

New Schools Fund

Financial Statements

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Schools Fund
Oakland, California

Opinion

We have audited the accompanying financial statements of New Schools Fund (a California nonprofit corporation) ("Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Schools Fund as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Schools Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Schools Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Schools Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Schools Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Armanino^{LLP}
St. Louis, Missouri

June 17, 2024

New Schools Fund
Statement of Financial Position
December 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 14,056,204
Contributions receivable	7,937,000
Investments	23,424,792
Interest receivable	229,449
Other accounts receivable	163,602
Prepaid assets	<u>179,079</u>
Total current assets	<u>45,990,126</u>
Non-current assets	
Property and equipment, net	244,830
Contributions receivable, net	12,822,942
Mission related investments	734,283
Investment in NewSchools Seed, L.P.	5,233,944
Right-of-use assets	1,337,295
Other assets	<u>30,000</u>
Total non-current assets	<u>20,403,294</u>
Total assets	<u>\$ 66,393,420</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 518,887
Accrued salaries and wages	363,774
Grants payable	125,000
Lease liability, current	<u>772,293</u>
Total current liabilities	<u>1,779,954</u>
Long-term liabilities	
Lease liability, net of current	<u>668,321</u>
Total long-term liabilities	<u>668,321</u>
Total liabilities	<u>2,448,275</u>
Net assets	
Without donor restrictions	43,016,636
With donor restrictions	<u>20,928,509</u>
Total net assets	<u>63,945,145</u>
Total liabilities and net assets	<u>\$ 66,393,420</u>

The accompanying notes are an integral part of these financial statements.

New Schools Fund
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support			
Contributions	\$ 11,658,692	\$ 33,367,949	\$ 45,026,641
Interest income and gains (losses), net of fees	2,412,724	-	2,412,724
Rental income	8,400	-	8,400
Other revenue	41,029	-	41,029
Net assets released from restrictions	<u>13,621,131</u>	<u>(13,621,131)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>27,741,976</u>	<u>19,746,818</u>	<u>47,488,794</u>
Functional expenses			
Venture funding and support	46,824,118	-	46,824,118
Management and General	6,047,801	-	6,047,801
Fundraising	<u>1,648,276</u>	<u>-</u>	<u>1,648,276</u>
Total functional expenses	<u>54,520,195</u>	<u>-</u>	<u>54,520,195</u>
Change in net assets from operations	<u>(26,778,219)</u>	<u>19,746,818</u>	<u>(7,031,401)</u>
Nonoperating activities in net assets without donor restrictions			
Gain on mission related investments	446,508	-	446,508
Gain on equity investment in NewSchools Seed L.P.	<u>1,961,077</u>	<u>-</u>	<u>1,961,077</u>
Total nonoperating activities in net assets without donor restrictions	<u>2,407,585</u>	<u>-</u>	<u>2,407,585</u>
Change in net assets	(24,370,634)	19,746,818	(4,623,816)
Net assets, beginning of year	<u>67,387,270</u>	<u>1,181,691</u>	<u>68,568,961</u>
Net assets, end of year	<u>\$ 43,016,636</u>	<u>\$ 20,928,509</u>	<u>\$ 63,945,145</u>

The accompanying notes are an integral part of these financial statements.

New Schools Fund
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services	Support Services			Total
	Venture Funding and Support	Management and General	Fundraising	Total Support Services	
Grants and contracts	\$ 37,393,117	\$ -	\$ -	\$ -	\$ 37,393,117
Personnel	6,287,087	3,341,237	1,209,717	4,550,954	10,838,041
Professional services	1,078,974	1,000,455	500	1,000,955	2,079,929
Events and travel	1,855,252	221,514	395,823	617,337	2,472,589
General expenses	209,688	1,484,595	42,236	1,526,831	1,736,519
	<u>\$ 46,824,118</u>	<u>\$ 6,047,801</u>	<u>\$ 1,648,276</u>	<u>\$ 7,696,077</u>	<u>\$ 54,520,195</u>

The accompanying notes are an integral part of these financial statements.

New Schools Fund
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities	
Change in net assets	\$ (4,623,816)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	30,708
Net realized and unrealized gain on investments	(820,804)
Net gain on mission related investments	(446,508)
Net gain on equity investment in New Schools Seed, L.P.	(1,961,077)
Changes in operating assets and liabilities	
Other accounts receivable	142,141
Prepaid assets	(126,454)
Contributions receivable, net	(20,175,831)
Accounts payable and accrued expenses	(139,296)
Grants payable	(395,000)
Accrued salaries and wages	58,454
Deferred revenue	(250,000)
Operating lease liability, net	(24,870)
Net cash used in operating activities	<u>(28,732,353)</u>
Cash flows from investing activities	
Purchase of property and equipment	(245,671)
Purchases of investments	(73,396,933)
Proceeds from sales of investments	109,880,067
Liquidation of mission related investments	37,227
Contributions to New Schools Seed, L.P.	(29,415)
Distributions from New Schools Seed, L.P.	1,190,317
Net cash provided by investing activities	<u>37,435,592</u>
Net increase in cash and cash equivalents	8,703,239
Cash and cash equivalents, beginning of year	<u>5,352,965</u>
Cash and cash equivalents, end of year	<u>\$ 14,056,204</u>

The accompanying notes are an integral part of these financial statements.

New Schools Fund
Notes to Financial Statements
December 31, 2023

1. NATURE OF OPERATIONS

New School Fund, dba NewSchools Venture Fund, ("NewSchools" or the "Organization") is a nonprofit venture philanthropy founded in 1998 under the laws of the State of California. NewSchools is committed to helping all students – especially those from underserved communities – graduate high school prepared and inspired to achieve their most ambitious dreams and plans. To achieve this vision, NewSchools uses charitable donations to support teams of educators, innovators and parent leaders who are reimagining public education. NewSchools also provides management assistance to those ventures and builds the field of visionary leaders in education by organizing events and knowledge-sharing opportunities. NewSchools occasionally serves as the fiscal sponsor to support other education organizations as they launch into new 501(c)(3) organizations. NewSchools receives the majority of its revenue from individual, foundation, and corporate contributions and grants.

The financial statements presented herein represent a single-year presentation for 2023. The prior year's financial information is not included for comparison as NewSchools has done in the past. This change is due to the spin-off of the Advanced Education Research & Development Fund ("AERDF") on January 1, 2023. The presentation of only the 2023 financials provides a clearer representation of NewSchools' financial position and activity during the year. Management believes that including the 2022 financial statements, in which AERDF was consolidated, would not provide a meaningful comparison.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Basis of presentation

The financial statements are reported according to the existence or absence of donor-imposed restrictions. Accordingly, balances and transactions are reported in the following classes of net assets:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization, and/or the passage of time, or are maintained in perpetuity by the Organization. When the donor-imposed stipulation ends or the Organization satisfies an action, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions. The Organization does not have any net assets with donor restrictions that are held in perpetuity.

New Schools Fund
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Contribution revenues are reported as increases in net assets without donor restrictions unless the use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. The Organization reports reclassifications between the applicable classes of net assets expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) as releases from restrictions on the statement of activities. Net assets with donor restrictions that are restricted for purposes of timing will be released from restriction on the statement of activities when the cash is received on the outstanding contribution or grant receivable.

Contributions receivable and revenue

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return or right of release – are not recognized until the barrier has been overcome and the right of return or release has been removed.

Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of contributions receivable. There was no allowance for doubtful contributions receivable as of December 31, 2023.

Grants expenses and payable

Unconditional grants made by the Organization are accrued as expenses and are recognized in the year in which final grant agreements are signed. Conditional grant expenditures are not recorded until the conditions - that is, those with a measurable performance or other barrier and a right of return or right of release – have been overcome and the right of return or release has been removed.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and money market funds included in a brokerage account. The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be classified as cash equivalents.

New Schools Fund
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization carries investments in corporate or government bonds and certificates of deposit that are reported at fair value. Interest income and gains (losses) consist of realized and unrealized gains and losses, interest, dividends, and fees that are recorded in the statement of activities. Investment income restricted by a donor are reported as net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income is recognized.

Mission related investments

Mission related investments consist of two non-marketable equity securities and are reported at historical cost unless it can reasonably be expected that the Organization will suffer a loss on the disposition of an investment, in which case a provision for the loss is made in the year in which the decline in value occurs. The Organization has no control of these entities, therefore are not required to be consolidated in the financial statements and are recognized under the equity method.

Fair value measurements

The Organization carries certain assets at fair value.

Fair value is defined as the price that one would receive by selling an asset or paying to transfer a liability in an orderly transaction among market participants at the measurement date. Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate.

The Organization classifies its financial assets and liabilities using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

- *Level 1* - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- *Level 2* - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.
- *Level 3* - Unobservable inputs for the asset or liability that are not corroborated by market data.

New Schools Fund
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in NewSchools Seed, L.P.

The Organization is the only limited partner of an entity, NewSchools Seed, L.P. ("NewSchools Seed"), with an unrelated third party as General Partner. This entity was established to acquire and hold venture capital investments in the entities that were previously part of NewSchools mission related investment portfolio and to make a limited number of new investments. As part of the agreement, limited partners have no control over the entity, therefore is not required to be consolidated in the financial statements. This investment is accounted for by the equity method, and the Organization's proportionate share of NewSchools Seed's change in net assets is reflected in the Organization's statement of activities.

Financial instruments

Financial instruments, which are included in the Organization's statement of financial position as of December 31, 2023, but not required to be measured at fair value on a recurring basis, consist of cash and cash equivalents, other receivables and assets, and accounts payable. The carrying amounts of these assets and liabilities approximate fair value.

Property and equipment

Property and equipment are stated at cost, or fair value if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets in the range of three to seven years. Leasehold improvements are depreciated over the shorter of their estimated useful life or the lease term. Purchases of property and equipment over \$5,000 are capitalized. Renewals and betterments that extend the economic useful lives of the related assets are capitalized. The Organization expenses as incurred other expenditures for repairs and maintenance.

Leases

The Organization has one operating lease for office space. Operating leases are required to be included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets represent the organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. For operating leases with a term of one year or less, NewSchools has elected to not recognize a lease liability or ROU asset on the statement of financial position. Instead, lease payments are recognized as expenses on a straight-line basis over the lease term.

New Schools Fund
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract or when the terms of an existing contract are changed. Finance and operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization uses the risk free rate commensurate with the lease term based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. Option periods are included in the ROU asset and liability when it is reasonably certain the option will be exercised. Rent expense for lease payments is recognized on a straight-line basis over the lease term.

For any lease agreements with lease and non-lease components, the Organization has elected to apply the practical expedient that allows equipment leases and their associated maintenance services to be accounted for as a single combined operating lease component. The Organization is a lessee in a lease agreement with third parties that do not contain material restrictions or covenants in their lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status

The Organization has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code ("IRC") Section 501(c)(3) and California Revenue and Tax codes and accordingly, is exempt from income taxes on related business income. Contributions to the Organization are deductible for income tax purposes under IRC Section 170(b)(1)(A).

The Organization's current accounting policy is to evaluate uncertain tax positions. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Organization is no longer subject to income tax examinations by Federal and State tax authorities for tax years before 2018.

New Schools Fund
Notes to Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses are attributable to several functions: therefore, expenses require allocation on a reasonable basis that is consistently applied. The costs of providing various programs and activities have been summarized on a natural and functional allocation basis by the Organization based on management's estimates.

Personnel expenses and professional service expenses are allocated on the basis of estimates of time and effort of the various executive and non-executive employees that cannot be directly attributed to one function.

Measure of operations

The statement of activities presents the changes in net assets of the Organization from operating and nonoperating activities. Operating revenues and expenses related primarily to program services, grant activities, and fiscal sponsorships. The portion of investment return related to the external investment portfolio held at fair value is included in operating revenue. Nonoperating activities primarily consist of investment changes on the mission related investments and the equity investment in NewSchools Seed, L.P.

Subsequent events

The Organization has evaluated subsequent events through June 17, 2024, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

3. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category. Discounted contributions receivable are recorded using a discount rate on average of approximately 4.61%.

Contributions receivable consisted of the following:

Receivable in less than one year	\$ 7,937,000
Receivable in one to five years	13,688,000
	<u>21,625,000</u>
Less: discounts to present value	<u>(865,058)</u>
	<u>\$ 20,759,942</u>

New Schools Fund
Notes to Financial Statements
December 31, 2023

3. CONTRIBUTIONS RECEIVABLE (continued)

The Organization's conditional promises to give totaled \$2,500,000 as of December 31, 2023. At December 31, 2023, these conditional contributions have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. Total conditional contributions depend on meeting the project objectives and performance metrics. The Organization considers all contributions to be available for the general programs of the Organization unless the donor stipulates specific restrictions, such as for a specific program area or sponsored project.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. During the year, there have been no changes in the methodologies used to derive the fair value of the Organization's assets and liabilities.

Certificates of deposit held for investments that are not debt securities are considered investments and are measured at fair value. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments, as at Level 1 assets. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments, as Level 2 assets.

Investments in bonds are a combination of corporate, municipal, and government bonds that derive their value based on the length of the remaining term of the bond, the coupon rate of the bond, and the current interest rate. As these bonds are not publicly traded, they are Level 2 assets. The inputs to measure fair value are observable (interest rate, coupon rate, and term length); these assets qualify as Level 2 assets.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Agency bonds	\$ -	\$ 18,416,678	\$ -	\$ 18,416,678
Certificates of deposits	-	2,488,530	-	2,488,530
U.S. corporate bonds	-	2,025,082	-	2,025,082
U.S. government bonds	<u>494,502</u>	<u>-</u>	<u>-</u>	<u>494,502</u>
	<u>\$ 494,502</u>	<u>\$ 22,930,290</u>	<u>\$ -</u>	<u>\$ 23,424,792</u>

New Schools Fund
Notes to Financial Statements
December 31, 2023

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Hardware	\$ 217,429
Software	331,055
Furniture and fixtures	294,703
Leasehold improvements	<u>132,059</u>
	975,246
Accumulated depreciation and amortization	<u>(730,416)</u>
	<u>\$ 244,830</u>

Depreciation and amortization expense for the year ended December 31, 2023 was \$30,708.

6. MISSION RELATED INVESTMENTS

Occasionally, the Organization makes uncollateralized loans and equity investments in nonprofit and for-profit organizations engaged in working to improve public education; and invests in for-profit businesses with a strong potential to improve public education. Investments without readily determinable fair values are reported at historical cost and evaluated for impairment, unless it can reasonably be expected that the Organization will suffer a loss on the disposition of an investment, in which case a provision for the loss is made in the year in which the decline in value occurs.

The Organization recognized a gain in the accompanying statement of activities related to the sale of common stock during 2023. The Organization's remaining equity investments in two entities has a total carrying value of \$734,283 as of December 31, 2023.

7. EQUITY INVESTMENT IN NEWSCHOOLS SEED, L.P.

NewSchools is the sole Limited Partner in NewSchools Seed, L.P. ("NewSchools Seed"), with an unrelated third party as General Partner. NewSchools Seed was established to acquire and hold venture capital investments in the entities that were previously part of NewSchools mission related investment portfolio and to make a limited number of new investments. NewSchools' investment in NewSchools Seed is accounted for as an equity method investment in the statement of financial position.

As of December 31, 2023, NewSchools is the only limited partner of the entity. Based on the agreement signed, 20% of the net income and loss should be allocated to the general partner and 80% should be allocated to the capital accounts of the limited partners in proportion to their respective percentages at the end of a fiscal year or interim period. NewSchools recognized a gain on the equity investment in NewSchools Seed of \$1,961,077 for the year ended December 31, 2023.

New Schools Fund
Notes to Financial Statements
December 31, 2023

7. EQUITY INVESTMENT IN NEWSCHOOLS SEED, L.P. (continued)

Condensed financial information (unaudited) for NewSchools Seed, L.P., as of December 31, 2023, is as follows:

Summary of statement of assets, liabilities, and partners' capital:

Assets	\$ 6,305,046
Partners' capital	\$ 6,305,046

Summary of statement of operations:

Income	\$ 174
Expenses	(45,369)
Realized and unrealized gains/losses on investments	<u>2,459,773</u>
	<u><u>\$ 2,414,578</u></u>

8. CONDITIONAL GRANTS PAYABLE

At December 31, 2023, grant payments totaling \$6,042,750 are contingent upon grantees meeting specific conditions in the future and have not been recorded in the accompanying statement of financial position or statement of activities.

9. LINE OF CREDIT

The Organization entered into a \$3,000,000 credit line agreement with a bank in April 2018. Interest accrued at the U.S. prime rate as published in the Western Edition of the Wall Street Journal. The line of credit bore interest at 7.50% per annum. The line of credit matured on September 11, 2023 and was closed on October 9, 2023.

10. NET ASSETS

Net assets consisted of the following:

Net assets without donor restrictions	
Undesignated	<u>\$ 43,016,636</u>
Net assets with donor restrictions	
Talent	168,567
Timing restrictions	<u>20,759,942</u>
	<u>20,928,509</u>
	<u><u>\$ 63,945,145</u></u>

New Schools Fund
Notes to Financial Statements
December 31, 2023

10. NET ASSETS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

Timing restrictions	\$ 12,439,440
Purpose restrictions	<u>1,181,691</u>
	<u><u>\$ 13,621,131</u></u>

11. LEASE COMMITMENTS

The Organization leases office space, that is classified as operating leases and scheduled to mature in October 2025. The office lease has a 2-year remaining lease term, and the discounted rate used was the practical expedient 3-year US Treasury rate of 1.04%.

The right-of-use asset as of December 31, 2023 is detailed as follows:

Right-of-use asset	\$ 1,337,295
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The right-of-use lease liability as of December 31, 2023 is detailed as follows:

Lease liability, current	
Operating lease liability	\$ 772,293
Lease liability, net of current	
Operating lease liability	<u>668,321</u>
	<u><u>\$ 1,440,614</u></u>

The components of lease costs are as follows:

Operating lease costs (included in general expenses on the statement of functional expense)	\$ <u>739,865</u>
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New Schools Fund
Notes to Financial Statements
December 31, 2023

11. LEASE COMMITMENTS (continued)

Future maturities of right-of-use liabilities are as follows:

<u>Year ending December 31,</u>		
2024	\$	787,215
2025		<u>672,524</u>
		1,459,739
Less: imputed interest		<u>(19,125)</u>
Total present value of leases		1,440,614
Current portion		<u>(772,293)</u>
	\$	<u><u>668,321</u></u>

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, the Organization recognized total contribution revenue of approximately \$4,157,000 from seven members of the Board of Directors.

13. CONCENTRATIONS OF CREDIT RISK

The Organization has defined its financial instruments which are potentially subject to risk as cash and cash equivalents and investments.

During the year ended December 31, 2023, The Organization regularly held cash deposits in excess of federally insured limits. The Organization does not believe it is exposed to any custodial credit risk on excess deposits.

The Organization received approximately \$21,440,000 or 47% of its total contribution revenue from one foundation during the year ended December 31, 2023. The Organization has approximately \$20,500,000 or 94% of its outstanding contributions receivable, from two donors.

14. RETIREMENT PLAN

The Organization sponsors a 401(k) Plan which allows for the Organization to make discretionary contributions of up to 7% of each employee's eligible compensation. The Organization's contribution was \$532,865 for the year ended December 31, 2023.

15. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization's Corporate Cash Investment Policy provides guidelines for the management of cash.

New Schools Fund
Notes to Financial Statements
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15. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Organization has short term-investments, which consist of certificates of deposit and U.S. government bonds. All investments are considered short-term as there are no preventative lockups or restrictions and can be readily liquidated to pay for operating needs.

Quarterly, the Finance Committee of the Board of Directors reviews the Organization's statement of financial position and discusses what may be a reasonable cash position to maintain.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2023 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 14,056,204
Contributions receivable	7,937,000
Investments	23,424,792
Interest receivable	229,449
Other accounts receivable	163,602
Mission related investments	734,283
Investment in NewSchools Seed, L.P.	<u>5,233,944</u>
	<u>51,779,274</u>
Less: amounts unavailable for general expenditure within one year	
Mission related investments	(734,283)
Investments in NewSchools Seed, L.P.	<u>(5,233,944)</u>
	<u>(5,968,227)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 45,811,047</u>

The Organization has \$168,567 of restricted contributions that were received specified purpose that will be utilized in the next 12 months, therefore was not excluded from the above.

In total, the Organization has financial assets on hand at December 31, 2023 to cover approximately 11 months of operating expenses based on the 2024 monthly budgeted run rate for all program and support services expense. Excluding grants and contracts expense, which consist of 63% of the total budgeted expense, financial assets on hand will cover 31 months of operating expenses.

Additionally, the Organization has net assets without donor restrictions to cover approximately 15 months of operating expenditures. As of December 31, 2023, there are \$43,016,636 of net assets without donor restrictions.