

STUDENT/SPONSOR PARTNERSHIP, INC.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

YEARS ENDED AUGUST 31, 2015 and 2014

STUDENT/SPONSOR PARTNERSHIP, INC.

Financial Statements
For the Years Ended August 31, 2015 and 2014

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To the Board of Directors
Student/Sponsor Partnership, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of Student/Sponsor Partnership, Inc. as of August 31, 2015 and 2014, and the related statement of activities and cash flows for each of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.


An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Student/Sponsor Partnership, Inc. as of August 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years ended August 31, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Liggett, Vogt & Webb P.A.

New York, New York

December 14, 2015

STUDENT/SPONSOR PARTNERSHIP, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2015

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,988,105	\$ 1,649,098	\$ 343,786	\$ 10,980,989
Investment in marketable securities at market value	981,455	-	-	981,455
Pledges receivable	40,788	-	-	40,788
Prepaid expenses and other assets	66,679	-	-	66,679
Equipment, net of accumulated depreciation of \$317,546	13,774	-	-	13,774
Security deposits	31,395	-	-	31,395
TOTAL ASSETS	\$ 10,122,196	\$ 1,649,098	\$ 343,786	\$ 12,115,080
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 13,326	\$ -	\$ -	\$ 13,326
Accrued payroll costs	18,154	-	-	18,154
Conditional revenue	-	1,447,873	-	1,447,873
TOTAL LIABILITIES	31,480	1,447,873	-	1,479,353
Net Assets:				
Unrestricted	10,090,716	-	-	10,090,716
Restricted	-	201,225	343,786	545,011
TOTAL NET ASSETS	10,090,716	201,225	343,786	10,635,727
TOTAL LIABILITIES AND NET ASSETS	\$ 10,122,196	\$ 1,649,098	\$ 343,786	\$ 12,115,080

See accompanying notes to financial statements

STUDENT/SPONSOR PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>CONTRIBUTIONS:</u>				
Sponsors	\$ 4,361,023	\$ -	\$ -	4,361,023
Non-Sponsor:				
Foundations	936,824	-	-	936,824
Corporations	28,372	-	-	28,372
Individuals	344,022	-	-	344,022
Founders' Dinner	1,717,189	-	-	1,717,189
Fall Benefit	10,680	-	-	10,680
Program Revenues	-	78,075	-	78,075
Net assets released from restriction	101,600	(101,600)	-	-
TOTAL CONTRIBUTIONS	7,499,710	(23,525)	-	7,476,185
<u>EXPENSES:</u>				
Programs:				
Tuition	5,177,288	-	-	5,177,288
Other student related expenses	15,000	-	-	15,000
Payroll, employee benefits and personnel expenses	478,353	-	-	478,353
Other program	349,350	-	-	349,350
Fundraising:				
Founders' Dinner and Fall benefits	268,343	-	-	268,343
Payroll, employee benefits and personnel expenses	219,105	-	-	219,105
Other fundraising	109,035	-	-	109,035
Support services:				
Payroll, employee benefits and personnel expenses	255,638	-	-	255,638
Other support services	165,501	-	-	165,501
TOTAL EXPENSES	7,037,613	-	-	7,037,613
EXCESS OF CONTRIBUTIONS OVER EXPENSES	462,097	(23,525)	-	438,572
<u>GAINS AND OTHER SUPPORT:</u>				
Interest income	3,846	-	-	3,846
Investment income	13,142	-	-	13,142
Net unrealized and realized loss on investments	(1,858)	-	-	(1,858)
TOTAL GAINS AND OTHER SUPPORT	15,130	-	-	15,130
CHANGE IN NET ASSETS	477,227	(23,525)	-	453,702
NET ASSETS, BEGINNING OF YEAR	9,613,489	224,750	343,786	10,182,025
NET ASSETS, END OF YEAR	\$ 10,090,716	\$ 201,225	\$ 343,786	\$ 10,635,727

See accompanying notes to financial statements

STUDENT/SPONSOR PARTNERSHIP, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2015

OPERATING ACTIVITIES:

CHANGE IN NET ASSETS		\$ 453,702
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 16,137	
Loss on investments	1,858	
Changes in operating assets and liabilities:		
Decrease in pledges receivable	(9,038)	
Increase in prepaid expenses and other assets	(18,846)	
Decrease in accounts payable and accrued expenses	(5)	
Increase in accrued payroll costs	(67,003)	
Decrease in conditional revenue	(681,621)	
		(758,518)
NET CASH USED IN OPERATING ACTIVITIES		(304,816)

INVESTING ACTIVITIES:

Purchase of property and equipment		0
Proceeds from sale of marketable securities		445,296
NET CASH PROVIDED BY INVESTING ACTIVITIES		445,296

FINANCING ACTIVITIES:

NET INCREASE IN CASH AND CASH EQUIVALENTS		140,480
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		10,840,509
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 10,980,989

See accompanying notes to financial statements

STUDENT/SPONSOR PARTNERSHIP, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ 8,142,479	\$ 2,354,244	\$ 343,786	\$ 10,840,509
Investment in marketable securities at market value	1,428,609	-	-	1,428,609
Pledges receivable	31,750	-	-	31,750
Prepaid expenses and other assets	47,833	-	-	47,833
Equipment, net of accumulated depreciation of \$301,409	29,911	-	-	29,911
Security deposits	31,395	-	-	31,395
TOTAL ASSETS	\$ 9,711,977	\$ 2,354,244	\$ 343,786	\$ 12,410,007
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 13,331	\$ -	\$ -	\$ 13,331
Accrued payroll costs	85,157	-	-	85,157
Conditional revenue	-	2,129,494	-	2,129,494
TOTAL LIABILITIES	98,488	2,129,494	-	2,227,982
Net Assets:				
Unrestricted	9,613,489	-	-	9,613,489
Restricted	-	224,750	343,786	568,536
TOTAL NET ASSETS	9,613,489	224,750	343,786	10,182,025
TOTAL LIABILITIES AND NET ASSETS	\$ 9,711,977	\$ 2,354,244	\$ 343,786	\$ 12,410,007

See accompanying notes to financial statements

STUDENT/SPONSOR PARTNERSHIP, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>CONTRIBUTIONS:</u>				
Sponsors	\$ 4,260,657	\$ -	\$ -	4,260,657
Non-Sponsor:				
Foundations	1,331,902	-	-	1,331,902
Corporations	89,101	-	-	89,101
Individuals	294,524	-	-	294,524
Founders' Dinner	2,109,880	-	-	2,109,880
Fall Benefit	141,270	-	-	141,270
Program Revenues	108,750	72,750	-	181,500
Net assets released from restriction	900,140	(900,140)	-	-
TOTAL CONTRIBUTIONS	9,236,224	(827,390)	-	8,408,834
<u>EXPENSES:</u>				
Programs:				
Tuition	5,512,797	-	-	5,512,797
Other student related expenses	25,923	-	-	25,923
Payroll, employee benefits and personnel expenses	505,628	-	-	505,628
Other program	289,704	-	-	289,704
Fundraising:				
Founders' Dinner and Fall benefits	306,574	-	-	306,574
Payroll, employee benefits and personnel expenses	273,882	-	-	273,882
Other fundraising	133,337	-	-	133,337
Support services:				
Payroll, employee benefits and personnel expenses	273,883	-	-	273,883
Other support services	196,189	-	-	196,189
TOTAL EXPENSES	7,517,917	-	-	7,517,917
EXCESS OF CONTRIBUTIONS OVER EXPENSES	1,718,307	(827,390)	-	890,917
<u>GAINS AND OTHER SUPPORT:</u>				
Interest income	11,221	-	-	11,221
Investment income	27,817	-	-	27,817
Net unrealized and realized loss on investments	(15,695)	-	-	(15,695)
TOTAL GAINS AND OTHER SUPPORT	23,344	-	-	23,344
CHANGE IN NET ASSETS	1,741,651	(827,390)	-	914,261
NET ASSETS, BEGINNING OF YEAR	7,871,838	1,052,140	343,786	9,267,764
NET ASSETS, END OF YEAR	\$ 9,613,489	\$ 224,750	\$ 343,786	\$ 10,182,025

See accompanying notes to financial statements

STUDENT/SPONSOR PARTNERSHIP, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2014

OPERATING ACTIVITIES:

CHANGE IN NET ASSETS		\$ 914,261
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 17,075	
Loss on investments	15,695	
Changes in operating assets and liabilities:		
Decrease in pledges receivable	18,300	
Increase in prepaid expenses and other assets	(6,826)	
Decrease in accounts payable and accrued expenses	(5,761)	
Increase in accrued payroll costs	28,594	
Decrease in conditional revenue	<u>(454,250)</u>	
		<u>(387,174)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>527,087</u>

INVESTING ACTIVITIES:

Purchase of property and equipment		(16,331)
Proceeds from sale of marketable securities		<u>1,768,122</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>1,751,791</u>

FINANCING ACTIVITIES:

NET INCREASE IN CASH AND CASH EQUIVALENTS		2,278,878
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>8,561,631</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 10,840,509</u>

STUDENT/SPONSOR PARTNERSHIP, INC.

Notes to Financial Statements

Years Ended August 31, 2015 and 2014

(1) Description of the Organization

Student/Sponsor Partnership, Inc. (“SSP” or “the Organization”) is a tax-exempt, non-profit organization which helps at-risk youths from New York City earn their high school diplomas through a combination of financial and personal support.

Funding for the organization is obtained through solicitations from individuals, as well as corporations and foundations.

To qualify for admission to the program, a student must be from a low income (generally single parent) family and academically average to below-average.

There were 1,244 students sponsored by SSP who completed the 2014-2015 school year.

(2) Summary of Significant Accounting Policies

(a) *Presentation of Financial Statements*

The Financial Accounting Standards Board requires that Net Assets be presented as being either unrestricted, temporarily restricted, or permanently restricted. Unrestricted net assets result from contributions whose use is not limited by the donor. Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the organization pursuant to those restrictions. Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the organization’s actions.

(b) *Accrual Basis*

The accompanying financial statements have been prepared on the accrual basis.

(c) *Allocation of expenses*

Expenses are allocated among programs, fundraising activities, and support services based on time records maintained by employees. All non-personnel expenses are allocated based on percentages used to allocate personnel-related expenses of active personnel.

(d) *Cash and Cash Equivalents*

The Organization considers highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash equivalents.

(e) *Cash and Cash Equivalents Revenue Recognition*

The Organization’s revenue is derived from donors, who agree to sponsor students and pledge to pay all or part of their tuition for four years, and from corporation, foundation, and individual grants. Contributions received for tuition payable during the current fiscal year are reported as income. Contributions received for tuition payable in future periods, due to their conditional nature, are reported as temporarily restricted assets and deferred revenues.

(f) Investments in Marketable Securities

The Organization classifies its existing marketable equity securities as Trading Securities in accordance with the guidance for, "Accounting for Certain Investments in Debt and Equity Securities." These securities are carried at fair market value. Realized gains or losses are recognized in the statement of operations when securities are sold. Gains or losses on securities sold are based on the specific identification method. Unrealized gains or losses are recognized in the statement of operations on a monthly basis based on changes in the fair value of the security as quoted on national or inter-dealer stock exchanges.

(g) Promises to Give

Unconditional promises to give are not recognized as contribution revenue until the period they are received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(h) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Fair Value of Financial Instruments

Effective June 1, 2008, the Organization adopted the guidance in the Fair Value Measurements and Disclosure Topic of the Accounting Standards Codification for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of this guidance did not have an impact on the Organization's financial position or operating results, but did expand certain disclosures. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the guidance requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Quoted prices in active markets.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The fair values of financial assets of the Organization were determined using the following categories at August 31, 2015:

		Quoted prices in active markets (Level 1)
Investments	\$	981,455
Cash equivalents		8,931,847
	\$	<u>9,913,302</u>

Cash and cash equivalents of \$10,980,989, include money market securities (cash equivalents) of \$8,931,847, that are considered to be highly liquid and easily tradable as of August 31, 2015. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

The fair values of financial assets of the Organization were determined using the following categories at August 31, 2014:

		Quoted prices in active markets (Level 1)
Investments	\$	1,428,609
Cash equivalents		5,340,106
	\$	6,768,715

Cash and cash equivalents of \$10,840,509, include money market securities and US Treasuries maturing in less than 3 months (cash equivalents), of \$5,340,106, that are considered to be highly liquid and easily tradeable as of August 31, 2014. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

(j) Contributed Services

Contributed services that meet the criteria for recognition are recorded as contributions at their fair value with corresponding charges to expenses or assets.

When a student is selected for the program, the organization teams the student with a sponsor. The sponsor agrees, in addition to paying all or part of the student's tuition, to establish a personal relationship with the student, following the student's progress and providing whatever guidance or support is necessary to help the student succeed in getting through the high school years. The value of these contributed services, as well as the services of other volunteers, is not reflected in the accompanying financial statements inasmuch as it does not meet the criteria for recognition.

(k) Long-lived Assets

The Organization reviews long-lived assets, such as property and equipment, to be held and used or disposed of, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. At August 31, 2015 and 2014 no assets were impaired.

(l) Consideration of Credit Risk

The Organization maintains its cash in bank deposits at high credit quality financial institutions. The balances exceed federally insured limits by \$9,480,514 as of August 31, 2015 and by \$9,289,749 as of August 31, 2014.

Our marketable securities are held by a high credit quality institution and consist largely of US treasuries.

(m) Pledges Receivable

There was \$40,788 of pledges receivable at August 31, 2015.

Pledges receivable at August 31, 2015 were either subsequently collected or are expected to be received in the next few months of 2015.

There were \$31,750 of pledges receivable at August 31, 2014, which were either written off or collected subsequently.

(n) Equipment

Equipment is carried at cost. Depreciation is provided by the straight-line-method at rates calculated to amortize the cost over the estimated lives (3-7 years) of the individual assets.

Equipment consists of the following as of August 31,

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 232,659	\$ 232,659
Computers, software and equipment	98,661	98,661
Total cost	<u>331,320</u>	<u>331,320</u>
Less: accumulated depreciation	<u>(317,546)</u>	<u>(301,409)</u>
Net property and equipment	<u>\$ 13,774</u>	<u>\$ 29,911</u>

Depreciation expense for the years ended August 31, 2015 and August 31, 2014 was \$16,137 and \$17,075, respectively.

(o) Recent Accounting Pronouncements

Recent accounting pronouncements issued by FASB (including the Emerging Issues Task Force) and the AICPA did not, or are not, believed by the Organization's management, to have a material impact on the Organization's present or future financial statements.

(p) Subsequent Events

The Organization evaluates subsequent events for inclusion or disclosure in the financial statements through the date that the financial statements are available to be issued, which for these financial statements was December 14, 2015.

(3) Marketable Securities

Investments as of August 31, 2015, are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Marketable securities	\$ <u>986,858</u>	\$ <u>981,455</u>

Investments as of August 31, 2014, are summarized as follows:

	<u>Cost</u>	<u>Market</u>
Marketable securities	\$ <u>1,400,445</u>	\$ <u>1,428,609</u>

(4) Income Taxes

Student/Sponsor Partnership, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, if income from certain activities not directly related to the Organization's tax-exempt purpose were received, it would be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

(5) Permanently Restricted Net Assets

During the year ended August 31, 1991, the organization established the Thomas F. Devine Scholarship Fund. Contributions to this fund are segregated from other assets of the organization and, in the event the organization ceases to exist, the principal of the fund will be paid to the Scholarship Fund of the American Cancer Society. The net earnings of the fund are to be used each year to pay tuition for participating students. During the year ended August 31, 1996, the name of the fund was changed to the Thomas F. Devine and Joseph S. Walsh Scholarship Fund, at the request of the founders of the fund.

During the year ended August 31, 1994, the organization established an endowment fund to be used to pay for future tuition expenses of current students, which may not be covered by pledges or future fund raising. Since that time, other contributions have been received and designated by the donors as being endowment contributions. The income generated from such contributions has been classified as unrestricted net assets or temporarily restricted net assets in the accompanying financial statements, depending on the terms of the contributions. During the year ended August 31, 2004, the Board segregated donor-restricted endowment funds into separate permanently-restricted accounts.

The Helena Rubinstein Foundation’s Phyllis Casolaro Williams Scholarship Fund was established in 1995. The earnings on that gift will be used to support graduates of Junior High School 143 in Manhattan who are accepted in the Student/Sponsor Partnership.

The Jeffrey D. Bittner Memorial Fund was established in October 2001. The net earnings of the fund are to provide financial assistance for SSP students in perpetuity, in the form of tuition payments, in honor of Jeffrey D. Bittner, who died in the September 11, 2001 tragedy. In the event SSP ceases operations, the principal of the fund is to be repaid to the Jeffrey D. Bittner Memorial Fund for redistribution at the discretion of the Bittner family.

The Bruce Simmons Memorial Fund was established in December 2001. The net earnings of the fund are to provide scholarships in perpetuity in honor of Bruce Simmons, a long time supporter of SSP, who died in the September 11, 2001 tragedy. In the event SSP ceases operations, the principal of the fund will be repaid to the Simmons family to redistribute at their discretion.

Permanently restricted net assets include the following, at August 31:

	<u>2015</u>	<u>2014</u>
Thomas F. Devine and Joseph S. Walsh Scholarship Fund	\$ 155,222	\$ 155,222
Helena Rubinstein Foundation’s Phyllis Casolaro Williams Scholarship Fund	51,000	51,000
Jeffrey D. Bittner Memorial Fund	40,875	40,875
Bruce Simmons Memorial Fund	<u>96,689</u>	<u>96,689</u>
	<u>\$ 343,786</u>	<u>\$ 343,786</u>

(6) Temporarily Restricted Net Assets

The Pedro Galban Scholarship Fund was established in 2011 by the Galban family and Credit Suisse. Student Sponsor Partners draws down the temporarily restricted gift of \$100,000 by \$1,000 each year to partially fund a student’s annual tuition, in accordance with the terms of the gift. The student is known as the “Galban Scholar.”

The Charina Endowment Fund was established in FY12 with a \$100,000 gift. The gift may be used for any charitable purpose, but is subject to a maximum amount that can be expended each year.

SSP’s College and Career Prep, Readiness and Success program provides students with supplementary experiences including academic tutoring, financial aid counseling, essay and college application assistance, and college visits. SSP partners with the Bottom Line College Success Program and Let’s Get Ready SAT preparation program to help provide these services.

The Peter M. Flanigan Scholarship was established during FY15, in memoriam of the founder of Student Sponsor Partners. The scholarship honors three to four SSP high school graduates for their outstanding academic achievement and enables them to attend a highly selective four year college. Each scholar receives up to \$10,000 annually payable towards their outstanding tuition costs.

Temporarily restricted net assets include the following, at August 31:

	<u>2015</u>	<u>2014</u>
Pedro Galban Scholarship Fund	\$ 96,000	\$ 97,000
Charina Endowment Fund	25,000	50,000
College and Career Prep Readiness and Success Programs	33,750	77,750
Peter M. Flanigan Scholarship	9,645	-
Other Restricted Gifts	36,830	-
	<u>\$ 201,225</u>	<u>\$ 224,750</u>

(7) Board-Designated Net Assets

The Organization's program is to enable students from financially challenged families to obtain a high school diploma. The Organization seeks to receive funds to cover four years of schooling per student. These funds obtained from individuals, corporations and foundations are either pre-funded to provide for a full four years of schooling or obtained in part by a pledge to fund four years of schooling in which the pledge is funded on an annual basis.

Under generally accepted accounting principles, the receipt of the funds and confirmed receivables are recorded as revenues in the year the gift is made, while the student's tuition is not recorded as an expense until the student commences a school year.

At the current tuition levels, the estimated future liability for these students' tuition is as follows, for the fiscal years ending August 31:

2016	\$ 4,915,878
2017	3,973,728
2018	2,908,488
2019	<u>1,504,200</u>
Total	<u>\$ 13,302,294</u>

The Organization has also received verbal pledges (not recorded in these financial statements) to cover future tuition for the fiscal years ending August 31, as follows:

2016	\$ 2,928,135
2017	2,777,715
2018	1,738,681
2019	<u>922,435</u>
Total	<u>\$ 8,366,966</u>

The Organization has designated funds accumulated from specific donors, such as Credit Suisse, as well as internally generated surpluses from prior years, in the amount of \$3,450,397 as of August 31, 2015. The majority of these funds are specifically designated for future tuition of currently enrolled students for periods up to four years, depending on the date such monies were received. The remaining amounts have been designated for other uses, including technology improvements and an emergency fund to assist parents, in the event that a parent is unable to make their portion of the tuition payments.

In addition, during the year ended August 31, 2004, the Board designated the organization's accumulated unrestricted net assets as the Reserve Fund. At the end of each fiscal year, unrestricted revenues in excess of operating expenses maybe assigned to the Reserve Fund. The Reserve Fund may be used to cover current and future tuition liabilities incurred by students in the program, as well as operating expenses during periods when insufficient funds are raised to meet expenses, and to cover deficits which might stretch over a several year period in the event of a sustained economic downturn.

(8) Commitments

The Organization leases its premises under a lease agreement which expires June 30, 2019. Future minimum annual rentals are payable as follows:

Fiscal Year Ending August 31,

2016	\$	135,800
2017		139,195
2018		142,674
2019	\$	121,362

Rent expense for the years ended August 31, 2015 and 2014 was \$133,970 and \$129,256, respectively.

STUDENT/SPONSOR PARTNERSHIP, INC.

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended August 31, 2015:

	Programs	Fund Raising	Support Services	Total
Tuition	\$ 5,177,288	\$ -	\$ -	\$ 5,177,288
Other student related expenses	15,000	-	-	15,000
Founders' dinner	-	268,343	-	268,343
Sponsor recruitment events, fees and expenses	-	11,233	-	11,233
Payroll and payroll taxes	451,276	206,703	241,168	899,147
Employee benefits	27,076	12,402	14,470	53,948
Accounting and professional fees	73,135	24,830	86,175	184,140
Depreciation	8,099	3,710	4,328	16,137
Other operating fixed expenses	15,478	7,839	8,421	31,738
Occupancy expenses	110,996	36,916	43,071	190,983
Travel, conferences and meetings, and events	106,748	1,309	5,621	113,678
Printing and publications	7,351	3,064	3,575	13,990
Other operating variable expenses	27,544	20,134	14,310	61,988
Total	\$ 6,019,991	\$ 596,483	\$ 421,139	\$ 7,037,613

For the year ended August 31, 2014:

	Programs	Fund Raising	Support Services	Total
Tuition	\$ 5,512,797	\$ -	\$ -	\$ 5,512,797
Other student related expenses	25,923	-	-	25,923
Founders' dinner	-	276,546	-	276,546
Fall benefit expenses	-	25,193	-	25,193
Program event expense	10,702	-	-	10,702
Sponsor recruitment events, fees and expenses	-	4,835	-	4,835
Payroll and payroll taxes	466,233	252,542	252,542	971,317
Employee benefits	39,395	21,340	21,340	82,075
Accounting and professional fees	68,854	33,742	115,179	217,775
Depreciation	8,195	4,440	4,440	17,075
Other operating fixed expenses	28,852	22,157	14,265	65,274
Occupancy expenses	74,081	40,154	40,127	154,362
Travel, conferences and meetings, and events	66,602	9,935	6,726	83,263
Printing and publications	6,675	8,321	1,886	16,882
Other operating variable expenses	25,743	14,588	13,567	53,898
Total	\$ 6,334,052	\$ 713,793	\$ 470,072	\$ 7,517,917