

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR JUNE 30, 2016)

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 11

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Fund for the School District of Philadelphia
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Fund for the School District of Philadelphia (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fund for the School District of Philadelphia as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
The Fund for the School District of Philadelphia
(Continued)

Report on Summarized Comparative Information

We have previously audited The Fund for the School District of Philadelphia's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Myrion Cogen LLP

December 11, 2017

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH FINANCIAL INFORMATION
FOR JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash (includes amounts restricted for specific purposes of \$2,195,696 at June 30, 2017)	\$ 2,477,380	\$ 2,475,951
Grants and contributions receivable	1,263,973	2,088,667
Accounts receivable - other	-	91,237
Prepaid expense	14,821	9,624
	<u>3,756,174</u>	<u>4,665,479</u>
NON-CURRENT ASSETS		
Marketable securities	<u>558,987</u>	<u>524,847</u>
TOTAL ASSETS	<u><u>\$ 4,315,161</u></u>	<u><u>\$ 5,190,326</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 266,565	\$ 689,357
Loan payable	60,000	-
Unearned revenue	<u>239,583</u>	<u>42,040</u>
TOTAL LIABILITIES	<u>566,148</u>	<u>731,397</u>
NET ASSETS		
UNRESTRICTED	263,441	125,233
TEMPORARILY RESTRICTED	2,926,585	3,808,849
PERMANENTLY RESTRICTED	<u>558,987</u>	<u>524,847</u>
TOTAL NET ASSETS	<u>3,749,013</u>	<u>4,458,929</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,315,161</u></u>	<u><u>\$ 5,190,326</u></u>

The accompanying notes are an integral part of these financial statements.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE					
Contributions and grants					
Corporations	\$ 100,812	\$ 1,052,947	\$ -	\$ 1,153,759	\$ 524,785
Contracts	202,457	2,500	-	204,957	197,956
Foundations	262,745	2,876,209	-	3,138,954	3,441,026
Government grants	7,000	93,000	-	100,000	-
Individuals	125,787	51,830	-	177,617	419,997
Special events, net of expenses of \$84,152	-	11,480	-	11,480	73,172
Unrealized gain (loss) on investments	-	-	34,140	34,140	(3,349)
Interest and dividends	-	-	11,401	11,401	12,308
	<u>698,801</u>	<u>4,087,966</u>	<u>45,541</u>	<u>4,832,308</u>	<u>4,665,895</u>
NET ASSETS RELEASED FROM RESTRICTIONS					
Satisfaction of program restrictions	4,981,631	(4,970,230)	(11,401)	-	-
TOTAL SUPPORT AND REVENUE	<u>5,680,432</u>	<u>(882,264)</u>	<u>34,140</u>	<u>4,832,308</u>	<u>4,665,895</u>
EXPENSES					
Program services	5,052,252	-	-	5,052,252	2,736,517
Supporting services					
General and administrative	256,626	-	-	256,626	286,551
Fundraising	233,346	-	-	233,346	154,207
TOTAL EXPENSES	<u>5,542,224</u>	<u>-</u>	<u>-</u>	<u>5,542,224</u>	<u>3,177,275</u>
CHANGE IN NET ASSETS	138,208	(882,264)	34,140	(709,916)	1,488,620
NET ASSETS - BEGINNING OF YEAR	<u>125,233</u>	<u>3,808,849</u>	<u>524,847</u>	<u>4,458,929</u>	<u>2,970,309</u>
NET ASSETS - END OF YEAR	<u>\$ 263,441</u>	<u>\$ 2,926,585</u>	<u>\$ 558,987</u>	<u>\$ 3,749,013</u>	<u>\$ 4,458,929</u>

The accompanying notes are an integral part of these financial statements.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
THE YEAR ENDED JUNE 30, 2016)

	2017				2016 Total
	Program Services	Supporting Services		Total	
		General and Administrative	Fundraising		
Personnel					
Salaries	\$ 51,372	\$ 77,742	\$ 170,511	\$ 299,625	\$ 252,038
Workers compensation	463	708	1,532	2,703	2,731
Benefits	10,315	16,582	33,263	60,160	57,399
Payroll taxes	3,883	5,925	12,840	22,648	20,708
	<u>66,033</u>	<u>100,957</u>	<u>218,146</u>	<u>385,136</u>	<u>332,876</u>
Grants made	4,985,163	-	-	4,985,163	2,673,855
Bad debt expense	-	-	-	-	10,059
Board expense	-	2,872	-	2,872	1,390
Consultant - marketing	-	42,372	-	42,372	-
Dues and subscriptions	-	4,729	2,912	7,641	5,707
Insurance	-	4,440	-	4,440	9,104
Marketing	-	-	12,174	12,174	-
Meetings/convening fees/launch expenses	-	1,887	114	2,001	8,725
Office expense	1,056	8,105	-	9,161	11,863
Professional fees	-	48,314	-	48,314	78,750
Rent and occupancy	-	35,424	-	35,424	32,485
Scholarship	-	-	-	-	7,000
Other events	-	4,086	-	4,086	-
Travel/mileage/conference	-	3,440	-	3,440	5,461
	<u>\$ 5,052,252</u>	<u>\$ 256,626</u>	<u>\$ 233,346</u>	<u>\$ 5,542,224</u>	<u>\$ 3,177,275</u>

The accompanying notes are an integral part of these financial statements.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(WITH FINANCIAL INFORMATION FOR
THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (709,916)	\$ 1,488,620
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized (gain) loss on investments	(34,140)	3,349
(Increase) decrease in assets		
Grants and contributions receivable	824,694	476,333
Accounts receivable - other	91,237	65,515
Prepaid expense	(5,197)	33,877
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(422,792)	(1,323,835)
Unearned revenue	197,543	42,040
	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	(58,571)	785,899
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>60,000</u>	<u>-</u>
NET INCREASE IN CASH	1,429	785,899
CASH - BEGINNING OF YEAR	<u>2,475,951</u>	<u>1,690,052</u>
CASH - END OF YEAR	<u><u>\$ 2,477,380</u></u>	<u><u>\$ 2,475,951</u></u>

The accompanying notes are an integral part of these financial statements.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Fund for the School District of Philadelphia (“the organization”), a Pennsylvania nonprofit organization under the provisions of Section 501(c)(3) of the Internal Revenue Code, was organized to review and, upon approval, monitor grants generated by the School District of Philadelphia and to generate grants and contributions for the benefit of the School District of Philadelphia and its schools. The organization works closely and collaboratively with the School District of Philadelphia. The Superintendent of the School District of Philadelphia appoints up to five members of the organization’s board of directors and the organization’s President and CEO serves on the Superintendent’s executive cabinet.

The organization’s support is primarily from contributions. The organization relies on the receipt of grants, contracts and administrative fees earned for program activities to provide funding for its operations. The organization’s administrative fee is 10% of the contributions received. For significant contributions a lower fee may be negotiated.

Basis of Presentation

The organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, to prepare its financial statements. Under FASB ASC 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Restricted and Unrestricted Support

The organization follows FASB ASC 958, *Not-for-Profit Entities*, in recording contributions received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

All amounts included as contributions receivable are expected to be fully collectible.

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 and liabilities and disclosure of contingent 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 those estimates.

Concentration of Credit Risk Involving Cash

The organization maintains its cash at one financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balance may exceed federally insured limits. Management believes the credit risk related to this balance is minimal.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions Receivable

Grants and contributions receivable represent payments due in future periods for awards recorded as support and revenue. The organization considers grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Accounts Receivable – Other

Accounts receivable – other represents amounts due for ticket and sponsorship revenue for a fundraising event in which the event was held during the current fiscal year and the payments were received early July 2017. The balance also includes other operational receivables.

Marketable Securities

The organization carries investments in marketable securities at fair value. Under FASB ASC 820-10, *Fair Value Measurement*, fair value is defined as the price that the organization would receive to sell an investment to an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market. FASB ASC 820-10 establishes a three-tier hierarchy based on quoted prices in active markets (Level 1), other observable inputs (Level 2), or unobservable inputs (Level 3).

Realized and unrealized gains and losses on investments (determined based on original cost) and investment income are included in the statement of activities.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Unearned Revenue

Unearned revenue represents revenue received but not earned as of June 30, 2017. This is composed of contract revenue to cover salaries and other operating expenses to perform direct project oversight of certain initiatives of the School District of Philadelphia. The original contract amount was \$240,000 and the balance as of June 30, 2016 was \$42,040 included in unearned revenue as of June 30, 2016. The contract was amended in June 2016 and the organization was awarded an additional \$400,000 which it received in July 2016. The amended contract ends June 20, 2020. As of June 30, 2017, \$239,583 was recorded as unearned revenue.

In-kind Donations

Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. There were no contributed services for the year ended June 30, 2017.

Spending Policy

The organization follows a board-approved spending rate, which provides for up to 5% of the average of the fair value of the endowment fund at the end of each of the previous 36 months to be appropriated to support current operations. If the return on investment is greater than 5%, only one-half of the excess over 5% may be disbursed at the discretion of the board of directors.

Functional Expenses

The costs of providing the program and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative totals which do not include detail by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's 2016 financial statements, from which the comparative totals were derived.

Subsequent Events

FASB ASC 855-10 establishes general standards of accounting and disclosure of events that occur after the statement of financial position date but before the date the financial statements are available to be issued. Subsequent events have been evaluated through December 11, 2017, the date that the financial statements were available to be issued.

NOTE 2 – GRANTS AND CONTRIBUTIONS RECEIVABLE

The organization has recorded grants and contributions receivable in the amount of \$1,263,973, which were collected prior to December 11, 2017, the date that the financial statements were available to be issued.

NOTE 3 – FAIR VALUE MEASUREMENTS – MARKETABLE SECURITIES

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Bond fund, stock index fund, & real estate fund: Mutual funds valued at the daily closing price as reported by the organization.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – FAIR VALUE MEASUREMENTS – MARKETABLE SECURITIES (Continued)

The following table sets forth by level, within the fair value hierarchy, the organization’s assets at fair value as of June 30, 2017:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Bond fund	\$ 261,224	\$ -	\$ -	\$ 261,224
Stock index fund	272,254	-	-	272,254
Real estate fund	25,509	-	-	25,509
Total assets at fair value	\$ 558,987	\$ -	\$ -	\$ 558,987

NOTE 4 – LOAN PAYABLE

Loan payable consists of a short-term interest-free loan that was received from The Philadelphia Convention and Visitors Bureau in the amount of \$60,000 to provide funding for the Free Application for Federal Student Aid (“FAFSA”) program until the Grant from the Pennsylvania Department of Education was received. The grant proceeds were received in September 2017 and the outstanding loan payable as of June 30, 2017 was repaid in full.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017, temporarily restricted net assets, funded by grants and contributions, consist of the following purpose restrictions:

School Music Program and Instrument Repairs	\$ 13,310
Adopt a School Program	18,479
Specific School Programs	234,463
New School Design, School Redesign, and Early Literacy Initiatives	1,889,172
School Program Evaluation	42,372
Science Leadership Academy	40,583
Technology Improvement	68,929
Crisis Emergency Fund	13,091
Management Support	393
Youth Mental Health Training	450
Kenney Inauguration (Right Books)	4,050
Student Achiever, College Signing Day	9,107
Teacher Development	70,635
Community Support for Public Education	291,976
FAFSA Challenge	59,580
School Supply Fund	111,807
Athletics	50,650
Other	7,538
	\$ 2,926,585

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the GSK Endowment, from which the income is to be used for the purchase of science laboratory equipment for use by the Science Leadership Academy. As of June 30, 2017, the balance in the GSK Endowment was \$558,987.

NOTE 7 – RELATED PARTY

The organization leases space from an affiliate of certain of the organization's board members. Rent expense paid to this affiliate for the year ended June 30, 2017 was \$35,424.

NOTE 8 – GRANTS MADE

For the year ended June 30, 2017, grants made represents expenses paid to support various programs such as the New School Design, School Redesign, and Early Literacy Initiatives. The expenses include, but are not limited to, books, supplies, equipment and fees paid to consultants and contractors to support the various programs.

NOTE 9 – EMPLOYEE RETIREMENT PLAN

The organization has a 401(k) plan for its employees. All eligible employees are covered by the plan. The organization made annual contributions of \$8,106 for the year ended June 30, 2017.