

Return of Organization Exempt From Income Tax

2007

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2007 calendar year, or tax year beginning 07/01, 2007, **and ending** 06/30/2008

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization CLASSROOM, INC.	D Employer identification number 13-3666846
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 245 FIFTH AVENUE - 20TH FLOOR	E Telephone number (212) 545-8400
	City or town, state or country, and ZIP + 4 NEW YORK, NY 10016	F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify)
	Please use IRS label or print or type. See Specific Instructions.	

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates

H(c) Are all affiliates included? Yes No (If "No," attach a list. See instructions.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Group Exemption Number

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

G Website: WWW.CLASSROOMINC.ORG

J Organization type (check only one) 501(c)(3) (insert no.) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 5,500,272.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Contributions to donor advised funds	1a		
	b Direct public support (not included on line 1a)	1b	2,832,203.	
	c Indirect public support (not included on line 1a)	1c		
	d Government contributions (grants) (not included on line 1a)	1d		
	e Total (add lines 1a through 1d) (cash \$ 2,452,506. noncash \$ 379,697.)	1e		2,832,203.
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2		1,174,432.
	3 Membership dues and assessments	3		
	4 Interest on savings and temporary cash investments	4		181,651.
	5 Dividends and interest from securities	5		
	6 a Gross rents	6a		
	b Less: rental expenses	6b		
c Net rental income or (loss). Subtract line 6b from line 6a	6c			
7 Other investment income (describe)	7			
8 a Gross amount from sales of assets other than inventory	(A) Securities		(B) Other	
	1,275,220.	8a		
	b Less: cost or other basis and sales expenses	8b		
	1,324,823.	8b		
c Gain or (loss) (attach schedule)	8c	-49,603.		
d Net gain or (loss). Combine line 8c, columns (A) and (B)	8d		-49,603.	
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>				
a Gross revenue (not including \$ of contributions reported on line 1b)	9a			
b Less: direct expenses other than fundraising expenses	9b			
c Net income or (loss) from special events. Subtract line 9b from line 9a	9c			
10 a Gross sales of inventory, less returns and allowances	10a			
	b Less: cost of goods sold	10b		
	c Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a	10c		
11 Other revenue (from Part VII, line 103)	11		36,766.	
12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	12		4,175,449.	
Expenses	13 Program services (from line 44, column (B))	13	3,284,589.	
	14 Management and general (from line 44, column (C))	14	493,387.	
	15 Fundraising (from line 44, column (D))	15	385,670.	
	16 Payments to affiliates (attach schedule)	16		
	17 Total expenses. Add lines 16 and 44, column (A)	17		4,163,646.
Net Assets	18 Excess or (deficit) for the year. Subtract line 17 from line 12	18	11,803.	
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	6,038,052.	
	20 Other changes in net assets or fund balances (attach explanation) \$TMT. 3	20	-314,456.	
	21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21		5,735,399.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

Table with 5 columns: (A) Total, (B) Program services, (C) Management and general, (D) Fundraising. Rows include 22a-22b, 23-24, 25a-25c, 26-43, and 44 Total functional expenses.

Joint Costs. Check [] if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? [] Yes [X] No
If "Yes," enter (i) the aggregate amount of these joint costs \$; (ii) the amount allocated to Program services \$;
(iii) the amount allocated to Management and general \$; and (iv) the amount allocated to Fundraising \$

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ▶SEE STATEMENT 5 All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
a CURRICULUM DEVELOPMENT: CREATION OF INTERACTIVE, COMPUTER-BASED SIMULATIONS OF REAL LIFE EXPERIENCES WHICH FUNCTION AS SUPPLEMENTARY CURRICULA IN SCHOOLS AND COMMUNITY-BASED ORGANIZATIONS. (Grants and allocations \$ <u>NONE</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	279,650.
b EXTENDED LEARNING, LEARNING ENVIRONMENT AND LITERACY AT WORK PROGRAMS: PROVIDE SCHOOLS AND TEACHERS WITH TECHNICAL AND PEDAGOGICAL SUPPORT AS THEY USE CLASSROOM, INC. PROGRAMS. PROVIDE TEACHERS WITH PROFESSIONAL DEVELOPMENT THROUGH CUSTOMIZED WORKSHOPS AND ONSITE SUPPORT. (Grants and allocations \$ <u>NONE</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	2,192,913.
c PROFESSIONAL DEVELOPMENT TOOLS AND PUBLICATIONS: CREATION OF CURRICULA MATERIALS INCLUDING STUDENT WORKBOOKS, LESSON PLANS, CLASSNOTES NEWSLETTER, ASSESSMENT MATERIALS, WEB SITE/ RESOURCES, AND OTHER MATERIALS FOR TEACHERS TO SUPPORT IMPLEMENTATION OF PROGRAMS. (Grants and allocations \$ <u>NONE</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	588,654.
d RESEARCH, ASSESSMENT AND NEW INITIATIVES: RESEARCH FOR CURRICULUM DEVELOPMENT AND ENHANCING INSTRUCTIONAL MODELS. (Grants and allocations \$ <u>NONE</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	223,372.
e Other program services (attach schedule) (Grants and allocations \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	3,284,589.

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
Assets	45 Cash - non-interest-bearing	600.	45	500.
	46 Savings and temporary cash investments	931,499.	46	1,263,695.
	47a Accounts receivable	924,446.		
	b Less: allowance for doubtful accounts	NONE	47c	924,446.
	48a Pledges receivable	952,126.		
	b Less: allowance for doubtful accounts	NONE	48c	952,126.
	49 Grants receivable		49	
	50a Receivables from current and former officers, directors, trustees, and key employees (attach schedule)		50a	
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)		50b	
	51a Other notes and loans receivable (attach schedule)			
	b Less: allowance for doubtful accounts		51c	
	52 Inventories for sale or use	325,262.	52	508,278.
	53 Prepaid expenses and deferred charges	139,245.	53	129,549.
	54a Investments - publicly-traded securities <small>STMT. 7</small>	2,542,354.	54a	2,423,705.
	b Investments - other securities (attach schedule)		54b	
	55a Investments - land, buildings, and equipment: basis			
	b Less: accumulated depreciation (attach schedule)		55c	
	56 Investments - other (attach schedule)		56	
	57a Land, buildings, and equipment: basis <small>STMT. 8</small>	1,307,046.		
b Less: accumulated depreciation (attach schedule)	1,165,598.	57c	141,448.	
58 Other assets, including program-related investments (describe)		58		
59 Total assets (must equal line 74). Add lines 45 through 58	6,581,181.	59	6,343,747.	
Liabilities	60 Accounts payable and accrued expenses	290,317.	60	440,173.
	61 Grants payable		61	
	62 Deferred revenue	252,812.	62	168,175.
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule)		64b	
	65 Other liabilities (describe)		65	
66 Total liabilities. Add lines 60 through 65	543,129.	66	608,348.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	4,384,079.	67	4,130,354.
	68 Temporarily restricted	1,378,881.	68	1,344,092.
	69 Permanently restricted	275,092.	69	260,953.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)	6,038,052.	73	5,735,399.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	6,581,181.	74	6,343,747.

Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)

75a Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings 11
75b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s) X
75c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to the organization? See the instructions for the definition of "related organization." If "Yes," attach a statement that includes the information described in the instructions. X
75d Does the organization have a written conflict of interest policy? X

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits

(If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

Table with 5 columns: (A) Name and address, (B) Loans and Advances, (C) Compensation (if not paid, enter -0-), (D) Contributions to employee benefit plans & deferred compensation plans, (E) Expense account and other allowances. All values in B, C, D, and E are -0-.

Part VI Other Information (See the instructions.)

76 Did the organization make a change in its activities or methods of conducting activities? If "Yes," attach a detailed statement of each change X
77 Were any changes made in the organizing or governing documents but not reported to the IRS? X
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? X
78b If "Yes," has it filed a tax return on Form 990-T for this year? N/A
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement X
80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? X
80b If "Yes," enter the name of the organization and check whether it is exempt or nonexempt
81a Enter direct and indirect political expenditures. (See line 81 instructions.) NONE
81b Did the organization file Form 1120-POL for this year? X

Part VI Other Information (continued)

82a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? 82b 152,372. 83a Did the organization comply with the public inspection requirements for returns and exemption applications? 83b Did the organization comply with the disclosure requirements relating to quid pro quo contributions? 84a Did the organization solicit any contributions or gifts that were not tax deductible? 84b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 85a 501(c)(4), (5), or (6). Were substantially all dues nondeductible by members? 85b Did the organization make only in-house lobbying expenditures of \$2,000 or less? 85c Dues, assessments, and similar amounts from members N/A 85d Section 162(e) lobbying and political expenditures N/A 85e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices N/A 85f Taxable amount of lobbying and political expenditures (line 85d less 85e) N/A 85g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? N/A 85h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A 86 501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12 N/A b Gross receipts, included on line 12, for public use of club facilities N/A 87 501(c)(12) orgs. Enter: a Gross income from members or shareholders N/A b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) N/A 88a At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX X 88b At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI X 89a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 NONE; section 4912 NONE; section 4955 NONE b 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction X 89b c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 NONE d Enter: Amount of tax on line 89c, above, reimbursed by the organization NONE e All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction? X 89e f All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract? X 89f g For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year? X 89g 90a List the states with which a copy of this return is filed DC, NY b Number of employees employed in the pay period that includes March 12, 2007 (See instructions.) 23 90b 91a The books are in care of CECILIA HO C/O CLASSROOM, INC. Telephone no. 212-545-8427 Located at 245 FIFTH AVENUE, 20TH FLOOR NEW YORK, NY ZIP + 4 10016 b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? X 91b If "Yes," enter the name of the foreign country See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.

Part VI Other Information (continued)

c At any time during the calendar year, did the organization maintain an office outside of the United States? Yes No
 If "Yes," enter the name of the foreign country

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here
 and enter the amount of tax-exempt interest received or accrued during the tax year 92 N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a EXTENDED LEARNING					839,424.
b LITERACY AT WORK					95,178.
c GEN'L CONSULTATION					
d & MATERIALS					239,830.
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	181,651.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	-49,603.	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b OTHER INCOME			01	36,766.	
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				168,814.	1,174,432.
105 Total (add line 104, columns (B), (D), and (E))					1,343,246.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
▼	STMT 11

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13).

106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity. Yes No
N/A

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a				
b				
c				
Totals				

107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity. Yes No
N/A

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a				
b				
c				
Totals				

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above? Yes No
N/A

Please Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: George DeMarco Date: 11/12/08
 Type or print name and title: George DeMarco Chief Operating Officer

Paid Preparer's Use Only

Preparer's signature: Quin & Porel CPA Date: 11/2008 Check if self-employed:

Firm's name (if yours if self-employed), address, and ZIP + 4: ETSNER LLP EIN:
750 THIRD AVENUE Phone no.:
NEW YORK, NY 10017-2703

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n),
or 4947(a)(1) Nonexempt Charitable Trust

OMB No. 1545-0047

2007

Department of the Treasury
Internal Revenue Service

Supplementary Information - (See separate instructions.)
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization

Employer identification number

CLASSROOM, INC.

13-3666846

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
SEE STATEMENT 12				

Total number of other employees paid over \$50,000 . . ▶ 11

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
SEE STATEMENT 13		

Total number of others receiving over \$50,000 for professional services ▶ 0

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services
(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		

Total number of other contractors receiving over \$50,000 for other services ▶

Part III Statements About Activities (See page 2 of the instructions.)

Table with columns for question number, description, Yes, and No. Includes questions 1 through 4g regarding lobbying activities, compensation, and donor advised funds.

Part IV Reason for Non-Private Foundation Status (See pages 4 through 8 of the instructions.)

I certify that the organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state -----
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11 a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11 b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization:
 Type I Type II Type III - Functionally Integrated Type III - Other

Provide the following information about the supported organizations. (See page 8 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total					

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 8 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12. Use cash method of accounting.

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Table with columns: Calendar year (or fiscal year beginning in), (a) 2006, (b) 2005, (c) 2004, (d) 2003, (e) Total. Rows include: 15 Gifts, grants, and contributions received; 16 Membership fees received; 17 Gross receipts from admissions, merchandise sold or services performed; 18 Gross income from interest, dividends; 19 Net income from unrelated business activities; 20 Tax revenues levied for the organization's benefit; 21 The value of services or facilities furnished to the organization by a governmental unit without charge; 22 Other income; 23 Total of lines 15 through 22; 24 Line 23 minus line 17; 25 Enter 1% of line 23; 26 Organizations described on lines 10 or 11; 27 Organizations described on line 12; 28 Unusual Grants.

Part V Private School Questionnaire (See page 9 of the instructions.) NOT APPLICABLE
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	29	
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30	
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.) ----- ----- -----	31	
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----	32d	
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.) ----- ----- -----	33h	
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 11 of the instructions.)

(To be completed **ONLY** by an eligible organization that filed Form 5768) **NOT APPLICABLE**

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures

(The term "expenditures" means amounts paid or incurred.)

		(a) Affiliated group totals	(b) To be completed for all electing organizations
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table - If the amount on line 40 is - The lobbying nontaxable amount is - Not over \$500,000 20% of the amount on line 40 Over \$500,000 but not over \$1,000,000 . . . \$100,000 plus 15% of the excess over \$500,000 Over \$1,000,000 but not over \$1,500,000 . . \$175,000 plus 10% of the excess over \$1,000,000 Over \$1,500,000 but not over \$17,000,000 . \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 \$1,000,000	41	
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.)

See the instructions for lines 45 through 50 on page 13 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2007	(b) 2006	(c) 2005	(d) 2004	(e) Total
45	Lobbying nontaxable amount				
46	Lobbying ceiling amount (150% of line 45(e))				
47	Total lobbying expenditures				
48	Grassroots nontaxable amount				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures				

Part VI-B Lobbying Activity by Nonelecting Public Charities

NOT APPLICABLE

(For reporting only by organizations that did not complete Part VI-A) (See page 13 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h.)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h.)

Yes	No	Amount

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

FORM 990 - GENERAL EXPLANATION ATTACHMENT
=====

PORTFOLIO OF INVESTMENTS
FORM 990, PART I LINE 8C

SALES PROCEEDS	\$1,275,220
COST	\$1,324,823
REALIZED LOSS	\$ (49,603)

FORM 990 - GENERAL EXPLANATION ATTACHMENT
=====

PART VI OTHER INFORMATION
FORM 990, PART V LINE 77

ATTACHED IS THE REVISED BY LAWS OF CI

FORM 990, PART I - OTHER DECREASES IN FUND BALANCES
=====

DESCRIPTION

AMOUNT

UNREALIZED LOSS ON INVESTMENTS

314,456.

TOTAL

314,456.
=====

FORM 990, PART II - OTHER EXPENSES

DESCRIPTION	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING
OTHER PRODUCT SUPPLIES	311,117.	311,117.		
CONSULTANTS	512,681.	460,812.	42,867.	9,002.
EDITORS, GRAPHIC DESIGNERS AND TESTERS	39,758.	39,758.		
TEMPORARY HELP	10,724.	10,163.	308.	253.
RECRUITING & HIRING	34,005.	15,100.	18,820.	85.
STAFF DEVELOPMENT & TRAINING AND STAFF RECOGNITION	3,828.	1,827.	1,439.	562.
OTHER HONORARIA	11,683.	11,683.		
INSURANCE	10,887.	9,314.	1,573.	
INVESTMENT EXPENSES	10,614.		10,614.	
MISCELLANEOUS EXPENSES	85,708.	55,743.	19,218.	10,747.
TOTALS	1,031,005.	915,517.	94,839.	20,649.

FORM 990, PART III - ORGANIZATION'S PRIMARY EXEMPT PURPOSE
=====

SINCE 1991, CLASSROOM, INC. ("CI"), AN EDUCATIONAL NONPROFIT ORGANIZATION, HAS TURNED CLASSROOMS INTO LEARNING ENVIRONMENTS THAT MOTIVATE STUDENTS WITH INNOVATIVE TEACHING METHODS, BASED ON THE IDEA THAT YOUNG PEOPLE LEARN BETTER WHEN THEY ARE INTERESTED AND ENGAGED IN THEIR WORK. THE PROGRAMS ARE DESIGNED TO HELP LOW-ACHIEVING ADOLESCENT STUDENTS WITH BASIC SKILLS OF READING AND MATHEMATICS. TO ACCOMPLISH THIS GOAL, CI (I) CREATES COMPUTER PROGRAMS THAT PLACE STUDENTS IN VIRTUAL WORKPLACES WHERE THEY USE LITERACY, MATH AND COMMUNICATIONS SKILLS TO MAKE DECISIONS AND SOLVE PROBLEMS; (II) CREATES PRINTED MATERIALS THAT PROVIDE STUDENTS WITH ENGAGING AND INSTRUCTIONALLY SOUND CURRICULA THAT GO ALONG WITH EACH SIMULATION; AND (III) OFFERS EDUCATORS A COMPREHENSIVE PROFESSIONAL DEVELOPMENT PROGRAM. THE CURRICULUM IS BEING USED IN MIDDLE AND HIGH SCHOOL CLASSROOMS DURING THE SCHOOL DAY, IN AFTER SCHOOL PROGRAMS, AND DURING SUMMER SCHOOL SESSIONS IN NEW YORK CITY AND ACROSS THE COUNTRY.

FORM 990, PART IV - PREPAID EXPENSES AND DEFERRED CHARGES
=====

DESCRIPTION -----	BEGINNING BOOK VALUE -----	ENDING BOOK VALUE -----
PREPAID EXPENSES	81,764.	71,281.
LEASE DEPOSITS	51,384.	51,478.
OTHER ASSETS	6,097.	6,790.
	-----	-----
TOTALS	139,245.	129,549.
	=====	=====

FORM 990, PART IV - INVESTMENTS - PUBLICLY TRADED SECURITIES

DESCRIPTION	BEGINNING BOOK VALUE	ENDING BOOK VALUE	COST OR FMV
FIXED INCOME MUTUAL FUNDS	2,391,894.	2,292,869.	FMV
EQUITY INDEX MUTUAL FUNDS	150,460.	130,836.	FMV
TOTALS	2,542,354.	2,423,705.	

LAND, BUILDINGS, EQUIPMENT NOT HELD FOR INVESTMENT

=====

FIXED ASSET DETAIL

ACCUMULATED DEPRECIATION DETAIL

ASSET DESCRIPTION	METHOD/ CLASS	FIXED ASSET DETAIL			ACCUMULATED DEPRECIATION DETAIL				
		BEGINNING BALANCE	ADDITIONS	DISPOSALS	ENDING BALANCE	BEGINNING BALANCE	ADDITIONS	DISPOSALS	ENDING BALANCE
LH IMPROVEMENTS	SL	584,815.			584,815.	461,335.	60,764.		522,099.
EQUIPMENT	SL	675,331.			675,331.	549,366.	47,233.		596,599.
FURNITURE/FIXTURES	SL	46,900.			46,900.	45,699.	1,201.		46,900.
TOTALS		1,307,046.			1,307,046.	1,056,400.			1,165,598.

FORM 990, PART V-A - CURRENT OFFICERS, DIRECTORS, AND TRUSTEES

NAME AND ADDRESS -----	TITLE AND AVERAGE HOURS PER WEEK DEVOTED TO POSITION -----	COMPENSATION -----	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS -----	EXPENSE ACCT AND OTHER ALLOWANCES -----
LEWIS W BERNARD 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	CHAIRMAN 1.00	NONE	NONE	NONE
JOHN P HAVENS 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	TREASURER 1.00	NONE	NONE	NONE
MADELINE E LACOVARA 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	SECRETARY 1.00	NONE	NONE	NONE
FRANKLIN W HOBBS 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	DIRECTOR 1.00	NONE	NONE	NONE
THE HONORABLE GASTON CAPERTON 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	DIRECTOR 1.00	NONE	NONE	NONE
MARC F MCMORRIS 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	DIRECTOR 1.00	NONE	NONE	NONE
CHRISTINE LASALA	DIRECTOR 1.00	NONE	NONE	NONE

FORM 990, PART V-A - CURRENT OFFICERS, DIRECTORS, AND TRUSTEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED TO POSITION	COMPENSATION	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS	EXPENSE ACCT AND OTHER ALLOWANCES
245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016				
JOSEPHINE T ROBERTSON 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	DIRECTOR 1.00	NONE	NONE	NONE
CARL W TURNIPSEED 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	DIRECTOR 1.00	NONE	NONE	NONE
GARY ZARR 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	DIRECTOR 1.00	NONE	NONE	NONE
JANE CANNER 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	PRESIDENT 40.00	177,500.	8,602.	NONE
GEORGE DEMARCO 245 FIFTH AVENUE - 20TH FLOOR NEW YORK, NY 10016	VP OF OPERATIONS 40.00	157,649.	12,049.	NONE
	GRAND TOTALS	335,149.	20,651.	NONE

FORM 990, PART VIII - ACCOMPLISHMENT OF EXEMPT PURPOSES

=====

LINE NO. ---	EXPLANATION OF HOW EACH ACTIVITY FOR WHICH INCOME IS REPORTED IN COLUMN (E) OF PART VII CONTRIBUTED IMPORTANTLY TO THE ACCOMPLISHMENT OF EXEMPT PURPOSES -----
--------------------	---

93A	CI'S EXTENDED LEARNING AND LEARNING ENVIRONMENT PROGRAMS ARE SPECIALLY DESIGNED TO HELP LOW-ACHIEVING STUDENTS LEARN BASIC SKILLS AND SUCCEED IN SCHOOL. CI CONDUCTS INITIAL TRAINING FOR ALL TEACHERS, FOLLOWED BY ONSITE SUPPORT, FEEDBACK, AND TECHNICAL ASSISTANCE ADVICE THROUGHOUT THE PROGRAM. THE CURRICULA CAN BE USED IN AFTER SCHOOL PROGRAMS, AND DURING SUMMER SCHOOL SESSIONS.
-----	--

93B	CI'S LITERACY AT WORK PROGRAM IS SPECIALLY DESIGNED TO HELP LOW-ACHIEVING STUDENTS LEARN BASIC LITERACY SKILLS AND SUCCEED IN SCHOOL. CI CONDUCTS INITIAL TRAINING FOR ALL TEACHERS, FOLLOWED BY ONSITE SUPPORT, FEEDBACK, & TECHNICAL ASSISTANCE ADVICE THROUGHOUT THE PROGRAM. THE CURRICULA CAN BE USED DURING THE REGULAR SCHOOL DAY AND SCHOOL YEAR.
-----	---

93C	CI'S GENERAL CONSULTATION AND MATERIALS BRING TECHNOLOGY AND PEDAGOGY TO SCHOOL DISTRICTS. CI CHARGES SCHOOL DISTRICTS FOR PROFESSIONAL SERVICES, TECHNICAL ASSISTANCE AND SOFTWARE SIMULATIONS ON A COST-RECOVERY BASIS.
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SCHEDULE A, PART I - COMPENSATION OF THE FIVE HIGHEST PAID EMPLOYEES

NAME AND ADDRESS -----	TITLE AND AVERAGE HOURS PER WEEK DEVOTED TO POSITION -----	COMPENSATION -----	CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS -----	EXPENSE ACCOUNT -----
SYLVIA BARSION 245 FIFTH AVENUE NEW YORK, NY 10016	VP OF PROGRAMS 32.00	108,000.	2,152.	NONE
EVELYN FRIEDMAN 245 FIFTH AVENUE NEW YORK, NY 10016	VP OF DEVELOPMENT 40.00	137,061.	15,967.	NONE
CECILIA HO 245 FIFTH AVENUE NEW YORK, NY 10016	DIR FINANCE & ADMIN 40.00	123,359.	10,562.	NONE
MARY STRAIN 245 FIFTH AVENUE NEW YORK, NY 10016	SR.DIR BUSINESS DEV. 24.00	92,204.	3,002.	NONE
GAIL TUCHMAN 245 FIFTH AVENUE NEW YORK, NY 10016	PUBLISHER 28.00	95,088.	5,263.	NONE
	TOTAL COMPENSATION	555,712.	36,946.	NONE

SCH. A, PART II-A COMPENSATION OF THE 5 HIGHEST PAID FOR PROF. SERV.
=====

NAME AND ADDRESS -----	TYPE OF SERVICE -----	COMPENSATION -----
E2 PUBLISHING SERVICES 1123 BROADWAY, SUITE 1018 NEW YORK, NY 10010-2007	CURRICULUM MATERIALS	99,242.
	TOTAL COMPENSATION	----- 99,242. =====

SCHEDULE A, PART III - EXPLANATION FOR LINE 2D

=====

SEE FORM 990 PART V. ONE MEMBER OF THE BOARD OF DIRECTORS IS AN ADVISORY DIRECTOR OF A FINANCIAL FIRM WHICH ACTS AS THE INVESTMENT CUSTODIAN FOR CI. FOR THE YEAR ENDED JUNE 30, 2008, CI PAID THE INVESTMENT FIRM \$10,614.

SCHEDULE A, PART IV-A - OTHER INCOME

=====

DESCRIPTION	2006	2005	2004	2003	TOTAL
-----	----	----	----	----	----
OTHER INCOME	51,440.	21,822.	8,509.	1,000.	82,771.
	-----	-----	-----	-----	-----
TOTALS	51,440.	21,822.	8,509.	1,000.	82,771.
	=====	=====	=====	=====	=====