

GENERATION SCHOOLS NETWORK INC.
FINANCIAL STATEMENTS
PERIOD JULY 1, 2007 (INCEPTION) THRU DECEMBER 31, 2007

GENERATION SCHOOLS NETWORK INC.
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INDEPENDENT AUDITOR'S REPORT

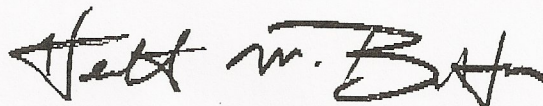
Board of Trustees
Generation Schools Network Inc.
150 Court Street – 2nd Floor
Brooklyn, NY 11201

We have audited the accompanying statement of financial position of Generation Schools Network as of December 31, 2007, and the related statements of activities and changes in net assets and cash flows for period July 1, 2007 (inception) thru December 31, 2007. These financial statements are the responsibility of the management of Generation Schools Network Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation Schools Network Inc. as December 31, 2007 and the results of its activities and its cash flows for the period July 1, 2007 (inception) thru December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountant

Great Neck, New York
August 6, 2008

GENERATION SCHOOLS NETWORK INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Cash and cash equivalents	\$ 108,613
Accounts receivable	5,872
Prepaid expenses	3,348

TOTAL ASSETS \$ 117,833

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	11,215
Net unrestricted assets	106,618

TOTAL LIABILITIES AND NET ASSETS \$ 117,833

See accountant's report and notes to financial statements.

**GENERATION SCHOOLS NETWORK INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
PERIOD JULY 1, 2007 (INCEPTION) THRU DECEMBER 31, 2007**

Unrestricted Funds:

Support and Revenue:	
Grants and Contributions	\$ 359,485
Investment Income	1,473
Total Support and Revenue	<u>360,958</u>

Expenses:

Program services	178,862
Support services:	
Management & general	39,170
Fundraising	38,353
Total expenses	<u>256,385</u>
 Increase in net assets	 104,573
 Net assets - July 1, 2007	 2,045
 Net assets - December 31, 2007	 <u>\$ 106,618</u>

See accountant's report and notes to financial statements.

**GENERATION SCHOOLS NETWORK INC.
SCHEDULE OF FUNCTIONAL EXPENSES
PERIOD JULY 1, 2007 (INCEPTION) THRU DECEMBER 31, 2007**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 141,391	\$ 29,259	\$ 30,084	\$ 200,734
Taxes and fringe benefits	12,209	2,440	2,537	17,186
Direct program expenses	13,300	2,850	3,173	19,323
Office expenses	460	98	98	656
Professional fees	1,740	2,449	373	4,562
Rent	4,865	1,043	1,043	6,951
Repairs and maintenance	529	113	113	755
Telephone	1,390	298	298	1,986
Insurance	878	173	185	1,236
Dues and subscriptions	540	116	116	772
Payroll service	520	108	110	738
Miscellaneous	1,040	223	223	1,486
Total	<u><u>178,862</u></u>	<u><u>39,170</u></u>	<u><u>38,353</u></u>	<u><u>256,385</u></u>

See accountant's report and notes to financial statements.

GENERATION SCHOOLS NETWORK INC.
STATEMENT OF CASH FLOWS
PERIOD JULY 1, 2007 (INCEPTION) THRU DECEMBER 31, 2007

Cash flows from operating activities:	
Increase in net assets	<u>\$ 104,573</u>
Adjustments to reconcile net assets to net cash provided by operating activities:	
Accounts receivable - (increase)	(3,827)
Prepaid expenses - (increase)	(3,348)
Accounts payable and accrued expenses - increase	11,215
Total adjustments	<u>4,040</u>
Net cash provided by operating activities	<u>108,613</u>
Net increase in cash and cash equivalents	108,613
Cash and cash equivalents - July 1, 2007	-
Cash and cash equivalents - December 31, 2007	<u><u>\$ 108,613</u></u>
Supplemental disclosure of cash flow information:	
Non-cash operating activities:	
Donated facilities, professional and technology services	<u><u>\$ 21,399</u></u>

See accountant's report and notes to financial statements.

GENERATION SCHOOLS NETWORK INC.
NOTES TO FINANCIAL STATEMENTS
PERIOD JULY 1, 2007 (INCEPTION) THRU DECEMBER 31, 2007

1. Nature of Activities and Significant Accounting Policies

(a) Nature of activities – Generation Schools Network, Inc. (the Organization), is a nonprofit organization that has developed an innovative and practical new operational model that can offer all students the types of educational and youth development opportunities that lead to academic achievement. In 2007 the New York City Department of Education and United Federation of Teachers signed an agreement authorizing the use of the organization's innovative school model in a New York City public high school. The model was implemented in the Brooklyn Generation School which started its inaugural ninth-grade class in September 2007 as part of the South Shore Educational Complex.

The Organization was granted 501(c) (3) tax exempt status in March, 2007. To operate before receiving tax exempt status, the Organization entered into an agreement with FJC, a foundation of philanthropic funds, where by FJC would serve as fiscal sponsor for the Organization. As fiscal sponsor, FJC received and dispensed all funds donated to the Organization at the request of the Organization's officers, to settle payables related to the Organization's activities. While FJC functioned as fiscal sponsor, the Organization's revenues and expenses were included in FJC's audited financial reports and tax returns. After receiving tax exempt status the Organization ended the fiscal sponsor relationship with FJC. The change occurred at the end of June, 2007.

(b) Basis of accounting – The accompanying financial statements have been prepared in accordance with the accrual basis of accounting.

(c) Basis of presentation – The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." As specified by SFAS No. 117, the Organization presents its financial position and activities as they relate to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

(d) Support and expenses – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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 activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not included as support until the conditions are substantially met.

GENERATION SCHOOLS NETWORK INC.
NOTES TO FINANCIAL STATEMENTS
PERIOD JULY 1, 2007 (INCEPTION) THRU DECEMBER 31, 2007

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are primarily comprised of the fair value of office space, utilities and information technology systems provided to the Organization by the Blue Ridge Foundation of New York and legal services provided by Skadden Arps. The donated space and services provided by the Blue Ridge Foundation of New York are used for the Organization's headquarters.

(e) Cash and cash equivalents – The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts.

(f) Income tax status – The Organization is a nonprofit corporation whose revenue is derived from contributions and other fund-raising activities. It has been granted tax-exempt status from the Internal Revenue Service under Section 501(c) (3) of the Internal Revenue Code and is therefore not subject to federal or state income taxes.

(g) 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 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 revenue and expenses during the respective reporting periods. Actual results could differ from those estimates.

2. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Concentration of Contributions

During the period July 1, 2007 (inception) thru December 31, 2007, the Organization received \$195,000, or 54%, of total support and revenue, from three major donors.