

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR JUNE 30, 2015)

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA

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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, 2016 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Myrison Cogen LLP

December 12, 2016

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH FINANCIAL INFORMATION
FOR JUNE 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash (includes amounts restricted for specific purposes of \$1,631,397 at June 30, 2016)	\$ 2,475,951	\$ 1,690,052
Grants and contributions receivable	2,088,667	2,495,000
Accounts receivable - other	91,237	156,752
Prepaid expense	9,624	43,501
	<u>4,665,479</u>	<u>4,385,305</u>
NON-CURRENT ASSETS		
Contributions receivable	-	70,000
Marketable securities	524,847	528,196
	<u>524,847</u>	<u>598,196</u>
TOTAL ASSETS	<u><u>\$ 5,190,326</u></u>	<u><u>\$ 4,983,501</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 689,357	\$ 2,013,192
Unearned revenue	42,040	-
	<u>731,397</u>	<u>2,013,192</u>
UNRESTRICTED NET ASSETS	125,233	7,030
TEMPORARILY RESTRICTED NET ASSETS	3,808,849	2,435,083
PERMANENTLY RESTRICTED NET ASSETS	<u>524,847</u>	<u>528,196</u>
TOTAL NET ASSETS	<u>4,458,929</u>	<u>2,970,309</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,190,326</u></u>	<u><u>\$ 4,983,501</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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Contributions and grants				
Corporations	\$ 53,485	\$ 471,300	\$ -	\$ 524,785
Contracts	197,956	-	-	197,956
Foundations	299,314	3,141,712	-	3,441,026
Individuals	87,891	332,106	-	419,997
Special events, net of expenses of \$56,863	-	73,172	-	73,172
Unrealized gain (loss) on investments	-	-	(3,349)	(3,349)
Interest and dividends	11	513	11,784	12,308
	<u>638,657</u>	<u>4,018,803</u>	<u>8,435</u>	<u>4,665,895</u>
				<u>3,349,060</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of program restrictions	<u>2,656,821</u>	<u>(2,645,037)</u>	<u>(11,784)</u>	<u>-</u>
				<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,295,478</u>	<u>1,373,766</u>	<u>(3,349)</u>	<u>4,665,895</u>
				<u>3,349,060</u>
EXPENSES				
Program services	2,736,517	-	-	2,736,517
Supporting services				
General and administrative	286,551	-	-	286,551
Fundraising	154,207	-	-	154,207
	<u>3,177,275</u>	<u>-</u>	<u>-</u>	<u>3,177,275</u>
TOTAL EXPENSES	<u>3,177,275</u>	<u>-</u>	<u>-</u>	<u>3,177,275</u>
				<u>3,443,615</u>
CHANGE IN NET ASSETS	118,203	1,373,766	(3,349)	1,488,620
				(94,555)
NET ASSETS - BEGINNING OF YEAR	<u>7,030</u>	<u>2,435,083</u>	<u>528,196</u>	<u>2,970,309</u>
				<u>3,064,864</u>
NET ASSETS - END 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>

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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
THE YEAR ENDED JUNE 30, 2015)

	2016			Total	2015 Total
	Program Services	Supporting Services			
		General and Administrative	Fundraising		
Personnel					
Salaries	\$ 60,342	\$ 84,353	\$ 107,343	\$ 252,038	\$ 157,973
Workers compensation	654	914	1,163	2,731	1,545
Benefits	13,742	19,210	24,447	57,399	28,069
Payroll taxes	4,958	6,931	8,819	20,708	13,135
	<u>79,696</u>	<u>111,408</u>	<u>141,772</u>	<u>332,876</u>	<u>200,722</u>
Grants made	2,649,821	24,034	-	2,673,855	3,174,859
Bad debt expense	-	10,059	-	10,059	-
Board expense	-	1,390	-	1,390	635
Dues and subscriptions	-	5,707	-	5,707	-
Meetings/convening fees/launch expenses	-	-	8,725	8,725	7,432
Insurance	-	9,104	-	9,104	1,303
Office expense	-	8,153	3,710	11,863	11,362
Professional fees	-	78,750	-	78,750	20,368
Rent and occupancy	-	32,485	-	32,485	11,833
Scholarship	7,000	-	-	7,000	6,590
Stipends	-	-	-	-	4,500
Travel/mileage/conference	-	5,461	-	5,461	4,011
	<u>-</u>	<u>5,461</u>	<u>-</u>	<u>5,461</u>	<u>4,011</u>
TOTAL EXPENSES	<u><u>\$ 2,736,517</u></u>	<u><u>\$ 286,551</u></u>	<u><u>\$ 154,207</u></u>	<u><u>\$ 3,177,275</u></u>	<u><u>\$ 3,443,615</u></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, 2016
(WITH FINANCIAL INFORMATION FOR
THE YEAR ENDED JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,488,620	\$ (94,555)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized (gain) loss on investments	3,349	(4,891)
(Increase) decrease in assets		
Contributions receivable	476,333	(1,712,859)
Accounts receivable - other	65,515	(146,442)
Prepaid expense	33,877	(43,501)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(1,323,835)	1,588,727
Unearned revenue	42,040	-
	<u>785,899</u>	<u>(413,521)</u>
Net cash provided by (used in) operating activities	785,899	(413,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of marketable securities	<u>-</u>	<u>2,636</u>
NET INCREASE (DECREASE) IN CASH	785,899	(410,885)
CASH - BEGINNING OF YEAR	<u>1,690,052</u>	<u>2,100,937</u>
CASH - END OF YEAR	<u><u>\$ 2,475,951</u></u>	<u><u>\$ 1,690,052</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, 2016

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. Our 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Contributions receivable represent payments due in future periods for awards recorded as support and revenue. The organization considers 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.

Unearned Revenue

Unearned revenue represents revenues received but not earned as of June 30, 2016. 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 contract ends June 20, 2020.

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 2016. 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.

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, 2016.

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, 2016

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 2015 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 12, 2016, the date that the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the 2016 financial statement presentation.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

The organization has recorded contributions receivable in the amount of \$2,088,667 which were collected prior to December 12, 2016, 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, 2016.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

The following table sets forth by level, within the fair value hierarchy, the organization's assets at fair value as of June 30, 2016:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Bond fund	\$ 264,849	\$ -	\$ -	\$ 264,849
Stock index fund	233,068	-	-	233,068
Real estate fund	26,930	-	-	26,930
Total assets at fair value	\$ 524,847	\$ -	\$ -	\$ 524,847

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets, funded by grants and contributions, consist of the following purpose restrictions:

School Music Program and Instrument Repairs	\$ 13,962
Adopt a School Program	17,727
Specific School Programs	932,486
New School Design, School Redesign, and Early Literacy Initiatives	2,077,082
School Program Evaluation	103,200
Science Leadership Academy	52,955
Technology Improvement	10,260
Crisis Emergency Fund	13,091
Management Support	5,593
Youth Mental Health Training	10,300
Re-branding of the The Fund for the School District of Philadelphia	80,696
Kenney Inauguration (Right Books)	349,566
Math Programs	44,033
Student Achiever, College Signing Day	8,966
Teacher Development	68,000
Other	20,932
	\$ 3,808,849

NOTE 5 – 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, 2016, the balance in the GSK Endowment was \$524,847.

THE FUND FOR THE SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – 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, 2016 was \$28,645.

NOTE 7 – GRANTS MADE

For the year ended June 30, 2016, 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.