posse has three goals

one
To expand the pool from which top colleges and universities can recruit outstanding young leaders from diverse backgrounds.

two
To help these institutions build more interactive campus environments so that they can become more welcoming institutions for people from all backgrounds.

three
To ensure that Posse Scholars persist in their academic studies and graduate so they can take on leadership positions in the workforce.
the concept of a Posse works for both students and college campuses, and is rooted in the belief that a small, diverse group of talented students—a Posse—carefully selected and trained, can serve as a catalyst for increased individual and community development. As the United States becomes an increasingly multicultural society, Posse believes that the leaders in this new century should reflect the country's rich demographic mix, and that the key to a promising future for our nation rests on the ability of strong leaders from diverse backgrounds to develop consensus solutions to complex social problems. One of the primary aims of the Posse Program is to train these leaders of tomorrow.
Dear Friends,

“Making the Posse Promise Permanent.” With the declaration of this ambition, The Posse Foundation has embarked on an aggressive $10 million endowment campaign. This campaign was launched in 2003 with a $5 million challenge grant from the Sallie Mae Fund. Posse board members have now generously pledged $2.25 million toward meeting the challenge. The public phase of the campaign began in February 2004. Great optimism exists in our ability to raise the balance and for Posse to have a permanent new stream of endowment income by June of 2006, by which time the challenge grant must be met.

Washington, D.C. will become Posse’s fifth city in the spring of 2004. This is possible, like our endowment campaign, because of a wonderful $1 million, three-year grant from the Sallie Mae Fund. Posse’s impact is now truly national. In December 2003, 223 new Posse Scholars were chosen to attend our 19 partner universities. They join more than 530 Posse Scholars already on campus, bringing about positive change while receiving an outstanding education.

Posse has seen amazing growth and continuing success in finding outstanding young leaders from public high schools. Posse Scholars are changing their university campuses, and over 90 percent are graduating. We are blessed with a powerful and simple idea—the notion that a Posse, a team of 10 kids, can defy the odds, can overcome the inadequacies of their high school education, can help each other succeed at our best universities, and can graduate and take on leadership roles in the workforce.

What makes all of this possible? It is the confidence of our funders, the wisdom and remarkable generosity of our board and friends, the incredible talent and devotion of the Posse staff, the strong support of Posse’s partner universities, and most of all, the passion, dreams, and determination of our Posse Scholars. The Posse promise is becoming permanent, and our continued efforts can make it so for thousands of young people yet to come.

Michael L. Ainslie
Chairman, Board of Directors
Dear Friends,

This year, Posse celebrates 15 years of identifying outstanding young leaders for top colleges and universities in the United States. The simple concept of a posse has supported almost 1,000 students as they transition from high school to college and then from college into the workforce. Collectively, these students have won over $85 million from Posse partner colleges, and continue to persist and graduate at a rate of over 90 percent.

This fall, 4,500 high school seniors were nominated for 223 Posse Scholarships. That staggering number of nominations illustrates both the need for this program and the tremendous number of talented young people in our public schools. Posse’s most important growth goal is to increase its number of colleges and universities so that it can serve many, many more of these students.

Posse’s track record was affirmed this year thanks to a grant from The Atlantic Philanthropies. With this grant, we hired TCC Group to complete an extensive evaluation of Posse’s program. Their report concluded that Posse not only solidly meets each of its goals, but also creates a ripple effect of positive impact on its partner campuses. TCC found that Posse is truly expanding the pool from which top colleges can recruit student leaders from a real diversity of backgrounds.

“University and college officials were unequivocal in their responses, noting that their involvement in Posse has not only allowed them to reach students they have not traditionally served in large numbers but it has also raised the visibility of their colleges and universities among high school students who normally do not apply to their institutions.”

TCC also reported that 70 percent of Posse Scholars have founded or led an organization, club or academic program on their campus.

Our Scholars are extraordinary. Rachel François, Bryn Mawr Posse 1, is co-president of the first year class; Jourdan Sutton, DePauw Posse 5, is assistant coach for the Greencastle Middle School Basketball team; Crystal Belle, Middlebury Posse 2, is the president of the African American Alliance association; Gabe Acosta, Grinnell Posse 1, travels 52 miles to Des Moines every Friday to mentor elementary school-aged children. Our Scholars work for Habitat for Humanity, are members of the National Society of Black Engineers, sing in their college gospel choirs, and tutor their peers. One is a Bible study leader, another is in the scuba diving club, one facilitates race study circles on campus, and many write for their campus newspapers. They are traveling to Senegal, South Africa, and Thailand. They are interning in corporate finance, law firms, and museums.

In 2004, as Posse selects its one-thousandth Scholar, we will be smiling. We are so proud of our Scholars’ commitment to excellence and expect to see their leadership carried out in tomorrow’s board rooms, classrooms, and policy rooms.

I thank everyone who believes in our young people and in the potential of this program. It is your support that allows our Scholars to soar.

Deborah Bial
President and Founder
Over 4,500 students are nominated for Posse Scholarships.

223 Scholars win over $22 million in leadership scholarships from Posse partner colleges and universities.

Posse welcomes two new university partners: Babson College and Claremont McKenna College.

Over 1,200 students, faculty, and administrators attend PossePlus retreats across the country.

Four Posses graduate from Brandeis University, DePauw University, Middlebury College, and Vanderbilt University.

Posse Scholars’ persistence and graduation rate continues at over 90 percent.

An outside evaluation conducted on the Posse Program finds that 70 percent of Posse Scholars have started or led an organization, club, or academic program on their campuses.

Sallie Mae Fund awards Posse $1 million to expand to Washington, D.C. in 2004 and awards a $5 million endowment challenge grant.

First annual Posse Gala raises over $230 thousand; the Gala honors three Posse Stars: Dr. Shirley Collado, Posse Alumna and Posse’s national program director; Dr. Jehuda Reinharz, president, Brandeis University; and Lesley Stahl, correspondent and co-editor, 60 Minutes, anchor, 48 Hours Investigates.

Posse surpasses fund raising goal for the year.

Posse welcomes six new board members: Patricia Arnold, Trustee, Wheaton College; Jonathan L. Buchman, Senior Director, Cushman & Wakefield, Inc.; Anthony J. de Nicola, General Partner, Welsh, Carson, Anderson & Stowe; Martin Frederic Evans, Partner, Debevoise & Plimpton LLP; Garrett Moran, President & Senior Principal, MMC Capital, Inc.; and Susan J. Scher, Managing Director, Goldman, Sachs & Co.

The Career Program triples its efforts to provide career development support to the 534 Posse Scholars on campus by adding Career Coordinators to the Chicago and New York sites.
the posse foundation would like to thank its 19 partner colleges and universities for their continued support of The Posse Program. This year these institutions awarded over $22 million in leadership scholarships to Posse Scholars across the country.
From September through December each year, Posse conducts the Dynamic Assessment Process (DAP), a unique evaluation method designed to identify young leaders who might be missed by traditional admissions criteria, but who can excel at selective colleges and universities. Using non-traditional forums to evaluate potential, DAP offers students an opportunity to demonstrate their intrinsic leadership abilities, their skill at working in a team setting, and their motivation and desire to succeed. DAP has proven to be an extremely effective tool for identifying outstanding young leaders. In a three-part process, including large group and individual interviews, Posse staff and university partner administrators ultimately select a diverse group of ten students for each college or university, thus forming a “Posse.”
Fatima Siad thinks she is the richest girl in the world. It’s only when you sit down and listen to her remarkable story that you understand her sentiment. For Fatima, being rich isn’t about money, but about getting a second chance. Fatima was only five years old when the civil war in Somalia began, a civil war that struck tremendous losses in her family, and a war that stopped any chance she had of getting an education. When she immigrated to the United States five years ago, she stepped into a classroom for the first time at the age of thirteen. Without any knowledge of English or other skills students her age already had, Fatima managed to excel academically and personally.

In the fall of 2004, Fatima will enter her first year at Bryn Mawr College with her Posse. She will be the first person in her extended family to finish high school and go to college. She plans to become a pediatrician one day and practice medicine in countries that need doctors the most.

“I feel like I’ve lived two different lives; and I’m here provided with an opportunity. It’s my duty to take advantage of it,” she said. “Kids all over the world die every day because there aren’t enough doctors. People have given me so much and I want to go back and give back.”

In 2003, Posse staff heard 223 stories of perseverance and triumph from the new Posse Scholars. Fatima is only one extraordinary story. Maya Ramos, one of the trainers from Posse Boston, remembers Fatima’s interview. “She left us speechless. We met this person that embodied what we were looking for. This was a Posse Scholar. She is so humble about her experiences; she doesn’t need to put on a show—her powerfully honest and appreciative spirit proves it.”
component two

From January to August of their senior year in high school, Posse Scholars meet weekly with staff trainers and their “Posse” peers for two-hour workshops. The Training Program consists of workshops that address four areas: 1) team-building and group support, 2) cross-cultural communication, 3) leadership and becoming an active agent of change on campus, and 4) academic excellence. The goal of the training is to prepare Scholars for leadership roles on campus and for the high level academic expectations of their colleges.
Retreat strengthens Scholars’ bond

The summer retreat is the culmination of a Posse’s training before they head off to college for the first time. In July of 2003, Posse Los Angeles staff spent a three-day retreat with Gilmar Valencia and the rest of University of Wisconsin-Madison Posse 1 in the mountains of Southern California. It was at this location, near Lake Arrowhead and Big Bear, that Gilmar learned more about himself and his Posse than he ever thought he would.

Before the retreat, Gilmar and his Posse didn’t know what to expect of their three-day weekend together. They had been meeting for seven months already, and weren’t sure they could get any closer as a group. Shortly after arriving, the members of his Posse found themselves thrown into team-building workshops. They seemed innocent enough, but the purpose was sure to reveal itself. And it did. The ropes course, which tested Gilmar’s fear of heights, brought out his courage.

“When things got scary, my Posse and trainers stood behind me and supported me. [It] honestly helped me grow trust with my Posse, something that is priceless. Every workshop played a role in bringing our Posse closer,” he said. “I got to know my Posse members more as brothers and sisters and not just friends. This retreat brought me closer to my Posse just when I thought we wouldn’t get any closer.”

When it was time to head home, Gilmar knew he had made friends for life. “As I thought about the past weekend in my mind, I had never felt so confident and safe with people other than my biological family. It was a time when I felt proud and positive that I had made the right decision joining Posse, a decision that I will be thankful I did for the rest of my life.”

Grinnell Posse 1 Scholars (from left) Ramiro Carillo, Jasmine Brewer and Lester Aleman
component three

The Campus Program works to ensure the retention of Posse Scholars and to increase the impact of the Scholars and the Program on the college campus. Posse staff members visit each university twice every semester for meetings with Posse Scholars, campus liaisons, and with on-campus mentors. Each mentor meets weekly with the Posse as a team and with individual Scholars every two weeks during their first two years. In addition, Posse facilitates an annual weekend-long PossePlus Retreat attended by members of the larger student body, faculty, and administration, with the goal of discussing an important campus issue identified by Posse Scholars.
In the fall semester of 2003, Remi interned for the International Student campaign, a cause he deeply connected with growing up as a Nigerian in this country. He became interested in better understanding the U.S. Patriot Act and developed workshops to promote dialogue on what it meant for international students.

If you ask Remi why he’s so involved, he’ll answer, “Because I’m a Posse Scholar. Going to Posse meetings during the academic year isn’t enough, [it’s] the minimum, and I can do more. As a member of the first Posse at UW, I feel obligated to set a precedent on campus, to prove that Posse belongs at UW.”

The University of Wisconsin-Madison is lucky to have Remi Aregbesola. And it’s not just because he recently made Dean’s list with a 3.7 GPA. He’s modest, but beneath his reserved disposition are qualities that make him a true leader on campus.

His list of accomplishments is impressive. In 2003, as a member of the student government finance committee, this Chicago Posse Scholar was responsible for helping allocate $600,000 towards events, travel, and student organization grants, and helped resolve funding issues for campus organizations. He is a member of the Black Student Union, student government, TRIO (a program that supports low-income, international, and disabled students), and Wisconsin’s Black Engineers Society. He worked on the UW 2008 diversity plan in the Vice Chancellor’s office and was a multicultural resident consultant for a dormitory.

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component four

The Career Program supports Posse Scholars as they transition from being leaders on campus to becoming leaders in the workforce. Posse plays an integral role in the professional development of these young people by providing them with the tools and opportunities necessary to secure highly competitive and career-enhancing internships and jobs. One of the ways Posse achieves this is by partnering with exceptional companies and organizations, both nationally and abroad.

The Career Program has three core components:

posse would like to thank its 2003 internship partners

Adnan Prisic wants to be a doctor. In 2003, a $5,000 Lehman Brothers Community Leadership Award brought him one step closer. This award is given to two Posse Scholars each year to support their exceptional work in unpaid positions at community-based organizations. Adnan chose to work at the Refugee Youth Summer Enrichment program at Harvard University.

“I feel that one good deed done by an individual can change the world significantly,” said Adnan when asked why he wants to become a doctor. As a refugee from Bosnia and Herzegovina, Adnan knows the impact doctors in a refugee center can have. “They can heal deep wounds, build confidence and replenish youth with life,” he said.

Lehman Brothers recognized that Adnan was motivated by passion, empathy and history. The work he did at the Refugee Youth Summer Enrichment program not only allowed him to motivate other young people to reach their goals, but also gave him a greater understanding of the impact he can have once he receives his medical degree. This passion for people, science, and community will launch him into a successful career as a doctor.
Posse Boston continued to recruit outstanding Scholars from the Boston area for its three incredible partner institutions: Bowdoin, Bryn Mawr and Hamilton colleges. Although located in the smallest Posse city, Posse Boston received close to 600 student nominations. Posse Boston partner colleges awarded $3 million in scholarships to 30 new Posse Scholars. On campus, Posse Scholars outdid themselves academically and Boston’s very first Posse entered its senior year at Bowdoin College. The Career Program opened onsite and quickly began to reach out to corporate, philanthropic, and community resources. Posse’s Boston Advisory Board became a model for leadership at the local level. Trish Arnold took on the role of chair and Lawson and Clint Allen hosted a Posse event at their motorcycle museum, introducing Posse to a new network of supporters.
In only four years, Posse Chicago has fully established itself as an important resource for Chicago public school students. Due to aggressive outreach efforts in the country’s third largest public school system, Posse Chicago saw over 1,100 new student nominations. Tim Ubben, Posse Chicago’s advisory board chair and national board member, helped the office form an important partnership with the new Post-Secondary Department for Chicago Public Schools aimed at increasing the pipeline to college for Chicago public school students. Posse Chicago’s five partner institutions awarded 55 Posse Scholarships, totaling over $5 million. Chicago’s impressive roster of partner institutions includes Posse’s first relationships with major public research universities: University of Illinois, Urbana-Champaign and the University of Wisconsin, Madison. Posse Chicago Scholars were represented in every facet of campus life, making dean’s list, holding officer positions in cultural, government, and academic clubs, and producing and managing campus events. Chastity Lord joined the staff as the new director for Posse Chicago.
Posse Los Angeles broke ground in August, by sending its newly trained and very first Posses off to Grinnell College in Iowa and to the University of Wisconsin-Madison. The LA Scholars bought winter coats, prepared for a major change in climate and then flew off to college to become the pioneering Posse Scholars on their campuses.

The three-year grant from the Goldman Sachs Foundation enabled Posse Los Angeles to continue to reach more LA high schools and community based organizations, resulting in over 800 new student nominations. Claremont McKenna College joined Posse Los Angeles as its third partner institution and represents Posse’s first west coast college partner. As a result, in December, 31 new Posse Scholars won over $3 million from its partner institutions. The Posse Foundation welcomed Renee Smith-Maddox as the new director for Posse Los Angeles.

Claremont McKenna College, Grinnell College and University of Wisconsin-Madison are partner colleges & universities:

City Report: Good news from Grinnell Posse 1 Scholar Jasmine Brewer to fellow Scholar Adam Brumer
After 15 years of success, Posse New York saw close to 2,000 student nominations. Almost 200 high schools and community-based organizations helped Posse New York reach more students than ever. With ten incredible partner colleges and universities, Posse New York was able to identify 107 new Posse Scholars. These young people won over $10 million in scholarships from our partner institutions. Babson College became our newest partner and the first with a focus on business and entrepreneurship. New York Scholars on campus continued to exhibit great leadership—many making dean’s list, winning prestigious awards such as the Watson Fellowship and the New York Times Scholarship; and others making impact doing exciting things like starting dance troupes, joining sports teams, and arguing on debate teams. Posse Scholars graduated from Brandeis University, DePauw University, Vanderbilt University, and Middlebury College, which graduated 100 percent of its first Posse, two of them magna cum laude, and one cum laude.
The Posse Foundation relies on the generosity of individuals, foundations and corporations. In 2003, the contributions from Posse friends and donors provided the resources that directly resulted in the growth and expansion of Posse and the amazing accomplishments of Posse Scholars nationwide.

To all who support Posse, thank you for helping to transform the lives of young people and college campuses across the country.

In 2003, The Sallie Mae Fund became one of Posse’s greatest supporters. A three-year, $1 million grant guaranteed that Posse would open its fifth site in Washington, D.C. And an unbelievable $5 million, three-year challenge grant for endowment will enable Posse to ensure the future of countless more Scholars.
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Mr. and Mrs. Peter J. Kilmartin
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Mr. Carl Manalo (Vanderbilt Posse 8)
Ms. Einah Manalo-Pelaez (Lehigh Posse 2)
Ms. Frances R. McKinley in honor of Ken Natori’s birthday
Mr. and Mrs. Leo J. Meunier in honor of Natania
Ms. Liza Oxnard
Ms. Katherine Oxnard
Carey Parker and Elizabeth Libby Parker
Mr. and Mrs. David G. Perry
Ms. Myrna Phillips Oakley
Mr. and Mrs. William M. Polk
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The Posse Foundation’s Gala celebrated Posse’s phenomenal growth and achievement over the past 15 years. Posse’s friends, donors, Scholars, Alumni, and staff joined together and made the event a huge success. The event raised more than $230,000 in contributions. Many of Posse’s dedicated donors attending the event were moved by the words and accomplishments of Posse Alumni and the three amazing Posse Stars. That evening, three Posse Stars were honored: Dr. Shirley Collado (now Ramirez), Posse Alumna and national program director of The Posse Foundation; Dr. Jehuda Reinharz, president of Brandeis University; and Lesley Stahl, correspondent and co-editor of 60 Minutes and the anchor of 48 Hours Investigates.
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## Statement of Financial Position as of December 31, 2003
(with Comparative Totals for 2002)
*(Restated)*

<table>
<thead>
<tr>
<th>Assets</th>
<th>2003</th>
<th><em>(Restated)</em> 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>$ 1,921,291</td>
<td>$ 2,198,358</td>
</tr>
<tr>
<td><strong>Investments at market</strong></td>
<td>227,964</td>
<td>5,576</td>
</tr>
<tr>
<td><strong>University fees and other receivables</strong></td>
<td>610,579</td>
<td>511,715</td>
</tr>
<tr>
<td><strong>Pledges receivable, net</strong></td>
<td>2,312,862</td>
<td>1,527,077</td>
</tr>
<tr>
<td><strong>Prepaid expenses and other assets</strong></td>
<td>42,791</td>
<td>31,530</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>111,288</td>
<td>118,895</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 5,226,775</td>
<td>$ 4,393,151</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounts payable and accrued expenses</strong></td>
<td>$ 38,180</td>
<td>$ 20,724</td>
</tr>
<tr>
<td><strong>Deferred rent</strong></td>
<td>18,119</td>
<td>—</td>
</tr>
<tr>
<td><strong>Deferred income</strong></td>
<td>400,000</td>
<td>340,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>456,299</td>
<td>360,724</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted</strong></td>
<td>1,772,279</td>
<td>1,089,596</td>
</tr>
<tr>
<td><strong>Temporarily restricted (a)</strong></td>
<td>1,409,061</td>
<td>2,942,831</td>
</tr>
<tr>
<td><strong>Permanently restricted (b)</strong></td>
<td>1,589,136</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>4,770,476</td>
<td>4,032,427</td>
</tr>
</tbody>
</table>

| Total liabilities and net assets   | $ 5,226,775   | $ 4,393,151      |

**The Audit Notes Are an Integral Part of These Financial Statements.**

*2002 numbers were restated to adopt pledge accounting requirements prescribed in statement of financial accounting standards No. 116. For a full copy of the audited financial statements, please contact the Posse Foundation, Inc.

(a) Temporarily restricted net assets of $1,533,770 and $1,151,108 for the years ended December 31, 2003 and 2002, respectively, were released from donor restrictions by incurring costs thereby satisfying the restricted purpose as specified by the donors.

(b) Permanently restricted net assets of $1,589,136 as of December 31, 2003 is for the establishment of the endowment fund in accordance with Posse’s agreement with the Sallie Mae Fund.

In 2003, Posse’s 19 university partners awarded over $22 million in leadership scholarships to 223 new Scholars. These students were selected from over 4,500 nominees in Posse sites located in Boston, Chicago, Los Angeles, and New York City. Since 1989, Posse has placed 944 Scholars at top colleges and universities around the country. These Scholars have been awarded over $85 million in scholarships from partner universities.

## Statement of Activities Year Ended December 31, 2003
(with Comparative Totals for 2002)
*(Restated)*

<table>
<thead>
<tr>
<th>Support and Revenue</th>
<th>Total 2003</th>
<th><em>(Restated)</em> Total 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions and grants</strong></td>
<td>$ 3,041,064</td>
<td>$ 3,049,613</td>
</tr>
<tr>
<td><strong>University fees</strong></td>
<td>535,000</td>
<td>508,334</td>
</tr>
<tr>
<td><strong>Service fees</strong></td>
<td>—</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>In-kind contributions</strong></td>
<td>198,000</td>
<td>198,000</td>
</tr>
<tr>
<td><strong>Interest and dividends</strong></td>
<td>11,961</td>
<td>13,358</td>
</tr>
<tr>
<td><strong>Fund-raising, net of direct costs of $77,077</strong></td>
<td>144,617</td>
<td>—</td>
</tr>
<tr>
<td><strong>Realized gain (loss) on sale of securities</strong></td>
<td>1,807</td>
<td>(388)</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>3,932,449</td>
<td>3,793,917</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment and training programs</td>
<td>2,473,027</td>
<td>2,012,398</td>
</tr>
<tr>
<td>Supporting Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>389,681</td>
<td>304,220</td>
</tr>
<tr>
<td>Fundraising</td>
<td>331,692</td>
<td>239,758</td>
</tr>
<tr>
<td><strong>Total Supporting Services</strong></td>
<td>721,373</td>
<td>543,978</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>3,194,400</td>
<td>2,556,376</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in net assets</th>
<th>738,049</th>
<th>1,237,541</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets—beginning of year as previously reported</strong></td>
<td>—</td>
<td>1,378,220</td>
</tr>
<tr>
<td><strong>Prior period adjustment (Note 8)</strong></td>
<td>—</td>
<td>1,416,666</td>
</tr>
<tr>
<td><strong>Net assets as restated—beginning of year</strong></td>
<td>4,032,427</td>
<td>2,794,886</td>
</tr>
<tr>
<td><strong>Net assets—end of year</strong></td>
<td>$ 4,770,476</td>
<td>$ 4,032,427</td>
</tr>
</tbody>
</table>

**The Audit Notes Are an Integral Part of These Financial Statements.**

*2002 numbers were restated to adopt pledge accounting requirements prescribed in statement of financial accounting standards No. 116. For a full copy of the audited financial statements, please contact the Posse Foundation, Inc.*
STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2003
(with Comparative Totals for 2002)

**(Restated)**

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2003</th>
<th><em>(Restated)</em> 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 738,049</td>
<td>$ 1,237,541</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>48,249</td>
<td>34,477</td>
</tr>
<tr>
<td>Contributed securities</td>
<td>(35,917)</td>
<td>(6,014)</td>
</tr>
<tr>
<td>Realized (gain) loss on securities</td>
<td>(1,807)</td>
<td>388</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>748,574</td>
<td>1,266,392</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities (Increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University fees and other receivables</td>
<td>(98,864)</td>
<td>(101,715)</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>(785,785)</td>
<td>(110,411)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(11,261)</td>
<td>(12,509)</td>
</tr>
<tr>
<td>Increase in liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>17,456</td>
<td>11,186</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>18,119</td>
<td>–</td>
</tr>
<tr>
<td>Deferred income</td>
<td>60,000</td>
<td>66,666</td>
</tr>
<tr>
<td><strong>Net Cash (Used) Provided by Operating Activities</strong></td>
<td>(51,761)</td>
<td>1,119,609</td>
</tr>
</tbody>
</table>

**Cash Flows from Investing Activities**

| Purchase of investments             | (227,964) | – |
| Proceeds from sale of investments   | 43,300    | – |
| Purchase of property and equipment  | (40,642)  | (60,977) |
| **Net Cash Used by Investing Activities** | (225,306) | (60,977) |

**Net (decrease) increase in cash and cash equivalents**

| (277,067) | 1,058,632 |

| Cash and cash equivalents—beginning of year | 2,198,358 | 1,139,726 |
| Cash and cash equivalents—end of year      | $ 1,921,291 | $ 2,198,358 |

THE AUDIT NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

*2002 numbers were restated to adopt pledge accounting requirements prescribed in statement of financial accounting standards No. 116. For a full copy of the audited financial statements, please contact the Posse Foundation, Inc.*