



THE FUND FOR PUBLIC SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Fund for Public Schools, Inc.
New York, New York

Report on the Financial Statements

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, 2016 and 2015, 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

The Fund's 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the organization'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 organization'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 Public Schools, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
November 9, 2016

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Financial Position

	June 30,	
	2016	2015
ASSETS		
Cash	\$ 2,222,260	\$ 2,358,188
Investments	28,023,419	35,941,042
Contributions and grants receivable, net	10,471,304	6,643,764
Property and equipment, net		553
Prepaid expenses and other assets	29,215	72,971
	<u>\$ 40,746,198</u>	<u>\$ 45,016,518</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 123,166	\$ 152,566
Grants payable	8,916,598	11,833,328
	<u>9,039,764</u>	<u>11,985,894</u>
Total liabilities		
Commitments (Note J)		
Net assets:		
Unrestricted	5,005,238	4,603,095
Temporarily restricted	26,131,696	27,936,034
Permanently restricted	569,500	491,495
	<u>31,706,434</u>	<u>33,030,624</u>
Total net assets	<u>\$ 40,746,198</u>	<u>\$ 45,016,518</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Activities

Year Ended June 30,							
2016				2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:							
Contributions and grants	\$ 16,754,463	\$ 78,005	\$ 16,832,468		\$ 20,665,107	\$ 12,500	\$ 20,677,607
Administrative management fee	\$ 718,982		718,982	\$ 1,083,706			1,083,706
Donated goods and services	988,883		988,883	320,966	126,499		447,465
Investment income	1,036,028	237,274	1,273,302	271,676	230,707		502,383
Support and revenue before release from restrictions	2,743,893	16,991,737	78,005	19,813,635	1,676,348	21,022,313	22,711,161
Net assets released from restrictions	18,796,075	(18,796,075)	0	27,307,651	(27,307,651)		0
Total support and revenue	21,539,968	(1,804,338)	78,005	19,813,635	28,983,999	(6,285,338)	22,711,161
Expenses:							
Program services	18,485,564		18,485,564	25,044,501			25,044,501
Management and general	1,812,289		1,812,289	1,250,221			1,250,221
Fund-raising	839,972		839,972	354,783			354,783
Total expenses	21,137,825		21,137,825	26,649,505			26,649,505
Change in net assets before cancelled grant:							
Cancelled grant (see Note E)	402,143	(1,804,338)	78,005	(1,324,190)	2,334,494	12,500	(3,938,344)
				(2,359,419)	(6,285,338)		(2,359,419)
Change in net assets	402,143	(1,804,338)	78,005	(1,324,190)	(24,925)	12,500	(6,297,763)
Net assets, beginning of year	4,603,095	27,936,034	491,495	33,030,624	4,628,020	478,995	39,328,387
Net assets, end of year	\$ 5,005,238	\$ 26,131,696	\$ 569,500	\$ 31,706,434	\$ 4,603,095	\$ 27,936,034	\$ 33,030,624

See notes to financial statements.

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Functional Expenses

	Year Ended June 30,							
	2016				2015			
	Program Services	Management and General	Fund- raising	Total	Program Services	Management and General	Fund- raising	Total
Grants	\$ 18,476,014			\$ 18,476,014	\$ 24,906,140			\$ 24,906,140
Salaries and related benefits	9,214	\$ 699,073	\$ 224,551	932,838	11,553	\$ 839,896	\$ 152,050	1,003,499
Donated goods and services		450,409	538,474	988,883	126,499	148,580	172,386	447,465
Professional fees		366,440	66,800	433,240		193,008	22,988	215,996
Travel and meals		2,928	4,152	7,080		3,314	5,706	9,020
Professional development		2,516	5,995	8,511		3,718	1,608	5,326
Insurance		17,353		17,353		13,841		13,841
Bad debts expense		209,536		209,536				
Miscellaneous	336	64,034		64,370	309	47,864	45	48,218
Total expenses	<u>\$ 18,485,564</u>	<u>\$ 1,812,289</u>	<u>\$ 839,972</u>	<u>\$ 21,137,825</u>	<u>\$ 25,044,501</u>	<u>\$ 1,250,221</u>	<u>\$ 354,783</u>	<u>\$ 26,649,505</u>

See notes to financial statements.

THE FUND FOR PUBLIC SCHOOLS, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Decrease in net assets	\$ (1,324,190)	\$ (6,297,763)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities:		
Depreciation	553	959
Net realized and unrealized losses on investments	1,056,154	765,624
Donated marketable securities		9,906
Proceeds from sales of donated marketable securities		(9,906)
Contributions restricted for endowment	(78,005)	(12,500)
Cancelled grant		1,384,700
Bad debts	209,536	
Changes in:		
Contributions and grants receivable	(4,037,076)	2,156,545
Prepaid expenses and other assets	43,756	(54,765)
Accounts payable and other liabilities	(29,400)	(55,485)
Grants payable	(2,916,730)	(2,375,465)
Net cash used in operating activities	(7,075,402)	(4,488,150)
Cash flows from investing activities:		
Proceeds from sales of investments	10,609,650	4,801,126
Purchases of investments	(3,748,181)	(1,291,539)
Purchase of property and equipment		(830)
Net cash provided by investing activities	6,861,469	3,508,757
Cash flows from financing activities:		
Contributions restricted for endowment	78,005	12,500
Decrease in cash	(135,928)	(966,893)
Cash, beginning of year	2,358,188	3,325,081
Cash, end of year	\$ 2,222,260	\$ 2,358,188
Supplemental disclosure of cash flow information:		
Donated goods and services	\$ 688,883	\$ 447,465

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Located in New York City, The Fund for Public Schools, Inc. (the "Fund"), a not-for-profit organization, was established in New York in 1982 to facilitate the collection of private-sector grants and gifts and the disbursement of such funds as needed to finance certain educational programs 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 systemwide 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.

[2] 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.

[3] 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.

[4] 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, consisting of fixed-income and equity funds, and mutual funds are reported at their 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.

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.

[5] 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. As of June 30, 2016, the Fund's property and equipment are fully depreciated but still currently in use.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

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

[6] 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, 2016 and 2015, this accrued vacation obligation was \$19,000 and \$39,000, respectively, and was reported as part of accounts payable and other liabilities in the accompanying statements of financial position.

[7] Grants payable:

Grants are recognized as an obligation to the Fund at the time they are approved. Grants approved but unpaid, were approximately \$8,900,000 and \$11,800,000 at June 30, 2016 and 2015, respectively. Grants are generally payable within one year of approval.

[8] Net assets:

(i) *Unrestricted:*

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

(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.

[9] 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 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 grantor restricts the use thereof, either on a temporary or permanent basis.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

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

[9] 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 \$718,982 and \$1,083,706 received during fiscal-years 2016 and 2015, respectively, have been included in the accompanying statements of activities.

[10] 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 2016 and 2015, the Fund received donated services, consisting primarily of financial and administration services from the Education Department and from a law firm, of approximately \$944,000 and \$321,000, respectively. The Fund also received donated goods, consisting of SAT prep books and tickets during 2016 valued at approximately \$45,000 and computer tablets during 2015 valued at approximately \$126,000.

[11] 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.

[12] Income tax uncertainties:

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

[13] New accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. 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. The Fund has elected not to early adopt ASU 2016-14.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

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

[14] 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 9, 2016, the date on which the financial statements were available to be issued.

NOTE B - INVESTMENTS

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

	June 30,			
	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 1,312	\$ 1,312		
Mutual funds:				
Fixed-income securities	26,845,462	28,928,700	\$ 35,784,783	\$ 36,798,779
Equity securities	750,796	724,249	156,259	161,451
Dynamic assets	425,849	420,500		
	<u>\$ 28,023,419</u>	<u>\$ 30,074,761</u>	<u>\$ 35,941,042</u>	<u>\$ 36,960,230</u>

As disclosed above, the Fund's investments at fair value included concentrations solely in mutual funds of 96% and 99% at June 30, 2016 and 2015, respectively.

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

	Year Ended June 30,	
	2016	2015
Interest and dividends	\$ 2,329,456	\$ 1,268,007
Realized losses on investments	(24,000)	(138,954)
Unrealized losses on investments	<u>(1,032,154)</u>	<u>(626,670)</u>
	<u>\$ 1,273,302</u>	<u>\$ 502,383</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.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE B - INVESTMENTS (CONTINUED)

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 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 2016 and 2015, 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, 2016		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 1,312		\$ 1,312
Mutual funds:			
Fixed-income securities	26,845,462		26,845,462
Equity securities	750,796		750,796
Dynamic assets		\$ 425,849	425,849
Total	<u>\$ 27,597,570</u>	<u>\$ 425,849</u>	<u>\$ 28,023,419</u>

The Fund's investments were valued entirely under Level 1 of the fair-value hierarchy at June 30, 2015.

NOTE C - CONTRIBUTIONS AND GRANTS RECEIVABLE

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,	
	2016	2015
Less than one year	\$ 6,688,014	\$ 6,200,401
One to three years	2,582,557	498,163
Three years or more	<u>2,092,713</u>	
	11,363,284	6,698,564
Allowance for doubtful accounts	(209,536)	
Present value discount at 3.7% and 6%	<u>(682,444)</u>	<u>(54,800)</u>
	<u>\$ 10,471,304</u>	<u>\$ 6,643,764</u>

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE C - CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)

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 D - SIGNIFICANT SOURCES OF REVENUE

The Fund received grants from two private funders totaling \$10,164,382 and \$9,053,744, for fiscal-years 2016 and 2015, respectively. Such grants have represented approximately 60% and 41% of contributions and grants revenue of \$16,832,468 and \$20,677,607 in fiscal-years 2016 and 2015, respectively. The contributions and grants receivable from these two private funders in the amounts of \$8,431,843 and \$3,868,571 represented approximately 81% and 58% of total contributions and grants receivable at June 30, 2016 and 2015, respectively.

NOTE E - CANCELED GRANT

During fiscal-year 2014, the Fund received a \$3,000,000 grant from a private donor, payable over three years. During fiscal-year 2014, the Fund received \$1,615,300 for the grant. However during fiscal-year 2015, the funder decided to pursue its objective through alternative means. Accordingly, the Fund agreed to return unspent funds of \$998,135 and wrote off the remaining receivable balance of \$1,384,700. The loss of \$2,359,419 relating to the cancelled grant is reported in the accompanying statements.

NOTE F - 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 2016 and 2015 was approximately \$35,000 and \$38,000, respectively.

NOTE G - 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 June 30, 2016 and 2015

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2016	2015
Purpose restricted:		
Central	\$ 12,081,964	\$ 20,118,731
School-based	2,312,338	221,403
Scholarships	1,246,429	1,180,456
Time-restricted	<u>10,490,965</u>	<u>6,327,502</u>
	26,131,696	27,848,092
Accumulated endowment income reserved for appropriation		<u>87,942</u>
	<u>\$ 26,131,696</u>	<u>\$ 27,936,034</u>

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

	Year Ended June 30,	
	2016	2015
Purpose restricted:		
Central	\$ 17,031,586	\$ 25,378,366
School-based	1,324,144	319,350
Scholarships	364,625	339,007
Time-restricted	<u>75,720</u>	<u>1,261,638</u>
	18,796,075	27,298,361
Accumulated endowment income appropriated		<u>9,290</u>
	<u>\$ 18,796,075</u>	<u>\$ 27,307,651</u>

NOTE I - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowments:

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

[2] 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.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE I - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Changes in endowment net assets during each fiscal year:

	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
Amounts appropriated for expenditure	(87,942)		(87,942)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 569,500</u>	<u>\$ 569,500</u>

	Year Ended June 30, 2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 88,773	\$ 478,995	\$ 567,768
Contributions		12,500	12,500
Investment income	8,459		8,459
Amounts appropriated for expenditure	(9,290)		(9,290)
Endowment net assets, end of year	<u>\$ 87,942</u>	<u>\$ 491,495</u>	<u>\$ 579,437</u>

[4] 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, 2016, and 2015, there were no deficiencies of this nature.

[5] 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.

[6] 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.

[7] 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.

THE FUND FOR PUBLIC SCHOOLS, INC.

Notes to Financial Statements June 30, 2016 and 2015

NOTE J - 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.