

**The Philadelphia Schools Project  
(d/b/a Philadelphia School Partnership)**

Financial Report  
December 31, 2015

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
The Philadelphia Schools Project  
(d/b/a Philadelphia School Partnership)  
Philadelphia, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of The Philadelphia Schools Project (d/b/a Philadelphia School Partnership), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements (collectively, 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 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 Philadelphia Schools Project (d/b/a Philadelphia School Partnership) as of December 31, 2015 and 2014, 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.

*RSM US LLP*

Blue Bell, Pennsylvania  
October 24, 2016

The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

Statements of Financial Position  
December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,535,874	\$ 8,054,616
Investments	-	560,050
Contributions receivable	1,767,712	2,480,055
Due from affiliate	26,260	20,520
Prepaid expenses	25,592	39,894
<b>Total current assets</b>	<b>13,355,438</b>	<b>11,155,135</b>
Noncurrent assets:		
Contributions receivable, net of current portion	405,629	1,655,607
Furniture, equipment, and leasehold improvements, net of accumulated depreciation of \$125,736 in 2015 and \$105,097 in 2014	28,551	36,089
Other assets, net of accumulated amortization of \$68,189 in 2015 and \$53,794 in 2014	42,500	14,396
Security deposit	2,864	2,864
<b>Total noncurrent assets</b>	<b>479,544</b>	<b>1,708,956</b>
<b>Total assets</b>	<b>\$ 13,834,982</b>	<b>\$ 12,864,091</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 150,028	\$ 466,030
Grants payable	1,388,670	1,963,987
<b>Total current liabilities</b>	<b>1,538,698</b>	<b>2,430,017</b>
Commitments (Notes 11 and 12)		
Net assets:		
Unrestricted	7,981,258	5,119,454
Temporarily restricted	4,315,026	5,314,620
<b>Total net assets</b>	<b>12,296,284</b>	<b>10,434,074</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,834,982</b>	<b>\$ 12,864,091</b>

See notes to financial statements.

The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

Statements of Activities  
Year Ended December 31, 2015

	2015		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 13,607,447	\$ 2,615,745	\$ 16,223,192
Donated services	1,500	-	1,500
Other income	7,400	-	7,400
Contractual services - affiliate	210,005	-	210,005
Interest income	3,236	-	3,236
Net assets released from restriction	3,615,339	(3,615,339)	-
<b>Total support and revenue</b>	<b>17,444,927</b>	<b>(999,594)</b>	<b>16,445,333</b>
Operating expenses:			
Great Schools Fund - Investments	7,073,212	-	7,073,212
Other special purpose grants	1,453,311	-	1,453,311
Talent and Collaboration grants	1,128,852	-	1,128,852
Staff expenses	1,683,990	-	1,683,990
Professional services	2,741,416	-	2,741,416
Information technology	20,824	-	20,824
Marketing and communications	220,481	-	220,481
Rent	61,713	-	61,713
Travel and meetings	38,658	-	38,658
Office	100,917	-	100,917
Insurance	24,715	-	24,715
Depreciation and amortization	35,034	-	35,034
<b>Total operating expenses</b>	<b>14,583,123</b>	<b>-</b>	<b>14,583,123</b>
<b>Change in net assets</b>	<b>2,861,804</b>	<b>(999,594)</b>	<b>1,862,210</b>
Net assets, beginning	5,119,454	5,314,620	10,434,074
Net assets, ending	<b>\$ 7,981,258</b>	<b>\$ 4,315,026</b>	<b>\$ 12,296,284</b>

See notes to financial statements.

The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

Statements of Activities  
Year Ended December 31, 2014

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 6,204,594	\$ 1,021,542	\$ 7,226,136
Donated services	1,473	-	1,473
Other income	2,400	-	2,400
Contractual services - affiliate	51,126	-	51,126
Interest income	2,728	-	2,728
Net assets released from restriction	3,607,556	(3,607,556)	-
<b>Total support and revenue</b>	<b>9,869,877</b>	<b>(2,586,014)</b>	<b>7,283,863</b>
Operating expenses:			
Great Schools Fund - Investments	11,195,745	-	11,195,745
Other special purpose grants	506,045	-	506,045
Talent and Collaboration grants	470,000	-	470,000
Staff expenses	1,528,897	-	1,528,897
Professional services	2,485,407	-	2,485,407
Information technology	23,881	-	23,881
Marketing and communications	418,418	-	418,418
Rent	57,900	-	57,900
Travel and meetings	56,825	-	56,825
Office	97,804	-	97,804
Insurance	15,919	-	15,919
Depreciation and amortization	62,209	-	62,209
<b>Total operating expenses</b>	<b>16,919,050</b>	<b>-</b>	<b>16,919,050</b>
<b>Change in net assets</b>	<b>(7,049,173)</b>	<b>(2,586,014)</b>	<b>(9,635,187)</b>
Net assets, beginning	12,168,627	7,900,634	20,069,261
Net assets, ending	<b>\$ 5,119,454</b>	<b>\$ 5,314,620</b>	<b>\$ 10,434,074</b>

See notes to financial statements.

The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

Statements of Cash Flows  
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 1,862,210	\$ (9,635,187)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,639	44,026
Amortization	14,395	18,183
Donated investments sold after year end	560,050	(560,050)
Changes in operating assets and liabilities:		
Contributions receivable	1,962,321	2,804,887
Due from affiliate	(5,740)	(20,520)
Prepaid expenses	14,302	(22,442)
Accounts payable and accrued expenses	(330,201)	(90,989)
Grants payable	(575,317)	1,047,937
<b>Net cash provided by (used in) operating activities</b>	<b>3,522,659</b>	<b>(6,414,155)</b>
Cash flows from investing activities:		
Purchase of furniture and equipment	(13,101)	(2,474)
Purchase of other assets	(28,300)	-
<b>Net cash used in investing activities</b>	<b>(41,401)</b>	<b>(2,474)</b>
<b>Net increase (decrease) in cash</b>	<b>3,481,258</b>	<b>(6,416,629)</b>
Cash, beginning	8,054,616	14,471,245
Cash, ending	<u>\$ 11,535,874</u>	<u>\$ 8,054,616</u>
Supplemental schedule of non-cash investing activities:		
Purchase of equipment that is included in accounts payable	\$ -	\$ 3,072
Purchase of other assets that are included in accounts payable	<u>\$ 14,199</u>	<u>\$ -</u>

See notes to financial statements.



## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies

**Organization and nature of activities:** The Philadelphia Schools Project (d/b/a Philadelphia School Partnership) (the Organization or PSP) was established as a Pennsylvania nonprofit organization on June 16, 2010. The Organization aims to expand the number of high performing schools in Philadelphia so that all children have access to a quality education and are well positioned to succeed in life, both while in school (including higher education) and after school. The Organization raises philanthropic funds and invests those funds in school operators and people that have the ability to create and maintain great schools across Philadelphia. The Organization also promotes and facilitates collaboration among school operators, especially around strategies to attract, develop and retain great talent, and it supports activities to engage and empower parents and guardians so that they can more effectively support and demand great schools for their children. Additionally, PSP engages in policy advocacy to support the creation and revision of policies to support quality schools. PSP's activities are funded through contributions and grants.

PSP is affiliated with Philadelphia School Advocacy Project (d/b/a Philadelphia School Advocacy Partners) (PSAP), an entity that was established in June 2014. See Note 14.

PSP's program activities are as follows:

**Great Schools Fund (School Investment):** PSP makes grants to school operators to support the launch of new schools, the expansion of great schools, and the turnaround of low-performing schools. The grants help to offset startup, growth and/or transformation costs; they can be disbursed at once or across several years, but they are not intended to cover recurring operating expenditures. The Organization conducts extensive due diligence on grant applicants before approving grants, including examination of quantitative and qualitative data on academic outcomes, analysis of student attendance, attrition, graduation and matriculation data, financial analysis, review of strategic growth plans, assessment of organizational leadership and capacity, interviews with school leaders and board members, and school site visits. PSP also makes "incubation" grants, which are smaller grants to support leadership teams and/or partnerships engaged in strategic planning and development for a new school, an expansion or a turnaround.

**Talent and Collaboration (formerly Great Schools Compact):** The Organization aims to leverage best practices by convening leaders from all types of schools and facilitating collaboration in the creation and implementation of initiatives to enable schools to operate more effectively. Much of PSP's efforts in this arena relate to the recruiting and training of school leaders and teachers. In collaboration with school operators, PSP manages several projects focused on developing and strengthening the skills of school leaders and teachers.

**GreatPhillySchools (formerly Parent Engagement):** PSP developed and now maintains a multimedia information resource that helps parents and guardians to learn about schools in Philadelphia. GreatPhillySchools, available online and in print, includes school profiles and performance ratings for more than 700 schools; it also features advice and answers to frequently asked questions on topics such as charter schools, scholarships, how to apply to high schools, interacting with a student's teacher, and much more. It is free to use and does not accept advertising.

**Advocacy and Government Relations (Advocacy):** To ensure that the conditions exist in Philadelphia and Pennsylvania to support the growth and improvement of quality schools, the Organization advocates in support of education-related policies. PSP's advocacy is always nonpartisan; it does not support or advocate on behalf of candidates for elected office.

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

A summary of the Organization's significant accounting policies is as follows:

**Basis of presentation:** The Organization reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, including functional allocations, during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** Cash and cash equivalents consist of cash accounts at financial institutions and a non-bank money market fund.

**Investments:** PSP reports its investments at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

**Level 1:** Quoted prices in active markets for identical assets or liabilities. This category includes debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

**Level 2:** Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose primary values are observable. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities, and liquid alternative investments.

**Level 3:** Instruments whose primary inputs to fair value are unobservable. This category generally includes certain private debt and equity funds and certain illiquid alternative investments.

**Contributions receivable:** Contributions receivable consists of unconditional promises received from donors. Management determines the allowance for uncollectible contributions based on management's estimate of realization of the underlying contributions. Individual contributions are written off when deemed uncollectible. Management considers the receivable to be fully collectible at December 31, 2015 and 2014.

**Due from affiliate:** Due from affiliate consists of amount due from PSAP under the terms of an agreement as described in Note 14. The receivable is recorded at the invoiced amount and does not bear interest. Management considers the receivable to be fully collectible at December 31, 2015 and 2014.

**Furniture, equipment and leasehold improvements:** Furniture, equipment and leasehold improvements are recorded at cost for purchased items, or if donated, at the estimated fair value at the date of donation. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, three (3) to five (5) years. Leasehold improvements are depreciated on a straight-line basis over the estimated useful lives or over the term of the office lease, whichever is shorter.

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Other assets:** Other assets consist of amounts expended for website development costs. The costs are being amortized on a straight-line basis over three years.

**Contributions:** Contributions, including unconditional promises to give, are recognized as revenue in the period the promises to give are received and as assets, decrease in liabilities or expenses depending on the form of the benefits received. Conditional contributions are not recognized until the conditions are satisfied.

Unconditional promises to give by donors (contributions receivable) are recorded at net realizable value if expected to be collected in one year. Contributions receivable that are expected to be collected over periods in excess of one year are recorded at the net present value of the estimated cash flows beyond one year using a risk-free rate of return appropriate for the expected term of the promise to give.

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 unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a temporary 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.

**Contributed services:** The Organization recognizes contributions of services received if such services (a) create or enhance non-financial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed. PSP recognized \$1,500 and \$1,473 of donated services in relation to a specific event held during 2015 and 2014, respectively.

**Grant expenses:** PSP awards grants, including Great Schools Fund-Investments, Talent and Collaboration grants, and other special purpose grants, to school operators and other nonprofit organizations. Grants are recognized as a payable and an expense when approved by the Board of Directors and communicated (promised) to the grant recipients. Payments to school operators and other nonprofit organizations are typically made at the same time or shortly thereafter.

**Income taxes:** The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no unrelated business income for the years ended December 31, 2015 and 2014.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 2. Concentration of Credit Risk

The Organization maintains cash and cash equivalents in one financial institution with insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and a non-bank money market fund that is uninsured. At December 31, 2015, the Organization has uninsured balances of approximately \$12,307,000 that are included in cash and cash equivalents.

#### Note 3. Investments

Investments are carried at fair value. Investments consist of shares in a bond exchange traded fund. The shares were contributed to the Organization on December 31, 2014. All shares in the fund were sold at the beginning of 2015. The fund has been classified in Level 1 of the fair value hierarchy because the fair values are based on quoted prices for identical securities.

Investments at December 31, 2014 consist of the following:

iShares Tips Bond ETF (5,000 shares)	<u>\$560,050</u>
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#### Note 4. Contributions Receivable

Contributions receivable consist of amounts expected to be collected at December 31, 2015 and 2014 as follows:

	2015	2014
Amounts due in:		
Less than one year	\$ 1,767,712	\$ 2,480,055
One to five years	414,491	1,679,534
Total contributions receivable	2,182,203	4,159,589
Less: unamortized discount	(8,862)	(23,927)
Total contributions receivable, net	<u>\$ 2,173,341</u>	<u>\$ 4,135,662</u>

Noncurrent receivables are discounted based on the Daily Treasury Yield Curve Rate on the date the contributions were made. Discount rates range from 0.47% to 1.67%.

#### Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted by the donors for time or purpose and consist of the following:

	2015	2014
Purpose restricted:		
Great Schools Fund - Investments	\$ 2,091,684	\$ -
Talent and Collaboration	103,001	1,501,989
Great Philly Schools	55,000	5,000
School Transformation	-	54,968
Time restricted	2,065,341	3,752,663
	<u>\$ 4,315,026</u>	<u>\$ 5,314,620</u>

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 6. Great Schools Fund – Investments

PSP's Great Schools Fund invests in school leadership teams that can demonstrate their capacity to create and lead schools that put and keep the vast majority of students on a path to postsecondary education and career success. After making grants, which the Fund refers to as school investments, PSP works closely with investees to monitor performance and to offer support as challenges arise.

Generally, the Great Schools Fund makes four types of investments (grants):

1. **Startup** – PSP supports the launch of new schools. Grants cover costs associated with planning and startup of a new school such as: facility acquisition/renovation, hiring, staff training, and school supplies. Applicants seeking startup funds should have a concrete school model and plan ready to execute.
2. **Growth** – PSP supports school expansions. Grants support building the leadership and operational capacity of existing successful schools and school operators so they can manage growth while maintaining high academic outcomes. Applicants seeking growth funds must already be operating a successful school(s).
3. **Turnaround** – PSP invests in the turnaround of low performing schools by talented teams. Turnaround grants are only made when individuals and teams have a strong track record of successful turnaround or experience successfully operating an urban school.
4. **Incubation** – PSP supports the earliest stages of new school idea development and planning. Grant funds support the completion of a school plan, development of a business plan, or drafting of a charter application, for example. Incubation grants may also support early stage startup activities.

**The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)**

**Notes to Financial Statements**

**Note 6. Great Schools Fund – Investments (Continued)**

During 2015, PSP awarded startup, growth, turnaround and incubation grants to various organizations as follows:

Grantee	Schools	Total Funding
American Paradigm Schools	First Philadelphia Preparatory Charter School	\$ 600,000
Boys' Latin of Philadelphia Charter School	Boys' Latin of Philadelphia Charter School	190,000
Esperanza Academy Charter School	Esperanza Academy Charter School	770,000
Faith in the Future Foundation	Ss. Neumann and Goretti High School	150,000
Folk Arts Cultural Treasures Charter School	Folk Arts Cultural Treasures Charter School	45,000
Freire Foundation	TECH Freire Charter School	765,000
Friends of G.W. Carver High School of Engineering and Science	G.W. Carver High School of Engineering and Science	163,697
Global Leadership Academy Charter School	Global Leadership Academy Charter School	35,000
Independence Charter School West	Independence Charter School West	233,000
Independence Mission Schools	De Paul School St. Thomas Aquinas	275,000
Inquiry Schools, Inc.	Science Leadership Academy at Beeber Science Leadership Academy Middle School	496,000
KIPP Administrative Services Corp.	KIPP West Philadelphia Elementary School	160,000
Mastery Charter Schools Foundation	Mastery Prep Middle School Hardy Williams Charter School	186,000
MaST Community Charter School	MaST Community Charter School	225,000
New Foundations Charter School	New Foundations Charter School	75,000
New Venture Fund	Building 21	777,500
Russell Byers Charter School	Russell Byers Charter School	45,000
School District of Philadelphia	Blaine Academics School Building 21 G.W. Carver High School of Engineering and Science Hill Freedman High School Roxborough High School William D. Kelley School	1,663,215
St. Mary Interparochial School	St. Mary Interparochial School	7,500
The City School	The City School	36,300
Wissahickon Charter School	Wissahickon Charter School	175,000
Total		<u>\$ 7,073,212</u>

**The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)**

**Notes to Financial Statements**

**Note 6. Great Schools Fund – Investments (Continued)**

During 2014, PSP awarded startup, growth, turnaround and incubation grants to various organizations as follows:

Grantee	Schools	Total Funding
American Paradigm Schools	First Philadelphia Preparatory Charter School	\$ 1,500,000
Boys' Latin of Philadelphia Charter School	Boys' Latin of Philadelphia Charter School	600,000
Cristo Rey Philadelphia High School	Cristo Rey Philadelphia High School	325,000
Esperanza Academy Charter School	Esperanza Academy Charter School	820,000
Freire Charter School	Freire Charter School	246,000
Friends of G.W. Carver High School of Engineering and Science	G.W. Carver High School of Engineering and Science	29,150
Independence Charter School	Independence Charter School	68,600
Independence Mission Schools	De Paul School	390,000
	St. Thomas Aquinas	
	St. Helena-Incarnation	
Inquiry Schools, Inc.	Science Leadership Academy	729,699
KIPP Philadelphia Charter School	KIPP Philadelphia Elementary Academy	780,000
	KIPP DuBois Collegiate Academy	
Liguori Academy	Liguori Academy	25,000
Mastery Charter Schools Foundation	Pastorius Elementary School	1,269,000
	Thomas Elementary School	
	Mastery Prep Middle School	
	George Clymer Elementary School	
	Cleveland Elementary School	
	Pickett Middle School	
New Foundation Charter School	New Foundation Charter School	500,000
	Building 21	194,600
Project Based Learning, Inc.	Workshop School	861,500
	Workshop School	
School District of Philadelphia	William D. Kelley School	2,000,496
	Blaine Academics School	
	Science Leadership Academy	
	Hill Freedman High School	
The City School	The City School	56,700
Wissahickon Charter School	Wissahickon Charter School	800,000
Total		<u>\$ 11,195,745</u>

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 7. Other Grants

PSP also awards special purpose grants to other organizations that meet and fall within the Organization's program activities. As with the school investments, PSP works closely with each grantee to monitor performance and to offer support toward the desired outcomes.

PSP awarded the following special purpose grants during 2015:

#### **Advocacy**

- African Americans for Educational Opportunities: to support parent outreach, education, empowerment and training for parents to lead advocacy efforts in Philadelphia.
- Philadelphia School Advocacy Partners: to support advocacy for increased school funding, the coordination and execution of a campaign to ensure new school funding is accompanied by accountability for educational equity, and advocacy and lobbying to support related school reform and student equity policies. See Note 14.

#### **Technical Assistance**

- Faith in the Future Foundation (for the Archdiocese of Philadelphia): to support the Archdiocese's pilot of a modern assessment test that would replace previous standardized tests.
- Project Based Learning, Inc.: to develop academic interventions aimed at increasing student proficiency on the Algebra Keystone exams, develop teacher coaching around Common Core instructional strategies, and improve integration of student data.
- Springboard Collaborative: to support the implementation of a literacy improvement program at the Samuel Powel Elementary School.
- Wissahickon Charter School: to increase teacher effectiveness and skills in the areas of engagement, classroom management and academic rigor through coaching and professional development

Grantee	Purpose	Total Funding
African Americans for Educational Opportunities	Advocacy	\$ 4,500
Faith in the Future Foundation	Technical Assistance	13,986
Project Based Learning, Inc.	Technical Assistance	23,200
Philadelphia School Advocacy Partners	Advocacy	1,345,000
Springboard Collaborative	Technical Assistance	10,000
Wissahickon Charter School	Technical Assistance	56,625
Total		<u>\$ 1,453,311</u>



## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 7. Other Grants (Continued)

PSP awarded the following special purpose grants during 2014:

##### ***Expanding Quality Schools***

To support high performing charter schools seeking to open new schools, PSP funded consulting and other expenses related to the submission of charter applications by:

- Boys' Latin Charter School of Philadelphia
- Esperanza Academy Charter School
- Freire Charter School
- KIPP Philadelphia Charter School
- New Foundations Charter School

##### ***North Philadelphia Education Compact***

- Congreso de Latinos Unidos: to engage in planning of an educational collaboration zone in North Philadelphia.

##### ***Research***

- National Council on Teacher Quality: to support a research project that compared teacher attendance patterns in school districts in 42 of the nation's largest cities.

##### ***Advocacy***

- Philadelphia School Advocacy Partners: to support as it builds administrative and operational capacity and refines its strategy and goals during the first six months of operations. See Note 14.

##### ***Literacy Development***

- School District of Philadelphia: to fund the purchase of a pre-k literacy curriculum.

##### ***Environmental Education***

- Wissahickon Charter School: to fund the implementation of an environmental education program.

Grantee	Purpose	Total Funding
Boys' Latin of Philadelphia Charter School	Charter Application	\$ 24,868
Congresso de Latinos Unidos	North Philadelphia Education Compact	88,000
Esperanza Academy Charter School	Charter Application	15,820
Freire Charter School	Charter Application	42,664
KIPP Philadelphia Charter School	Charter Application	34,113
National Council on Teacher Quality	Research	8,000
New Foundations Charter School	Charter Application	21,580
Philadelphia School Advocacy Partners	Advocacy	207,500
School District of Philadelphia	Literacy Development	60,000
Wissahickon Charter School	Environmental Education	3,500
Total		<u>\$ 506,045</u>

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

#### Note 8. Talent and Collaboration Grants

During 2015, PSP awarded a grant of \$350,000 to the School District of Philadelphia for the purchase of a college and career readiness platform. PSP awarded grants of \$200,000 and \$100,000 to Mastery Charter Schools, for implementation of a Teacher Effectiveness program and principal training through the Relay Graduate School of Education (Relay), respectively. An additional grant of \$216,068 was awarded to Relay to support the launch of a Philadelphia teaching residency. PSP also awarded a grant of \$262,784 to KIPP Philadelphia Schools to fund its Urban Teacher Residency program.

During 2014, PSP awarded a grant of \$108,000 to the School District of Philadelphia and \$250,000 to Mastery Charter Schools. The purpose of each grant was to hire new staff as part of the Teacher Effectiveness initiative under the Talent and Collaboration program. PSP also awarded a grant of \$112,000 to KIPP Philadelphia Schools for the Emerging Leaders Program.

#### Note 9. Expenses on Functional Basis

The costs of providing programs and other activities are summarized on a functional basis as follows. Accordingly, certain costs have been allocated among program and supporting services benefited.

	2015						Total
	Program				Supporting Services		
	School Investment	GreatPhilly Schools	Talent and Collaboration	Advocacy	General and Administrative	Fund-Raising	
Great Schools Fund - Investments	\$ 7,073,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,073,212
Other special purpose grants	103,811	-	-	1,349,500	-	-	1,453,311
Talent and Collaboration grants	-	-	1,128,852	-	-	-	1,128,852
Staff expenses	487,679	209,160	231,667	209,857	232,723	312,904	1,683,990
Professional services	11,300	326,307	2,076,519	216,723	110,567	-	2,741,416
Information technology	2,490	-	-	-	18,334	-	20,824
Marketing and communications	16	165,899	-	-	29,299	25,267	220,481
Rent	17,872	7,665	8,490	7,690	8,529	11,467	61,713
Travel and meetings	8,527	5,790	1,805	-	21,859	677	38,658
Office	27,808	2,775	2,841	2,520	47,411	17,562	100,917
Insurance	2,445	1,049	1,162	1,053	17,437	1,569	24,715
Depreciation and amortization	5,977	16,958	2,840	2,572	2,852	3,835	35,034
	<u>\$ 7,741,137</u>	<u>\$ 735,603</u>	<u>\$ 3,454,176</u>	<u>\$ 1,789,915</u>	<u>\$ 489,011</u>	<u>\$ 373,281</u>	<u>\$ 14,583,123</u>

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

#### Note 9. Expenses on Functional Basis (Continued)

	2014						Total
	Program				Supporting Services		
	School Investment	GreatPhilly Schools	Talent and Collaboration	Advocacy	General and Administrative	Fund-Raising	
Great Schools Fund - Investments	\$ 11,195,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,195,745
Other special purpose grants	298,545	-	-	207,500	-	-	506,045
Talent and Collaboration grants	-	-	470,000	-	-	-	470,000
Staff expenses	396,438	176,474	272,473	89,853	267,100	326,559	1,528,897
Professional services	8,134	183,995	1,747,592	426,029	119,657	-	2,485,407
Information technology	2,739	-	-	1,233	19,289	620	23,881
Marketing and communications	-	362,939	-	319	29,219	25,941	418,418
Rent	15,086	6,683	10,319	2,151	11,292	12,369	57,900
Travel and meetings	10,445	21,419	6,982	-	12,626	5,353	56,825
Office	19,262	2,453	3,789	1,104	60,391	10,805	97,804
Insurance	2,170	961	1,484	-	9,525	1,779	15,919
Depreciation and amortization	11,471	23,265	7,846	1,183	8,684	9,760	62,209
	<u>\$ 11,960,035</u>	<u>\$ 778,189</u>	<u>\$ 2,520,485</u>	<u>\$ 729,372</u>	<u>\$ 537,783</u>	<u>\$ 393,186</u>	<u>\$ 16,919,050</u>

#### Note 10. Concentration

For the year ended December 31, 2015, PSP received contributions totaling \$5,860,716 from one board member. Contributions from this individual approximate 36% of total contributions revenue. In addition, PSP received a contribution totaling \$4,000,000 from one private foundation. The contribution from this private foundation approximates 25% of total contributions revenue.

For the year ended December 31, 2014, PSP received contributions totaling \$1,400,208 from one board member. In addition, PSP received contributions totaling \$2,251,563 from two private foundations. Contributions from these two private foundations approximate 31% of total contributions revenue.

At December 31, 2015 and 2014, \$1,000,000 and \$2,000,000 of contributions receivable from one private foundation represents 46% and 44% of total contributions receivable, respectively.

#### Note 11. Employee Retirement Plan

PSP sponsors a defined contribution retirement plan covering substantially all of its employees and matches employee contributions up to 4% of the employee's base compensation. All employees are vested in the Plan after five years of service. Participants are entitled to their vested amount upon retirement or termination. The Plan became effective on June 1, 2011. Plan expenses were \$47,951 and \$47,189 for the years ending December 31, 2015 and 2014, respectively.

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

#### Note 12. Commitments

**Grant expenses:** Under terms of various grant agreements entered into during 2015 or prior, PSP has committed to pay the following to each of its grantees. Each payment requires approval by the PSP Board of Directors as well as the grantee satisfying various criteria as specified in each grant agreement.

Grantee	2016	2017	2018	Total
Boys' Latin of Philadelphia Charter School	\$ 75,000	\$ -	\$ -	\$ 75,000
Freire Foundation	905,560	194,440	-	1,100,000
Folk Arts Cultural Treasures Charter School	34,000	-	-	34,000
Independence Mission Schools	900,000	200,000	100,000	1,200,000
KIPP Administrative Services Corp.	934,816	348,000	227,000	1,509,816
New Venture Fund	519,000	-	-	519,000
Philadelphia School Advocacy Partners	530,000	-	-	530,000
Relay Graduate School of Education	72,023	117,000	222,500	411,523
School District of Philadelphia (Building 21)	122,000	123,981	-	245,981
School District of Philadelphia (Kelly and Blaine Schools)	538,366	268,901	-	807,267
School District of Philadelphia (Hill Freedman)	500,176	812,378	-	1,312,554
School District of Philadelphia (College Planning)	300,000	-	-	300,000
	<u>\$ 5,430,941</u>	<u>\$ 2,064,700</u>	<u>\$ 549,500</u>	<u>\$ 8,045,141</u>

**Operating lease:** The Organization has a non-cancellable operating lease agreement for office space in the Public Ledger Building in Philadelphia, Pennsylvania, which terminates in May 2022. Future lease payments under the lease are as follows:

Year ending December 31:	
2016	\$ 67,662
2017	42,563
2018	22,329
2019	22,896
2020	23,472
Thereafter	34,256
	<u>\$ 213,178</u>

During the year ended December 31, 2015 and 2014, certain office space was subleased to a third party, and PSP recorded rental income of \$2,400 and \$2,400 for 2015 and 2014, respectively, which is presented as other income in the statement of activities. Future sublease arrangement is on a month to month basis.

**Contractor expenses:** Under terms of an agreement entered into during 2015, PSP has committed to pay a contractor the following amounts for services related to Talent and Collaboration (formerly Great Schools Compact).

Year ending December 31:	
2016	\$ 2,086,374
2017	1,032,894
	<u>\$ 3,119,268</u>

## The Philadelphia Schools Project (d/b/a Philadelphia School Partnership)

### Notes to Financial Statements

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#### Note 13. Conditional Grants

The Organization had the following conditional grants as of December 31, 2015. The grant awards will be recorded as contribution revenue upon PSP satisfying the criteria, as defined in each grant.

Grantor:

The Walton Family Foundation	\$ 1,666,667
Michael and Susan Dell Foundation	750,000
	<u>\$ 2,416,667</u>

#### Note 14. Related Party Transactions

PSP is affiliated with PSAP, a Pennsylvania nonprofit organization established in June 2014 that is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. PSP and PSAP have certain common board members. The mission of PSAP is to advocate for education policies that put students first and that support the expansion of quality schools, especially for disadvantaged children.

PSP shares its premises and some administrative and program personnel with PSAP. In August, 2014, PSP entered into the Resource Sharing and Expense Reimbursement Agreement (the Agreement) with PSAP. In accordance with the terms of the Agreement, costs are allocated between the entities based on actual expenses incurred and an overhead allocation, as described in the Agreement. During 2015 and 2014, such allocated costs totaled \$210,005 and \$51,126, respectively. The amount due from PSAP under the Agreement at December 31, 2015 and 2014, was \$26,260 and \$20,520, respectively.

In 2015 and 2014, PSP paid and was reimbursed by PSAP for 100% of the salary and benefits for one individual. The salary and benefits for this individual totaled \$80,892 and \$30,168 in 2015 and 2014, respectively.

PSP awarded grants to PSAP for various advocacy efforts, totaling \$1,875,000 during 2015 and \$207,500 during 2014 to fund activities and start up costs. During 2015 and 2014, PSP expended \$1,345,000 and \$207,500 under terms of these grants (see Note 7). PSP has committed to provide the remaining amount of \$530,000 to PSAP in 2016 (See Note 12).

#### Note 15. Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2015) through October 24, 2016, which represents the date the financial statements were available to be issued.