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

Financial Report
December 31, 2016

Contents

Independent auditor's report	1-2
Financial statements	
Statements of financial position	3
Statements of activities	4-5
Statements of cash flows	6
Notes to financial statements	7-19

RSM

RSM US LLP

Independent Auditor's Report

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

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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

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, 2016 and 2015, and the results of its operations 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
July 24, 2017

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

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 5,653,241**	$ 11,535,874
Investments	**831,600**	-
Contributions receivable	**518,992**	1,767,712
Due from affiliate	**14,046**	26,260
Prepaid expenses	**20,190**	25,592
Total current assets	**7,038,069**	13,355,438
Noncurrent assets:		
Contributions receivable, net of current portion	**211,667**	405,629
Furniture, equipment, and leasehold improvements, net of accumulated depreciation of $143,812 in 2016 and $125,736 in 2015	**71,401**	28,551
Other assets, net of accumulated amortization of $79,995 in 2016 and $68,189 in 2015	**30,695**	42,500
Security deposit	**6,474**	2,864
Total noncurrent assets	**320,237**	479,544
Total assets	**$ 7,358,306**	$ 13,834,982
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 704,901**	$ 149,480
Deferred rent	**36,523**	548
Grants payable	**1,639,004**	1,388,670
Total current liabilities	**2,380,428**	1,538,698
Commitments (Notes 11 and 12)		
Net assets:		
Unrestricted	**3,946,811**	7,981,258
Temporarily restricted	**1,031,067**	4,315,026
Total net assets	**4,977,878**	12,296,284
Total liabilities and net assets	**$ 7,358,306**	$ 13,834,982

See notes to financial statements.

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

Statements of Activities
Year Ended December 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
Support, revenue and loss:			
Contributions	$ 9,959,083	$ 630,500	$ 10,589,583
Loss on uncollectible pledge	-	(12,910)	(12,910)
Other income	2,477	-	2,477
Contractual services - affiliate	143,051	-	143,051
Interest income	1,476	-	1,476
Net assets released from restriction	3,901,549	(3,901,549)	-
Total support and revenue	14,007,636	(3,283,959)	10,723,677
Operating expenses:			
Great Schools Fund - Investments	11,564,478	-	11,564,478
Other special purpose grants	565,592	-	565,592
Talent and Collaboration grants	903,061	-	903,061
Staff expenses	1,740,026	-	1,740,026
Professional services	2,716,476	-	2,716,476
Information technology	24,311	-	24,311
Marketing and communications	259,300	-	259,300
Rent and utilities	72,252	-	72,252
Travel and meetings	27,211	-	27,211
Office	110,600	-	110,600
Insurance	28,894	-	28,894
Depreciation and amortization	29,882	-	29,882
Total operating expenses	18,042,083	-	18,042,083
Change in net assets	(4,034,447)	(3,283,959)	(7,318,406)
Net assets, beginning	7,981,258	4,315,026	12,296,284
Net assets, ending	$ 3,946,811	$ 1,031,067	$ 4,977,878

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)	-
Total support and revenue	17,444,927	(999,594)	16,445,333
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
Total operating expenses	14,583,123	-	14,583,123
Change in net assets	2,861,804	(999,594)	1,862,210
Net assets, beginning	5,119,454	5,314,620	10,434,074
Net assets, ending	$ 7,981,258	$ 4,315,026	$ 12,296,284

See notes to financial statements.

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

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (7,318,406)**	$ 1,862,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**18,076**	20,639
Amortization	**11,806**	14,395
Donated investments sold after year end	**(831,600)**	560,050
Changes in operating assets and liabilities:		
Contributions receivable	**1,442,682**	1,962,321
Due from affiliate	**12,214**	(5,740)
Prepaid expenses	**5,402**	14,302
Accounts payable and accrued expenses	**569,620**	(330,449)
Deferred rent	**997**	248
Grants payable	**250,334**	(575,317)
Net cash (used in) provided by operating activities	**(5,838,875)**	3,522,659
Cash flows from investing activities:		
Purchase of furniture, equipment and leasehold improvements	**(25,949)**	(13,101)
Purchase of other assets	**(14,199)**	(28,300)
Cash paid for security deposit	**(3,610)**	-
Net cash used in investing activities	**(43,758)**	(41,401)
Net (decrease) increase in cash	**(5,882,633)**	3,481,258
Cash, beginning	**11,535,874**	8,054,616
Cash, ending	**$ 5,653,241**	$ 11,535,874
Supplemental schedule of non-cash investing activities:		
Leasehold improvements funded by landlord	**$ 34,978**	$ -
Purchase of other assets that are included in accounts payable	**$ -**	$ 14,199

See notes to financial statements.

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 13.

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 and technical assistance grants which support grantees in addressing discrete challenges and opportunities.

Talent & Collaboration: 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 2,000 pre-kindergarten and K-12 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.

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 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 mode-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 consist of an unconditional promise 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. There was no allowance for uncollectible contributions at December 31, 2016 or 2015.

Due from affiliate: Due from affiliate consists of amounts due from PSAP under the terms of an agreement as described in Note 13. The receivable is recorded at the invoiced amount and does not bear interest. Management considers the receivable to be fully collectible at December 31, 2016 and 2015.

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.

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 statements 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 of donated services in relation to a specific event held during 2015.

Deferred rent: The Organization has entered into an operating lease agreement which contains provisions for further rent increases. In addition, the landlord has provided funding for certain leasehold improvements. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the required rent payments is recorded as deferred rent in the accompanying statements of financial position.

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, 2016 and 2015.

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 2013.

Note 1. Organization and Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The impact of adopting this ASU on the Organization's financial statements for subsequent periods has not yet been determined.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The impact of adopting this ASU on the Organization's financial statements for subsequent periods has not yet been determined.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The impact of adopting this ASU on the Organization's financial statements for subsequent periods has not yet been determined.

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, 2016, the Organization has uninsured balances of approximately $6,848,000 that are included in cash and cash equivalents.

Note 3. Investments

Investments are carried at fair value. Investments consist of shares of an exchange traded fund. The shares were contributed to the Organization on December 27, 2016. All shares in the fund were sold at the beginning of 2017. The fund has been classified in Level 1 of the fair value hierarchy because the fair value is based on quoted prices for identical securities.

Investments at December 31, 2016 consist of the following:

PowerShares S&P 500 Low Volatility ETF (20,000 shares):	$ 831,600

Note 4. Contributions Receivable

Contributions receivable consist of amounts expected to be collected at December 31, 2016 and 2015 as follows:

	2016	2015
Amounts due in:		
Less than one year	$ 518,992	$ 1,767,712
One to five years	220,000	414,491
Total contributions receivable	738,992	2,182,203
Less: unamortized discount	(8,333)	(8,862)
Total contributions receivable, net	$ 730,659	$ 2,173,341

Noncurrent receivables are discounted based on the Daily Treasury Yield Curve Rate on the date the contributions were made. Discount rates range from 0.94% 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:

	2016	2015
Purpose restricted:		
Great Schools Fund - Investments	$ 350,408	$ 2,091,684
Talent and Collaboration	-	103,001
Great Philly Schools	-	55,000
Time restricted:	680,659	2,065,341
	$ 1,031,067	$ 4,315,026

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 five 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.

5. **Technical Assistance –** PSP occasionally makes grants to schools already in its portfolio to support them in addressing specific challenges that have emerged, or opportunities to improve curriculum or other practices.

Note 6. Great Schools Fund – Investments (Continued)

During 2016, PSP awarded startup, growth, turnaround and incubation grants to various organizations as follows:

Grantee	Schools	Total Funding
Boys' Latin of Philadelphia Charter School	Boys' Latin of Philadelphia Charter School	$ 242,000
Faith in the Future Foundation	Ss. Neumann and Goretti High School	311,367
Freire Foundation	TECH Freire Charter High School	905,560
Friends of G.W. Carver High Scool of Engineering and Science	Friends of G.W. Carver High Scool of Engineering and Science	36,306
Friendship Education Foundation	New K - 5 School	50,000
George W. Nebinger School	George W. Nebinger School	5,000
Global Leadership Academy	Samuel B. Huey Elementary School	500,000
Harambee Institute of Science and Technology Charter School	Harambee Institute of Science and Technology Charter School	9,900
Hebrew Public	New Charter School	38,530
Hill Freedman Middle School	Hill Freedman Middle School	16,592
Imhotep Institute Charter High School	Imhotep Institute Charter High School	675,000
Independence Charter School West	Independence Charter School West	1,150,000
Independence Mission Schools	St. Malachy St. Thomas Aquinas	1,150,000
Inquiry Schools, Inc.	Science Leadership Academy Middle School	235,478
KIPP Administrative Services Corp.	KIPP West Philadelphia Elementary School	584,651
MAST II Charter School	MAST II Charter School	1,350,000
Mastery Charter Schools Foundation	Wister Elementary Frederick Douglas Charter School	2,152,500
New Foundations Charter School	New Foundations Charter School	70,375
New Venture Fund	Building 21	458,000
Our Lady of Port Richmond	Our Lady of Port Richmond	60,000
Russell Byers Charter School	Russell Byers Charter School	32,000
School District of Philadelphia	Blaine Academics School Science Leadership Academy Middle School Hill Freedman High School Roxborough High School William D. Kelley School	1,270,219
The City School	The City School	250,000
Wissahickon Charter School	Wissahickon Charter School	11,000
Total		$ 11,564,478

Note 6. Great Schools Fund – Investments (Continued)

During 2015, PSP awarded incubation and growth 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 High School	765,000
Friends of G.W. Carver High Scool of Engineering and Science	Friends of G.W. Carver High Scool 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 Wesr	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
MaST Community Charter School	MaST Community Charter School	225,000
Mastery Charter Schools Foundation	Mastery Prep Middle School Hardy Williams High School	186,000
New Foundation Charter School	New Foundation Charter School	75,000
New Venture Fund	Building 21	838,500
Russell Byers Charter School	Russell Byers Charter School	45,000
School District of Philadelphia	Blaine Academics School Friends of G.W. Carver High Scool of Engineering Hill Freedman High School Roxborough High School William D. Kelley School	1,602,215
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		$ 7,073,212

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 2016:

Advocacy

- 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 13.

Talent Development

- School District of Philadelphia: to support the District's search for four senior staff positions.

Grantee	Purpose	Total Funding
Philadelphia School Advocacy Partners	Advocacy	$ 530,000
School District of Philadelphia	Talent Development	35,592
Total		$ 565,592

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 13.

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 state 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.

Note 7. Other Grants (Continued)

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

Note 8. Talent and Collaboration Grants

During 2016, PSP awarded the following talent and collaboration grants:

Grantee	Purpose	Total Funding
The Center for Better Schools	To support a two year pilot of teacher and principal professional development in four PSP portfolio schools	$ 190,190
Drexel University	To incubate a new model of teacher preparation and create a new pipeline of middle school teachers for Philadelphia schools	93,268
The New Teacher Project, Inc. (TNTP)	To enable Drexel University to bring on TNTP as a design partner	81,333
Relay Graduate School of Education	To continue support of the growing Relay Teaching Residency Program in Philadelphia	78,850
School District of Philadelphia	To implement a college and career readiness platform	300,000
School District of Philadelphia	To support eight school leaders in Relay's National Principals Academy Fellowship	33,000
Harambee Institute of Science and Technology Charter School	To support participation in the Fellowship	12,375
Independence Mission Schools	To support participation in the Fellowship	12,375
Mastery Charter Schools	To support participation in the Fellowship	76,920
Scholar Academies Charter School	To support participation in the Fellowship	24,750
Total		$ 903,061

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.

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.

	2016						
	Program				Supporting Services		
	School Investment	Great Philly Schools	Talent and Collaboration	Advocacy	General and Administrative	Fund-Raising	Total
Great Schools Fund - Investments	$ 11,564,478	$ -	$ -	$ -	$ -	$ -	$11,564,478
Other special purpose grants	35,592	-	-	530,000	-	-	565,592
Talent and Collaboration grants	-	-	903,061	-	-	-	903,061
Staff expenses	527,065	209,983	213,068	112,004	393,328	284,578	1,740,026
Professional services	42,550	285,360	2,138,855	137,839	111,872	-	2,716,476
Information technology	2,490	-	-	-	21,801	20	24,311
Marketing and communications	-	200,097	-	-	33,415	25,788	259,300
Rent and utilities	21,886	8,719	8,848	4,651	16,331	11,817	72,252
Travel and meetings	3,619	34	8,375	-	13,293	1,890	27,211
Office	19,181	3,576	4,739	1,724	63,109	18,271	110,600
Insurance	3,228	1,286	1,305	686	20,646	1,743	28,894
Depreciation and amortization	5,475	13,987	2,213	1,164	4,087	2,956	29,882
	$ 12,225,564	$ 723,042	$ 3,280,464	$ 788,068	$ 677,882	$ 347,063	$18,042,083

	2015						
	Program				Supporting Services		
	School Investment	Great Philly Schools	Talent and Collaboration	Advocacy	General and Administrative	Fund-Raising	Total
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
	$ 7,741,137	$ 735,603	$ 3,454,176	$1,789,915	$ 489,011	$ 373,281	$14,583,123

Note 10. Concentration of Contributions

For the year ended December 31, 2016, PSP received contributions totaling $4,000,000 from one board member. Contributions from this individual approximate 37% of total contribution revenue. In addition, PSP received a grant totaling $1,666,667 from one private foundation. The grant from this private foundation approximates 15% of total contribution revenue.

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 contribution revenue. In addition, PSP received a grant totaling $4,000,000 from one private foundation. The grant from this private foundation approximates 25% of total contribution revenue.

At December 31, 2016, $475,000 of contributions receivable from four individuals represents 67% of total contributions receivable.

At December 31, 2015, $1,000,000 of contributions receivable from one private foundation represents 46% of total contributions receivable.

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. Employee and employer contributions are fully vested. The Plan became effective on June 1, 2011. Plan expenses were $47,470 and $47,951 for the years ended December 31, 2016 and 2015, respectively.

Note 12. Commitments

Grant expenses: Under terms of various grant agreements entered into during 2016 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	2017	2018	2019	2020	Total
Freire Foundation	$ 194,440	$ -	$ -	$ -	$ 194,440
Hebrew Public	21,470	-	-	-	21,470
Hill Freedman Middle School	83,408	-	-	-	83,408
Imhotep Institute Charter High School	-	100,000	-	-	100,000
Independence Charter School West	350,000	-	-	-	350,000
Independence Mission Schools	865,000	220,000	-	-	1,085,000
Inquiry Schools	197,654	500,688	434,680	31,500	1,164,522
KIPP Administrative Services Corp	548,000	227,000	-	-	775,000
MAST II Charter School	350,000	-	-	-	350,000
Mastery Charter Schools Foundation	62,500	62,500	-	-	125,000
New Venture Fund	184,981	-	-	-	184,981
Relay Graduate School of Education	58,500	274,172	-	-	332,672
School District of Philadelphia (Kelly & Blaine)	416,922	-	-	-	416,922
School District of Philadelphia (Roxborough High)	336,962	366,667	366,667	-	1,070,296
The Center for Better Schools	150,400	90,000	-	-	240,400
	$ 3,820,237	$ 1,841,027	$ 801,347	$ 31,500	$ 6,494,111

Note 12. Commitments (Continued)

Operating leases: The Organization has two non-cancellable operating lease agreements for office space in the Public Ledger Building in Philadelphia, Pennsylvania, which terminate in May 2022. Future lease payments under the leases are as follows:

Year ending December 31:	
2017	$ 79,260
2018	77,492
2019	79,427
2020	81,410
2021	83,445
Thereafter	35,197
	$ 436,231

During the year ended December 31, 2016 and 2015, certain office space was subleased to a third party, and PSP recorded rental income of $2,400 during each year, which is presented as other income in the statements of activities. Future sublease arrangement is on a month to month basis.

Contractor expenses: During 2016 and 2015, PSP paid $2,069,374 and $1,926,369, respectively, to The New Teacher Project, Inc. (TNTP), a nonprofit 501(c)(3) institution leading the Philly PLUS training program for urban school principals of which PSP is the sole funder. Under terms of an agreement entered into during 2015, PSP has committed to pay TNTP the following amount for services related to Philly PLUS:

Year ending December 31, 2017	$ 1,032,894

Note 13. 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 2016 and 2015, such allocated costs totaled $143,051 and $210,005, respectively. The amount due from PSAP under the Agreement at December 31, 2016 and 2015 was $14,046 and $26,260, respectively.

In 2016 and 2015, 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 $20,245 and $80,892 in 2016 and 2015, respectively.

During 2015, PSP awarded grants totaling $1,875,000 to PSAP for various advocacy efforts. During 2016 and 2015, PSP expended $530,000 and $1,345,000 under these grants (see Note 7).

Note 14. Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2016) through July 24, 2017, which represents the date the financial statements were available to be issued.