$741,497 and \$756,030, respectively.

### NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2009	2008
Department of Education programs	\$ 34,575,773	\$ 56,496,834
Awareness Initiative		3,713,031
	<u>\$ 34,575,773</u>	<u>\$ 60,209,865</u>

**THE FUND FOR PUBLIC SCHOOLS, INC.**

**Notes to Financial Statements  
June 30, 2009 and 2008**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Department of Education programs	\$ 36,925,164	\$ 22,451,545
Awareness Initiative	<u>2,675,364</u>	<u>3,417,313</u>
	<u>\$ 39,600,528</u>	<u>\$ 25,868,858</u>

**NOTE G - ENDOWMENT**

**[1] The endowment:**

The Fund's endowment funds consist of seven donor-restricted funds, established to support educational services and scholarships.

**[2] Interpretation of relevant law:**

The Board of Directors has interpreted the New York State Uniform Management of Institutional Funds Act ("UMIFA") as requiring the preservation of the historic dollar value of an endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies the following amounts as permanently restricted net assets in the accompanying financial statements:

- the fair value of an endowment fund at the time it was first established,
- the fair value of subsequent gifts to the endowment fund at the time made; and
- the fair value of each accumulation to the endowment fund made pursuant to a direction in the applicable gift instrument at the time such accumulation is added to the fund.

**[3] Endowment net-asset composition by type of fund, as of June 30, 2009:**

The Fund's endowment net assets of \$766,495 are entirely donor-restricted.

**[4] Changes in endowment net assets for the fiscal-year ended June 30, 2009:**

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 741,495
Contributions	<u>25,000</u>
Endowment net assets, end of year	<u>\$ 766,495</u>

## THE FUND FOR PUBLIC SCHOOLS, INC.

### Notes to Financial Statements June 30, 2009 and 2008

#### NOTE G - ENDOWMENT (CONTINUED)

##### [5] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Fund to retain as a fund of perpetual duration. Deficiencies of this nature, reported in unrestricted net assets, were \$75,785 and \$56,446 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

##### [6] Return objectives and risk parameters:

The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Accordingly, the endowment assets are invested in a manner intended to produce a reasonable rate of return, while assuming a moderate level of investment risk.

##### [7] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Fund relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

#### NOTE H - CONCENTRATION OF CREDIT RISK

The Fund maintains its cash in bank deposit accounts in amounts which at times may exceed federally insured limits. In addition, the Fund maintains its investments primarily in money-market funds and short-term fixed-income funds that are invested in direct obligations of the U.S. government and are AAA-rated. Management believes the Fund is not exposed to any significant risk of loss on these accounts.

#### NOTE I - DISCONTINUED PROGRAM

The Partnership for Teacher Excellence (the "Partnership"), formed in February 2006, brought together The City University of New York, New York University and the New York City Department of Education ("DOE") to develop and implement an innovative model for teacher education that would better recruit and prepare teachers to teach in New York City public schools, making them more successful quickly, and therefore more likely to remain in the system.

Supported by a \$15,000,000 grant provided to the DOE through the Fund, from the Carroll and Milton Petrie Foundation (the "Foundation"), during a three and a half-year grant period, the Partnership addressed New York City's need for highly qualified, well-trained teachers who would be able to excel immediately in the City's public schools.

At the end of the grant period, \$2,472,877 remained unspent from the original pledge. The majority of the under-expenditure was due to the inability of the Partnership to attract enough qualified teachers to the program. In discussion with the Foundation, the determination was made to conclude the Partnership per the original grant period and therefore, the remaining unspent balance has been characterized as a discontinued program.