

THE FUND FOR PUBLIC SCHOOLS, INC.

**Financial Statements
For the Years Ended June 30, 2017 and 2016
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

THE FUND FOR PUBLIC SCHOOLS, INC.
Financial Statements
Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Fund for Public Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Fund for Public Schools, Inc. (the Fund), which comprise the statement of financial position as of June 30, 2017, 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 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.

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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 Public Schools, Inc. 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.

Other Matter

The financial statements of The Fund for Public Schools, Inc. as of and for the year ended June 30, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on November 9, 2016.

Mitchell Titus, LLP

March 9, 2018

THE FUND FOR PUBLIC SCHOOLS, INC.
 Statements of Financial Position
 As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 6,895,352	\$ 2,222,260
Investments	15,927,400	28,023,419
Contributions and grants receivable, net	10,904,495	10,471,304
Prepaid expenses and other assets	32,807	29,215
Property and equipment, net of accumulated depreciation of \$15,465 at June 30, 2017	<u>9,927</u>	<u>-</u>
Total assets	<u><u>\$ 33,769,981</u></u>	<u><u>\$ 40,746,198</u></u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
<i>Current liabilities</i>		
Accounts payable and other liabilities	\$ 79,189	\$ 123,166
Grants payable	<u>6,012,170</u>	<u>8,916,598</u>
Total liabilities	<u>6,091,359</u>	<u>9,039,764</u>
<i>Net assets</i>		
Unrestricted	3,445,722	5,005,238
Temporarily restricted	23,663,400	26,131,696
Permanently restricted	<u>569,500</u>	<u>569,500</u>
Total net assets	<u>27,678,622</u>	<u>31,706,434</u>
Total liabilities and net assets	<u><u>\$ 33,769,981</u></u>	<u><u>\$ 40,746,198</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, 2017 and 2016

	Year Ended June 30,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Support and revenue</i>								
Contributions and grants	\$ -	\$ 14,360,893	\$ -	\$ 14,360,893	\$ -	\$ 16,754,463	\$ 78,005	\$ 16,832,468
Administrative fee	783,371	-	-	783,371	718,982	-	-	718,982
Donated goods and services	928,582	254,734	-	1,183,316	988,883	-	-	988,883
Investment income	11,193	320,677	-	331,870	1,036,028	237,274	-	1,273,302
Support and revenue before release from restrictions	1,723,146	14,936,304	-	16,659,450	2,743,893	16,991,737	78,005	19,813,635
Net assets released from restrictions	17,404,600	(17,404,600)	-	-	18,796,075	(18,796,075)	-	-
Total support and revenue	19,127,746	(2,468,296)	-	16,659,450	21,539,968	(1,804,338)	78,005	19,813,635
<i>Expenses</i>								
Program services	17,706,121	-	-	17,706,121	18,485,564	-	-	18,485,564
Management and general	1,371,065	-	-	1,371,065	1,812,289	-	-	1,812,289
Fund-raising	1,610,076	-	-	1,610,076	839,972	-	-	839,972
Total expenses	20,687,262	-	-	20,687,262	21,137,825	-	-	21,137,825
Increase in net assets before cancelled grant	(1,559,516)	(2,468,296)	-	(4,027,812)	402,143	(1,804,338)	78,005	(1,324,190)
Cancelled grant	-	-	-	-	-	-	-	-
Change in net assets								
Net assets - beginning of year	(1,559,516)	(2,468,296)	-	(4,027,812)	402,143	(1,804,338)	78,005	(1,324,190)
Net assets - end of year	5,005,238	26,131,696	569,500	31,706,434	4,603,095	27,936,034	491,495	33,030,624
	\$ 3,445,722	\$ 23,663,400	\$ 569,500	\$ 27,678,622	\$ 5,005,238	\$ 26,131,696	\$ 569,500	\$ 31,706,434

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, 2017 and 2016

Account Description	Year Ended June 30,							
	2017				2016			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Grants	\$ 17,447,464	\$ -	\$ -	\$ 17,447,464	\$ 18,476,014	\$ -	\$ -	\$ 18,476,014
Salaries and fringe benefits	3,922	415,640	675,274	1,094,836	9,214	699,073	224,551	932,838
Donated goods and services	254,735	130,457	798,124	1,183,316	-	450,409	538,474	988,883
Professional fees	-	99,805	129,858	229,663	-	366,440	66,800	433,240
Travel and meals	-	1,862	1,762	3,624	-	2,928	4,152	7,080
Professional development	-	41,035	3,332	44,367	-	2,516	5,995	8,511
Insurance	-	17,326	-	17,326	-	17,353	-	17,353
Loss on re-granted contribution	-	571,180	-	571,180	-	209,536	-	209,536
Miscellaneous	-	93,760	1,726	95,486	336	64,034	-	64,370
Total expenses	\$ 17,706,121	\$ 1,371,065	\$ 1,610,076	\$ 20,687,262	\$ 18,485,564	\$ 1,812,289	\$ 839,972	\$ 21,137,825

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (4,027,812)	\$ (1,324,190)
<i>Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities</i>		
Depreciation	1,558	553
Net realized and unrealized losses on investment	251,410	1,056,154
Contributions restricted for endowment	-	(78,005)
Loss on re-granted contribution	571,180	209,536
<i>Changes in</i>		
Contributions and grants receivable	(1,004,371)	(4,037,076)
Prepaid expenses and other assets	(3,592)	43,756
Accounts payable and other liabilities	(43,977)	(29,400)
Grants payable	<u>(2,904,428)</u>	<u>(2,916,730)</u>
Net cash used in operating activities	<u>(7,160,032)</u>	<u>(7,075,402)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	20,290,388	10,609,650
Purchases of investments	(8,445,778)	(3,748,181)
Purchase of property and equipment	<u>(11,486)</u>	<u>-</u>
Net cash provided by investing activities	<u>11,833,124</u>	<u>6,861,469</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	<u>-</u>	<u>78,005</u>
Net increase (decrease) in cash	4,673,092	(135,928)
Cash, beginning of year	<u>2,222,260</u>	<u>2,358,188</u>
Cash, end of year	<u>\$ 6,895,352</u>	<u>\$ 2,222,260</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, 2017 and 2016

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 as applicable to not-for-profit entities.

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.

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 and equity funds are reported at their fair values. Realized and unrealized gains and losses are included in the accompanying statements of activities.

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.

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

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

Investments *(continued)*

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 consisting of computer equipment is stated at their original costs or if contributed, at their fair value at the dates of donation. Minor costs of repairs and maintenance 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, 2017 and 2016, this accrued vacation obligation was \$19,089 and \$19,033, 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 to the Fund at the time they are approved. Grants approved but unpaid, were \$6,012,170 and \$8,916,598 at June 30, 2017 and 2016, respectively. Grants are generally payable within one year of approval.

Net Assets

(i) Unrestricted

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

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

Net Assets *(continued)*

(ii) Temporarily restricted

Temporarily restricted net assets 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as “net assets released from restrictions.”

(iii) Permanently restricted

Permanently restricted net assets represent those resources the principal of which is originally restricted in perpetuity by donors. 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 temporarily restricted 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 either temporarily or permanently restricted 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 a single year are recorded as 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 unrestricted use unless the donor or granter restricts the use thereof, either on a temporary or permanent basis.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

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

Revenue Recognition (continued)

(ii) *Administrative management fee*

The Fund collects an administrative management fee of up to 7% on grants received to cover administrative overhead costs. Administrative management fees of \$783,371 and \$718,982 received during fiscal years 2017 and 2016, 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 unrestricted support unless the donor has restricted the donated assets 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 2017 and 2016, the Fund received donated services, consisting primarily of financial and administration services from the Education Department and from a law firm, of approximately \$928,582 and \$943,978, respectively. The Fund also received donated goods, consisting of athletic clothing during 2017 valued at approximately \$254,734 and computer tablets during 2016 valued at approximately \$44,905.

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 services 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 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, 2017 and 2016

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, 2014.

Accounting Standards Issued But Not Yet Adopted

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. Management is currently evaluating the impact of this guidance on its financial statements.

Reclassification

Certain prior-year balance sheet amounts have been reclassified to conform to current year's presentation.

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 March 9, 2018, the date on which the financial statements were available to be issued.

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 111,214	\$ 1,312
Mutual funds	12,309,688	27,596,258
Fixed-income securities	2,563,711	-
Equity securities	480,434	-
Dynamic assets	462,353	425,849
	<u>\$ 15,927,400</u>	<u>\$ 28,023,419</u>

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

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 583,280	\$ 2,329,456
Realized losses on investments	(817,872)	(24,000)
Unrealized gains (losses) on investments	566,462	(1,032,154)
	<u>\$ 331,870</u>	<u>\$ 1,273,302</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.
- 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 FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 2 INVESTMENTS *(continued)*

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 and that such 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. For fiscal years 2017 and 2016, there were no transfers among the fair value hierarchy levels.

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

	June 30, 2017		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 111,214	\$ -	\$ 111,214
Mutual funds	12,309,688	-	12,309,688
Fixed-income securities	-	2,563,711	2,563,711
Equity securities	480,434	-	480,434
Dynamic assets	-	462,353	462,353
Total	\$ 12,901,336	\$ 3,026,064	\$ 15,927,400
	June 30, 2016		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,312	\$ -	\$ 1,312
<i>Mutual funds</i>			
Fixed-income securities	26,845,462	-	26,845,462
Equity securities	750,796	-	750,796
Dynamic assets	-	425,849	425,849
Total	\$ 27,597,570	\$ 425,849	\$ 28,023,419

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

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,	
	2017	2016
Less than one year	\$ 4,872,879	\$ 6,688,014
One to three years	4,744,797	2,582,557
Three years or more	2,004,284	2,092,713
	11,621,960	11,363,284
Fair value adjustment	(717,465)	(891,980)
	<u>\$ 10,904,495</u>	<u>\$ 10,471,304</u>

In fiscal year 2012, the Fund received a \$24,260,302 conditional grant restricted to the Fund's Expanded Success Initiative (ESI), part of New York City's Young Men's Initiative (YMI). Under this agreement, certain conditions had to be met by the Fund each year, including raising \$30,000,000 in matching funds at implementation, in order for the grant to be continued each year. The Fund has met all the obligations to date, and, through June 30, 2016, the Fund had received the entire amount of the funds for this grant.

NOTE 4 SIGNIFICANT SOURCES OF REVENUE

The Fund received grants from one private funder totaling \$2,689,000 for fiscal year 2017 and grants from two private funders totaling \$10,164,382 for fiscal years 2016. Such grants have represented approximately 19% and 62% of contributions and grants revenue of \$14,360,893 and \$16,832,468 in fiscal years 2017 and 2016, respectively. The contributions and grants receivable from these private funders in the amounts of \$2,000,000 and \$8,431,843 represented approximately 18% and 81% of total contributions and grants receivable, net at June 30, 2017 and 2016, 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 contribution for fiscal years 2017 and 2016 was approximately \$44,000 and \$35,000, respectively.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

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.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2017	2016
<i>Purpose restricted</i>		
Central	\$ 9,198,773	\$ 12,081,964
School-based	3,134,375	2,312,338
Scholarships	392,704	1,246,429
Time-restricted	<u>10,937,548</u>	<u>10,490,965</u>
	<u>\$ 23,663,400</u>	<u>\$ 26,131,696</u>

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

	Year Ended June 30,	
	2017	2016
<i>Purpose restricted</i>		
Central	\$ 15,574,688	\$ 17,119,528
School-based	1,555,056	1,324,144
Scholarships	290,159	364,625
Time-restricted	<u>-</u>	<u>75,720</u>
	17,419,903	18,884,017
Accumulated endowment income appropriated	<u>(15,303)</u>	<u>(87,942)</u>
	<u>\$ 17,404,600</u>	<u>\$ 18,796,075</u>

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Scholarships	\$ 469,500	\$ 469,500
Central	100,000	100,000
	<u>\$ 569,500</u>	<u>\$ 569,500</u>

NOTE 9 ACCOUNTING AND REPORTING FOR ENDOWMENTS

The Endowments

The Fund's endowment funds consist of six donor-restricted funds, 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

	<u>Year Ended June 30, 2017</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets.			
beginning of year	\$ 48,301	\$ 569,500	\$ 617,801
Investment income	24,842	-	24,842
Amounts appropriated for expenditure	<u>(15,303)</u>	<u>-</u>	<u>(15,303)</u>
Endowment net assets, end of year	<u>\$ 57,840</u>	<u>\$ 569,500</u>	<u>\$ 627,340</u>

THE FUND FOR PUBLIC SCHOOLS, INC.
Notes to Financial Statements
Years Ended June 30, 2017 and 2016

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

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

	Year Ended June 30, 2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets.			
beginning of year	\$ 87,942	\$ 491,495	\$ 579,437
Contributions	-	78,005	78,005
Investment income	48,301	-	48,301
Amounts appropriated for expenditure	(87,942)	-	(87,942)
Endowment net assets, end of year	\$ 48,301	\$ 569,500	\$ 617,801

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, 2017 and 2016, 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.

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

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 purchasing power 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.

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.

NOTE 11 LOSS ON RE-GRANTED CONTRIBUTIONS

The iPD Challenge program received excess funding above its expenditures of \$571,180. The program was extended on a no-cost basis with the excess funding re-granted to Continuous Learning, by the Bill and Melinda Gates Foundation.

