

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

Financial Report  
December 31, 2017

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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)

### 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, 2017 and 2016, 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 of 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, 2017 and 2016, 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  
August 16, 2018

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

Statements of Financial Position  
December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,976,102	\$ 5,653,241
Investments	-	831,600
Contributions receivable	1,532,739	518,992
Due from affiliate	-	14,046
Prepaid expenses	22,333	20,190
<b>Total current assets</b>	<b>7,531,174</b>	<b>7,038,069</b>
Noncurrent assets:		
Contributions receivable, net of current portion	468,643	211,667
Furniture, equipment, and leasehold improvements, net of accumulated depreciation of \$169,273 in 2017 and \$143,812 in 2016	57,799	71,401
Other assets, net of accumulated amortization of \$94,162 in 2017 and \$79,995 in 2016	16,528	30,695
Security deposits	6,474	6,474
<b>Total noncurrent assets</b>	<b>549,444</b>	<b>320,237</b>
<b>Total assets</b>	<b>\$ 8,080,618</b>	<b>\$ 7,358,306</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 90,439	\$ 704,901
Deferred rent	32,760	36,523
Grants payable	1,838,458	1,639,004
<b>Total current liabilities</b>	<b>1,961,657</b>	<b>2,380,428</b>
Commitments (Notes 11 and 12)		
Net assets:		
Unrestricted	2,621,571	3,946,811
Temporarily restricted	3,497,390	1,031,067
<b>Total net assets</b>	<b>6,118,961</b>	<b>4,977,878</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,080,618</b>	<b>\$ 7,358,306</b>

See notes to financial statements.

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

Statements of Activities  
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 9,976,251	\$ 3,267,888	\$ 13,244,139
Loss on uncollectible pledge	-	(10,000)	(10,000)
In-kind contributions	52,682	-	52,682
Other income	1,124	-	1,124
Contractual services - affiliate	8,855	-	8,855
Interest income	2,030	-	2,030
Net assets released from restriction	791,565	(791,565)	-
<b>Total support and revenue</b>	<b>10,832,507</b>	<b>2,466,323</b>	<b>13,298,830</b>
Operating expenses:			
Great Schools Fund - Investments	6,961,985	-	6,961,985
Talent and Collaboration grants	1,232,321	-	1,232,321
Staff expenses	1,747,542	-	1,747,542
Professional services	1,537,956	-	1,537,956
Information technology	38,375	-	38,375
Marketing and communications	399,397	-	399,397
Rent and utilities	83,237	-	83,237
Travel and meetings	28,324	-	28,324
Office	66,076	-	66,076
Insurance	22,906	-	22,906
Depreciation and amortization	39,628	-	39,628
<b>Total operating expenses</b>	<b>12,157,747</b>	<b>-</b>	<b>12,157,747</b>
<b>Change in net assets</b>	<b>(1,325,240)</b>	<b>2,466,323</b>	<b>1,141,083</b>
Net assets, beginning	<b>3,946,811</b>	<b>1,031,067</b>	<b>4,977,878</b>
Net assets, ending	<b>\$ 2,621,571</b>	<b>\$ 3,497,390</b>	<b>\$ 6,118,961</b>

See notes to financial statements.

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

**Statements of Activities  
Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
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)	-
<b>Total support and revenue</b>	<b>14,007,636</b>	<b>(3,283,959)</b>	<b>10,723,677</b>
Operating expenses:			
Great Schools Fund - Investments	11,564,478	-	11,564,478
Other special purpose grants	530,000	-	530,000
Talent and Collaboration grants	938,653	-	938,653
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
<b>Total operating expenses</b>	<b>18,042,083</b>	<b>-</b>	<b>18,042,083</b>
<b>Change in net assets</b>	<b>(4,034,447)</b>	<b>(3,283,959)</b>	<b>(7,318,406)</b>
Net assets, beginning	7,981,258	4,315,026	12,296,284
Net assets, ending	<b>\$ 3,946,811</b>	<b>\$ 1,031,067</b>	<b>\$ 4,977,878</b>

See notes to financial statements.

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

Statements of Cash Flows  
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,141,083	\$ (7,318,406)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,461	18,076
Amortization	14,167	11,806
Donated investments sold after year end	831,600	(831,600)
Changes in operating assets and liabilities:		
Contributions receivable	(1,270,723)	1,442,682
Due from affiliate	14,046	12,214
Prepaid expenses	(2,143)	5,402
Security deposits	-	(3,610)
Accounts payable and accrued expenses	(614,462)	569,620
Deferred rent	(3,763)	997
Grants payable	199,454	250,334
<b>Net cash provided by (used in) operating activities</b>	<b>334,720</b>	<b>(5,842,485)</b>
Cash flows from investing activities		
Purchase of furniture and equipment	(11,859)	(25,949)
Purchase of other assets	-	(14,199)
<b>Net cash used in investing activities</b>	<b>(11,859)</b>	<b>(40,148)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>322,861</b>	<b>(5,882,633)</b>
Cash and cash equivalents, beginning	5,653,241	11,535,874
Cash and cash equivalents, ending	<b>\$ 5,976,102</b>	<b>\$ 5,653,241</b>
Supplemental schedule of non-cash investing activities:		
Leasehold improvements funded by landlord	\$ -	\$ 34,978

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's program activities are as follows:

**Great Schools Fund II (School Investments):** 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 generally 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. PSP sometimes makes grants to universities and other partners to facilitate the launch of such projects.

**GreatPhillySchools:** 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. As part of the GreatPhillySchool's initiative, PSP also manages several information fairs for families in the fall.

**Unified Enrollment:** PSP endeavors to develop strategies to make the process of applying to schools easier for families, who must contend with a complex assortment of application processes across the city's more than 400 K-12 schools. In 2017, PSP published a "Charter School Standard Application" that the majority of city charter schools agreed to accept in lieu of their school-specific application forms. It also established a standard deadline, which many schools also agreed to use. In future years, PSP hopes to take further steps, in partnership with schools, to ease the application process for families.

## 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)

**Advocacy:** To ensure that the conditions exist in Philadelphia and Pennsylvania to support the growth and improvement of quality schools, the Organization occasionally 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.

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 account.

**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 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 consist 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, 2017 and 2016.

**Due from affiliate:** Due from affiliate consists of amounts due from Philadelphia School Advocacy Partners (d/b/a Philadelphia School Advocacy Partners) (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. The receivable was fully collected during 2017.

## 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)

**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.

**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.

**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.

**Contributions:** Unconditional contributions, including unconditional promises to give, are recognized as revenue in the period 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.

**In-kind contributions:** Donations of in-kind contributions are recorded as contributions at their estimated value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specified purpose.

**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.

**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.

## 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)

**Advertising:** The Organization expenses advertising costs as incurred. For the year ended December 31, 2017, advertising expense was \$52,682.

**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, 2017 and 2016.

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 2014.

**Reclassifications:** Certain reclassifications were made in the 2016 financial statements to conform to the current year presentation with no effect on the changes in net assets or net assets.

**Recently issued accounting pronouncements:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2018. 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.

## 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)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. While the guidance is effective for fiscal years beginning after December 15, 2018, early adoption is allowed. The Organization is currently evaluating the effect that this guidance will have on the financial statements.

#### Note 2. Concentration of Credit Risk

The Organization maintains cash and cash equivalents in two financial institutions with insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017, the Organization has uninsured bank balances of approximately \$5,500,000 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, 2017 and 2016 as follows:

	2017	2016
Amounts due in:		
Less than one year	\$ 1,532,739	\$ 518,992
One to five years	490,000	220,000
Total contributions receivable	2,022,739	738,992
Less: unamortized discount	(21,357)	(8,333)
Total contributions receivable, net	<u>\$ 2,001,382</u>	<u>\$ 730,659</u>

Noncurrent receivables are discounted based on the Daily Treasury Yield Curve Rate on the date the contributions were made. Discount rates range from 1.40% to 1.95%.

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

### Notes to Financial Statements

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#### Note 5. Temporarily Restricted Net Assets

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

	2017	2016
Purpose restricted:		
Great Schools Fund - Investments	\$ 445,349	\$ 350,408
Talent and Collaboration	1,050,659	-
Time restricted	2,001,382	680,659
	<u>\$ 3,497,390</u>	<u>\$ 1,031,067</u>

#### 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.

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

**Notes to Financial Statements**

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

During 2017, PSP awarded startup, growth, turnaround and incubation grants to various organizations as follows:

Grantee	Schools	Total Funding
Big Picture Philadelphia	Vaux High School	\$ 300,000
Boys' Latin of Philadelphia Charter School	Boys' Latin of Philadelphia Charter School	23,118
Faith in the Future Foundation	Ss. Neumann and Goretti High School	92,799
Finishing Trades Institute	Finishing Trades Institute	196,000
Folk Arts Cultural Treasures Charter School	Folk Arts Cultural Treasures Charter School	159,000
Freire Foundation	TECH Freire Charter High School	194,440
Global Leadership Academy	Global Leadership Academy Southwest (at Huey)	775,000
Hebrew Public	Hebrew Public	36,470
Hill Freedman World Academy	Hill Freedman World Academy	78,373
Independence Charter School West	Independence Charter School West	250,000
Independence Mission Schools	St. Malachy St. Thomas Aquinas	786,825
Inquiry Schools, Inc.	Science Leadership Academy at Beeber Science Leadership Academy Middle School	199,154
KIPP Administrative Services Corp.	KIPP West Philadelphia Elementary School	617,538
MaST Community Charter School	MaST II Charter School	350,000
Mastery Charter Schools Foundation	Wister Elementary	1,500,000
New Venture Fund	Building 21	272,060
Russell Byers Charter School	Russell Byers Charter School	195,000
School District of Philadelphia	Blaine Academics School Science Leadership Academy Middle School Roxborough High School William D. Kelley School	936,208
Total		<u>\$ 6,961,985</u>

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

### Notes to Financial Statements

#### 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 School of Engineering and Science	Friends of G.W. Carver High School 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	Global Leadership Academy Southwest (at Huey)	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 World Academy	Hill Freedman World Academy	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 Community 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		<u>\$ 11,564,478</u>



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

### Notes to Financial Statements

#### 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 grant during 2016:

#### Advocacy

**Philadelphia School Advocacy Partners:** PSP awarded a grant of \$530,000 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.

#### Note 8. Talent and Collaboration Grants

Grantee	Purpose	2017	2016
The Center for Better Schools	To support a two year pilot of teacher and principal professional development in four PSP portfolio schools	\$ 150,400	\$ 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
Drexel University	To support the startup of the DragonsTeach Middle Years undergraduate teacher residency program at Drexel University	293,993	-
KIPP Philadelphia Schools	To expand Emerging Leaders program to non-KIPP participants	50,000	-
The New Teacher Project, Inc. (TNTP)	To enable Drexel University to bring on TNTP as a design partner	-	81,333
The New Teacher Project, Inc. (TNTP)	To support planning and implementation of the PhillyPLUS redesigned program model	550,000	-
Relay Graduate School of Education	To continue support of the growing Relay Teaching Residency Program in Philadelphia	58,500	78,850
School District of Philadelphia	To implement a college and career readiness platform	-	300,000
School District of Philadelphia	To support participation in Relay's National Principals Academy Fellowship	44,000	33,000
School District of Philadelphia	To support the establishment of a Teacher Residency Program	70,428	-
School District of Philadelphia	To support the District's search for four senior staff positions	-	35,592
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	15,000	76,920
Scholar Academies Charter School	To support participation in the Fellowship	-	24,750
Total		\$ 1,232,321	\$ 938,653

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

### Notes to Financial Statements

#### Note 8. Talent and Collaboration Grants (Continued)

For the year ended December 31, 2017, in addition to granting \$550,000 to TNTP for implementation activities related to PhillyPLUS, PSP paid \$1,091,136 in professional fees to TNTP for PhillyPLUS implementation (see Note 9). A 2017-18 grant agreement with TNTP followed a 2015-17 professional services contract. While the latter was not structured as a grant agreement, the same types of implementation activities were covered by both contracts.

#### 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.

	2017							
	Program					Supporting Services		Total
	School Investment	Great Philly Schools	Talent and Collaboration	Unified Enrollment	Advocacy	General and Administrative	Fund-Raising	
Great Schools Fund - Investments	\$ 6,961,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,961,985
Talent and Collaboration grants	-	-	1,232,321	-	-	-	-	1,232,321
Staff expenses	599,098	322,169	156,405	33,892	8,671	389,676	237,631	1,747,542
Professional services	52,147	191,637	1,091,136	4,800	1,010	196,726	500	1,537,956
Information technology	14,532	-	-	-	-	23,843	-	38,375
Marketing and communications	-	326,830	-	-	-	37,467	35,100	399,397
Rent and utilities	28,535	15,346	7,449	1,614	413	18,560	11,320	83,237
Travel and meetings	9,911	-	1,478	974	-	14,046	1,915	28,324
Office	11,326	6,098	2,946	640	163	27,698	17,205	66,076
Insurance	2,646	1,423	690	150	38	16,909	1,050	22,906
Depreciation and amortization	8,729	18,861	2,279	494	126	5,677	3,462	39,628
	<u>\$ 7,688,909</u>	<u>\$ 882,364</u>	<u>\$ 2,494,704</u>	<u>\$ 42,564</u>	<u>\$ 10,421</u>	<u>\$ 730,602</u>	<u>\$ 308,183</u>	<u>\$ 12,157,747</u>

  

	2016							
	Program					Supporting Services		Total
	School Investment	Great Philly Schools	Talent and Collaboration	Unified Enrollment	Advocacy	General and Administrative	Fund-Raising	
Great Schools Fund - Investments	\$ 11,564,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,564,478
Other special purpose grants	-	-	-	-	530,000	-	-	530,000
Talent and Collaboration grants	35,592	-	903,061	-	-	-	-	938,653
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
	<u>\$ 12,225,564</u>	<u>\$ 723,042</u>	<u>\$ 3,280,464</u>	<u>\$ -</u>	<u>\$ 788,068</u>	<u>\$ 677,882</u>	<u>\$ 347,063</u>	<u>\$ 18,042,083</u>

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

### Notes to Financial Statements

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#### Note 10. Concentration of Contributions

For the year ended December 31, 2017, PSP received contributions totaling \$7,880,885 from one board member. Contributions from this individual approximate 59% of total support and revenue.

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 support and 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 support and revenue.

At December 31, 2017, \$1,799,941 of contributions receivable from three individuals represents 88% of total contributions receivable.

At December 31, 2016, \$475,000 of contributions receivable from four individuals represents 67% 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. Participants are entitled to their vested amount upon retirement or termination. The Plan became effective on June 1, 2011. Plan expenses were \$62,967 and \$47,470 for the years ending December 31, 2017 and 2016, respectively.

#### Note 12. Commitments

**Grant expenses:** Under terms of various conditional grant agreements entered into during 2017 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	2018	2019	2020	2021	Total
Big Picture Philadelphia	\$ 125,000	\$ 225,000	\$ 155,000	\$ 30,000	\$ 535,000
Drexel University School of Education	136,589	495,118	323,166	-	954,873
Faith in the Future Foundation	20,833	-	-	-	20,833
Finishing Trades Institute	154,100	84,100	-	-	238,200
Folk Arts Cultural Treasures Charter School	50,000	125,000	-	-	175,000
Independence Charter School West	100,000	-	-	-	100,000
Independence Mission Schools	255,000	43,175	-	-	298,175
Inquiry Schools	478,180	434,680	31,500	-	944,360
KIPP Administrative Services Corp	472,500	324,464	130,844	-	927,808
Mastery Charter Schools Foundation	132,500	-	-	-	132,500
Relay Graduate School of Education	222,500	-	-	-	222,500
Russell Byers Charter School	100,000	160,000	115,000	80,000	455,000
School District of Philadelphia	553,760	202,875	-	-	756,635
The Center for Better Schools	90,000	-	-	-	90,000
The New Teacher Project, Inc.	550,000	-	-	-	550,000
	<u>\$ 3,440,962</u>	<u>\$ 2,094,412</u>	<u>\$ 755,510</u>	<u>\$ 110,000</u>	<u>\$ 6,400,884</u>

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

### Notes to Financial Statements

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#### Note 12. Commitments (Continued)

**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:

Years ending December 31:	
2018	\$ 77,492
2019	79,427
2020	81,410
2021	83,445
2022	35,197
	<u>\$ 356,971</u>

During the years ended December 31, 2017 and 2016, certain office space was subleased to a third party, and PSP recorded rental income of \$200 and \$2,400, respectively during each year, which is presented as other income in the statements of activities. All sublease arrangements were terminated by the end of December 31, 2017.

#### Note 13. Related Party Transactions

PSP is affiliated with PSAP. Under terms of a Resource Sharing and Expense Reimbursement Agreement (the Agreement), PSP shared its premises and some administrative and program personnel with PSAP through May 2017. PSAP is 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. 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.

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 2017 and 2016, such allocated costs totaled \$8,855 and \$143,051, respectively. The amount due from PSAP under the Agreement at December 31, 2017 and 2016 was \$-0- and \$14,046, respectively.

In 2016, 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.

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, 2017) through August 16, 2018, which represents the date the financial statements were available to be issued.