

THE FUND FOR PUBLIC SCHOOLS, INC.

**Financial Statements
For the Years Ended June 30, 2019 and 2018
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

THE FUND FOR PUBLIC SCHOOLS, INC.
Financial Statements
Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Fund for Public Schools, Inc.

We have audited the accompanying financial statements of The Fund for Public Schools, Inc. (the Fund), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, 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.

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MITCHELL TITUS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fund for Public Schools, Inc. as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 of the financial statements, in 2018, The Fund for Public Schools adopted Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Mitchell Titus, LLP

November 14, 2019

THE FUND FOR PUBLIC SCHOOLS, INC.
 Statements of Financial Position
 As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 7,089,344	\$ 5,105,285
Investments	16,693,946	15,968,774
Contributions and grants receivable, net	11,970,553	8,410,430
Prepaid expenses and other assets	8,636	69,513
Fixed assets	<u>2,270</u>	<u>6,099</u>
Total assets	<u><u>\$ 35,764,749</u></u>	<u><u>\$ 29,560,101</u></u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
<i>Current liabilities</i>		
Accounts payable and other liabilities	\$ 80,319	\$ 62,038
Grants payable	<u>9,166,239</u>	<u>7,614,724</u>
Total liabilities	<u>9,246,558</u>	<u>7,676,762</u>
<i>Net assets</i>		
Without donor restrictions	3,054,068	2,485,727
With donor restrictions	<u>23,464,123</u>	<u>19,397,612</u>
Total net assets	<u>26,518,191</u>	<u>21,883,339</u>
Total liabilities and net assets	<u><u>\$ 35,764,749</u></u>	<u><u>\$ 29,560,101</u></u>

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

THE FUND FOR PUBLIC SCHOOLS, INC.
 Statements of Activities
 For the Years Ended June 30, 2019 and 2018

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<i>Support and revenue</i>						
Contributions and grants	\$ -	\$ 18,149,561	\$ 18,149,561	\$ 62	\$ 9,433,921	\$ 9,433,983
Administrative fees	836,851	-	836,851	431,440	-	431,440
Donated goods and services	1,028,389	-	1,028,389	1,045,974	-	1,045,974
Investment income	586,725	138,292	725,017	37,642	162,391	200,033
Support and revenue before release from restrictions	2,451,965	18,287,853	20,739,818	1,515,118	9,596,312	11,111,430
Net assets released from restrictions	14,221,342	(14,221,342)	-	14,431,600	(14,431,600)	-
Total support and revenue	16,673,307	4,066,511	20,739,818	15,946,718	(4,835,288)	11,111,430
<i>Expenses</i>						
Program services	14,308,309	-	14,308,309	14,803,251	-	14,803,251
Management and general	719,671	-	719,671	691,120	-	691,120
Fund-raising	1,076,986	-	1,076,986	1,412,342	-	1,412,342
Total expenses	16,104,966	-	16,104,966	16,906,713	-	16,906,713
Change in net assets	568,341	4,066,511	4,634,852	(959,995)	(4,835,288)	(5,795,283)
Net assets - beginning of year	2,485,727	19,397,612	21,883,339	3,445,722	24,232,900	27,678,622
Net assets - end of year	\$ 3,054,068	\$ 23,464,123	\$ 26,518,191	\$ 2,485,727	\$ 19,397,612	\$ 21,883,339

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

THE FUND FOR PUBLIC SCHOOLS, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018

Account Description	Year Ended June 30,							
	2019				2018			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Grants	\$ 14,308,309	\$ -	\$ -	\$ 14,308,309	\$ 14,803,251	\$ -	\$ -	\$ 14,803,251
Salaries and fringe benefits	-	244,901	247,655	492,556	-	291,223	556,976	848,199
Donated goods and services	-	210,919	817,469	1,028,388	-	200,893	845,081	1,045,974
Professional fees	-	126,925	11,463	138,388	-	82,326	8,417	90,743
Travel and meals	-	1,489	398	1,887	-	1,890	1,744	3,634
Professional development	-	3,499	-	3,499	-	3,596	-	3,596
Insurance	-	13,071	-	13,071	-	12,869	-	12,869
Miscellaneous	-	118,867	-	118,867	-	98,323	124	98,447
Total expenses	\$ 14,308,309	\$ 719,671	\$ 1,076,985	\$ 16,104,965	\$ 14,803,251	\$ 691,120	\$ 1,412,342	\$ 16,906,713

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

THE FUND FOR PUBLIC SCHOOLS, INC.
 Statements of Cash Flows
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 4,634,852	\$ (5,795,283)
<i>Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	3,829	3,828
Net realized and unrealized (gains) losses on investment	(381,428)	40,534
Donated marketable securities	(25,011)	-
<i>Changes in</i>		
Contributions and grants receivable	(3,560,123)	2,494,065
Prepaid expenses and other assets	60,877	(36,706)
Accounts payable and other liabilities	18,281	(17,151)
Grants payable	1,551,515	1,602,554
Net cash provided by (used in) operating activities	<u>2,302,792</u>	<u>(1,708,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	18,903,514	11,695,803
Purchases of investments	<u>(19,222,247)</u>	<u>(11,777,711)</u>
Net cash used in investing activities	<u>(318,733)</u>	<u>(81,908)</u>
Net increase (decrease) in cash	1,984,059	(1,790,067)
Cash, beginning of year	<u>5,105,285</u>	<u>6,895,352</u>
Cash, end of year	<u>\$ 7,089,344</u>	<u>\$ 5,105,285</u>

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

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of the New York City Department of Education (the Education Department). The Chancellor of the Education Department is the Chair of the Board 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 Education Department for these purposes.

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.

Basis of Accounting

The accompanying financial statements of the Fund have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit entities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Investments

The Fund considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents considered to be part of the Fund's investment portfolio are reported as investments in the accompanying statements of financial position. Investments in mutual funds, fixed-income securities and equity securities are reported at their fair values. Realized and unrealized gains and losses are included in the accompanying statements of activities.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Investments *(continued)*

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from the dividends and interest are recognized when earned.

Donated securities are recorded at their fair values, as determined on the date of gift, with realized gains or losses recorded when the securities are sold. The Fund's policy, generally, is to sell donated securities immediately upon receipt. Accordingly, for purposes of the accompanying statements of cash flows, donated securities received and sold within the same year are reported as operating activities.

Property and Equipment

The Fund's property and equipment consists of computer equipment, which is stated at their original costs or, if contributed, at their fair value at the dates of donation. Minor repair and maintenance costs are accounted for as expenses as incurred. The Fund capitalizes items of property and equipment that have a cost of \$500 or more and useful lives greater than one year. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets of three years.

Accrued Vacation

Accrued vacation is a liability in the accompanying financial statements and represents the Fund's obligation for the cost of total unused employee vacation time that would be payable in the event of employees' departures; the obligation is recalculated every year. At June 30, 2019 and 2018, the accrued vacation obligation was \$2,265 and \$14,554, respectively, and was reported as part of accounts payable and other liabilities in the accompanying statements of financial position.

Grants Payable

Grants are recognized as an obligation of the Fund at the time they are approved. Grants approved but unpaid were \$9,166,239 and \$7,614,724 at June 30, 2019 and 2018, respectively. Grants are generally payable within one year of approval.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

(i) Without donor restrictions

Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) With donor restrictions

Net assets with donor restrictions represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) and the use for which has been restricted by donors or state law to specific purposes and/or passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or the funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as “net assets released from donor restrictions.”

Resources with principal which is originally restricted in perpetuity by donors also represent net assets with donor restrictions. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of that donor. Under the terms of NYPMIFA, those earnings are classified as with donor restrictions in the accompanying statements of activities, pending appropriation by the Board of Directors.

Revenue Recognition

(i) Contributions and grants

Contributions to the Fund are recognized as revenue upon the receipt of cash or other assets or of unconditional pledges. Contributions are recorded as with donor restrictions if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and if received in advance, are recognized in the statements of financial position as funds received in advance.

Contributions to be received over periods longer than one year are recorded at their fair value using a present value technique and discounted at an interest rate commensurate with the risk involved.

Grant revenue is based on the terms of each individual grant, and is considered available for use unless the donor or granter restricts the use thereof.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

(ii) *Administrative management fees*

The Fund collects an administrative management fee of up to 8% on grants received to cover administrative overhead costs. Administrative management fees of \$836,851 and \$431,440 received during fiscal years 2019 and 2018, respectively, have been included in the accompanying statements of activities.

Donated Goods and Services

For recognition of donated goods and services in the Fund's financial statements, such goods and services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill and (ii) be provided by individuals possessing these skills. Donated services are recorded as support at their estimated fair values at the dates of donation and are reported as without donor restrictions support unless the donor has restricted the donated asset for a specific purpose. Donated goods and services are both reported as contributions and offsetting expenses in the accompanying statements of activities.

During fiscal years 2019 and 2018, the Fund received donated services, primarily consisting of financial and administration services, from the Education Department and two law firms of approximately \$1,028,000 and \$1,045,000, respectively.

Functional Allocation of Expenses

The costs of providing the Fund's 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 service areas using appropriate and consistent measurement methodologies.

Income Tax

The Fund is subject to the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Management believes ASC Topic 740 has not had, and it is not expected to have, a material impact on the Fund's financial statements.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Income Tax (continued)

The Fund is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years ended prior to June 30, 2016.

Accounting Pronouncement Adopted

In June 2018, the Fund adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. The ASU amends the requirements for the presentation of the financial statements and notes. In particular, it enhances the qualitative and quantitative disclosures of the net asset classes, investment return, expenses, liquidity and availability of resources, and operating cash flows. Certain requirements were adopted retrospectively in the comparative 2017 financial statements.

Reclassification

In accordance with ASU 2016-14, certain prior-year balances in the components of temporarily and permanently restricted net assets have been reclassified to conform to the current-year presentation.

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
<i>As previously presented</i>			
Unrestricted	\$ 2,485,727	\$ -	\$ 2,485,727
Temporarily restricted	-	18,906,117	18,906,117
Permanently restricted	-	491,495	491,495
Net assets reclassified	\$ 2,485,727	\$ 19,397,612	\$ 21,883,339

Accounting Standard Issued But Not Yet Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued in response to the diversity and difficulty in practice with regards to exchange transactions and unconditional and conditional contributions. The guidance for contributions received would be applicable to annual periods beginning after December 15, 2018 and the guidance for contributions made would be applicable to annual periods beginning after December 15, 2019. Management is currently evaluating the impact of this guidance on its financial statements.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
*(continued)*Subsequent Events

The Fund considers the 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 year end through November 14, 2019, the date on which the financial statements were available to be issued.

NOTE 2 INVESTMENTS

At each fiscal year end, investments at fair value consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 706	\$ 264,093
Mutual funds	15,957,434	12,024,736
Fixed-income securities	-	2,875,530
Equity securities	381,887	400,716
Dynamic assets	353,919	403,699
	<u>\$ 16,693,946</u>	<u>\$ 15,968,774</u>

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

	<u>Year Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 343,589	\$ 240,567
Realized gains (losses) on investments	29,162	(265)
Unrealized gains (losses) on investments	352,266	(40,269)
	<u>\$ 725,017</u>	<u>\$ 200,033</u>

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair value measurements. These valuation techniques are based on 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 hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 2 INVESTMENTS *(continued)*

Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The Fund's investments are subject to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term. The changes could materially affect the amounts reported in the accompanying financial statements.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. From fiscal year 2018 to 2019, there were no transfers among the fair value hierarchy levels.

The following tables summarize the fair values of the Fund's assets at each fiscal year end, in accordance with the ASC 820 valuation levels:

	June 30, 2019		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 706	\$ -	\$ 706
Mutual funds	15,957,434	-	15,957,434
Equity securities	381,887	-	381,887
Dynamic assets	-	353,919	353,919
Total	\$ 16,340,027	\$ 353,919	\$ 16,693,946
	June 30, 2018		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 264,093	\$ -	\$ 264,093
Mutual funds	12,024,736	-	12,024,736
Fixed-income securities	-	2,875,530	2,875,530
Equity securities	400,716	-	400,716
Dynamic assets	-	403,699	403,699
Total	\$ 12,689,545	\$ 3,279,229	\$ 15,968,774

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 3 CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Pledges of future contributions as of each fiscal year end, but not yet collected as of that date, were recorded as contributions and grants receivable. Outstanding pledges are expected to be collected as follows:

	June 30,	
	2019	2018
Less than one year	\$ 5,153,440	\$ 3,986,068
One to three years	5,845,739	3,732,739
Three years or more	1,396,668	1,246,668
	12,395,847	8,965,475
Fair value adjustment	(425,294)	(555,045)
	<u>\$ 11,970,553</u>	<u>\$ 8,410,430</u>

NOTE 4 SIGNIFICANT SOURCES OF REVENUE

The Fund received grants from four significant private funders totaling \$9,439,265 and one significant private funder for \$1,330,000 for fiscal years 2019 and 2018, respectively. Such grants have represented approximately 52% and 14% of contributions and grants revenue of \$18,149,561 and \$9,433,983 in fiscal years 2019 and 2018, respectively. The contributions and grants receivable from these private funders in the amounts of \$5,947,115 and \$1,200,000 represented approximately 50% and 14% of total contributions and grants receivable, net at June 30, 2019 and 2018, respectively.

NOTE 5 EMPLOYEE BENEFIT PLAN

The Fund has a defined-contribution pension plan qualified under Section 403(b) of the Internal Revenue Code, and contributes a matching amount equal to 5% of each eligible employee's annual compensation. The Fund's contributions for fiscal years 2019 and 2018 were approximately \$22,300 and \$22,400, respectively.

NOTE 6 CREDIT RISK

The Fund places its cash investment with a high credit quality financial institution. At times, the balance in such account may exceed federally insured limits. The Fund's management believes that there is no substantial risk of loss associated with the failure of this financial institution.

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 7 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Fund's financial assets available within one year of the statements of financial position date for general expenditure as of December 31, are as follows:

	<u>2019</u>
Cash and cash equivalents	\$ 7,089,344
Investments	16,693,946
Contributions and grants receivable	5,153,440
Less: Endowments	<u>(566,992)</u>
Total financial assets available	<u>\$ 28,369,738</u>

The Foundation structures its financial assets to be available as its expenditures become due. The Foundation maintains enough liquidity in cash and cash equivalents to at least cover planned expenditures for the next 12 months.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year end, net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<i>Purpose restricted</i>		
Central	\$ 6,209,320	\$ 5,661,022
School-based	4,068,130	3,906,059
Scholarships	889,610	748,221
Time and purpose restricted	11,805,568	8,590,815
Scholarships	391,495	391,495
Central	<u>100,000</u>	<u>100,000</u>
	<u>\$ 23,464,123</u>	<u>\$ 19,397,612</u>

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS *(continued)*

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

	Year Ended June 30,	
	2019	2018
<i>Purpose restricted</i>		
Central	\$ 3,346,446	\$ 5,342,914
School-based	4,553,882	2,069,215
Scholarships	120,578	92,090
Time and purpose restricted	6,200,836	6,947,021
	<u>14,221,742</u>	<u>14,451,240</u>
Accumulated endowment income appropriated	(400)	(19,640)
	<u>\$ 14,221,342</u>	<u>\$ 14,431,600</u>

NOTE 9 ACCOUNTING AND REPORTING FOR ENDOWMENTS

The Endowments

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

Interpretation of Relevant Law

NYPMIFA is applicable to all of the Fund's institutional funds, including its donor-restricted endowment funds. The Board of Directors adheres to NYPMIFA's requirements.

Changes in Endowment Net Assets during Each Fiscal Year

For the years ended June 30, 2019 and 2018:

	2019
	With Donor Restrictions
Endowment net assets, beginning of year	\$ 550,099
Investment income	17,293
Amounts appropriated for expenditure	(400)
Endowment net assets, end of year	<u>\$ 566,992</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

NOTE 9 ACCOUNTING AND REPORTING FOR ENDOWMENTS *(continued)*

Changes in Endowment Net Assets during Each Fiscal Year *(continued)*

	<u>2018</u>
	<u>With Donor</u>
	<u>Restrictions</u>
Endowment net assets, beginning of year	\$ 627,340
Investment income	20,404
Amounts released from permanently restricted	(78,005)
Amounts appropriated for expenditure	(19,640)
Endowment net assets, end of year	\$ 550,099

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. Under the terms of NYPMIFA, the Fund has no responsibility to restore such decreases in value. At June 30, 2019 and 2018, there were no deficiencies of this nature.

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 low level of investment risk.

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 mainly targets fixed-income mutual funds to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and Relation to the Investment Objectives

The Fund evaluates its funding requirements on an annual basis and, accordingly, draws from its endowment appreciation on an as-needed basis. This is consistent with the Fund's objective to maintain the program requirement of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
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NOTE 10 COMMITMENTS

In the normal course of business, the Fund enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

