

**New Schools Fund**

dba NewSchools Venture Fund

Financial Statements

December 31, 2018

(With Comparative Totals for 2017)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Schools Fund  
dba NewSchools Venture Fund  
Oakland, California

We have audited the accompanying financial statements of New Schools Fund dba NewSchools Venture Fund (a California nonprofit public benefit corporation) ("NewSchools"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Schools Fund dba NewSchools Venture Fund as of December 31, 2018, 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.

## Report on Summarized Comparative Information

We have previously audited New Schools Fund dba NewSchools Venture Fund's 2017 financial statements, and our report dated April 3, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Francisco, California

April 11, 2019

New Schools Fund  
 dba NewSchools Venture Fund  
 Statement of Financial Position  
 December 31, 2018  
 (With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,517,482	\$ 892,189
Investments	28,168,379	24,301,758
Other accounts receivable	62,059	419,078
Prepaid assets	35,498	55,614
Total current assets	30,783,418	25,668,639
Other assets		
Property and equipment, net	232,700	354,208
Mission related investments	1,716,690	1,716,690
Investment in NewSchools Seed, L.P.	11,808,636	10,685,577
Other assets	62,750	62,750
Total other assets	13,820,776	12,819,225
Total assets	\$ 44,604,194	\$ 38,487,864
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 636,509	\$ 445,573
Grants payable	538,000	225,000
Accrued salaries and wages	380,128	182,993
Total current liabilities	1,554,637	853,566
Deferred rent	37,529	31,506
Total liabilities	1,592,166	885,072
Net assets		
Without donor restrictions	39,385,637	34,179,349
With donor restrictions	3,626,391	3,423,443
Total net assets	43,012,028	37,602,792
Total liabilities and net assets	\$ 44,604,194	\$ 38,487,864

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

New Schools Fund  
 dba NewSchools Venture Fund  
 Statement of Activities  
 For the Year Ended December 31, 2018  
 (With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenues, gains and other support				
Contributions	\$ 20,540,638	\$ 13,775,343	\$ 34,315,981	\$ 33,863,059
Contributions for fiscal sponsorships	-	3,823,072	3,823,072	2,028,386
Interest income and gains (losses)	416,961	-	416,961	215,003
Other income	834,593	-	834,593	479,851
Gifts in-kind	9,841	-	9,841	49,677
Net assets released from restrictions	<u>17,395,467</u>	<u>(17,395,467)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>39,197,500</u>	<u>202,948</u>	<u>39,400,448</u>	<u>36,635,976</u>
Functional expenses				
Program services				
Venture funding and support	29,769,304	-	29,769,304	28,124,408
Convening	1,285,087	-	1,285,087	1,407,215
Fiscal sponsorships	<u>671,682</u>	<u>-</u>	<u>671,682</u>	<u>2,025,180</u>
Total program services	<u>31,726,073</u>	<u>-</u>	<u>31,726,073</u>	<u>31,556,803</u>
Support services				
General and administrative	2,813,571	-	2,813,571	2,837,899
Fundraising	<u>748,436</u>	<u>-</u>	<u>748,436</u>	<u>1,018,328</u>
Total support services	<u>3,562,007</u>	<u>-</u>	<u>3,562,007</u>	<u>3,856,227</u>
Total functional expenses	<u>35,288,080</u>	<u>-</u>	<u>35,288,080</u>	<u>35,413,030</u>
Change in net assets from operations	<u>3,909,420</u>	<u>202,948</u>	<u>4,112,368</u>	<u>1,222,946</u>
Nonoperating activities in net assets without donor restrictions				
Gain (loss) on mission related investments	-	-	-	(155,209)
Gain (loss) on equity investment in NewSchools Seed, L.P.	1,296,868	-	1,296,868	(398,986)
Other nonoperating activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,667)</u>
Total nonoperating activities in net assets without donor restrictions	<u>1,296,868</u>	<u>-</u>	<u>1,296,868</u>	<u>(887,862)</u>
Change in net assets	5,206,288	202,948	5,409,236	335,084
Net assets, beginning of year	<u>34,179,349</u>	<u>3,423,443</u>	<u>37,602,792</u>	<u>37,267,708</u>
Net assets, end of year	<u>\$ 39,385,637</u>	<u>\$ 3,626,391</u>	<u>\$ 43,012,028</u>	<u>\$ 37,602,792</u>

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

New Schools Fund  
 dba NewSchools Venture Fund  
 Statement of Functional Expenses  
 For the Year Ended December 31, 2018  
 (With Comparative Totals for 2017)

	Program Services			Support Services			2018 Total	2017 Total	
	Venture Funding and Support	Convening	Fiscal Sponsorships	Total Program Services	General and Administrative	Fundraising			Total Support Services
Grants and contracts	\$ 24,624,145	\$ -	\$ 100,000	\$ 24,724,145	\$ -	\$ -	\$ -	\$ 24,724,145	\$ 24,764,313
Personnel	3,965,642	52,621	109,890	4,128,153	1,465,013	611,625	2,076,638	6,204,792	5,951,477
Professional services	192,151	-	438,444	630,595	278,897	85,794	364,691	995,286	954,167
Events and travel	860,594	1,191,029	7,090	2,058,713	71,459	20,434	91,893	2,150,607	2,452,089
General expenses	<u>126,772</u>	<u>41,437</u>	<u>16,258</u>	<u>184,467</u>	<u>998,202</u>	<u>30,583</u>	<u>1,028,785</u>	<u>1,213,250</u>	<u>1,290,984</u>
	<u>\$ 29,769,304</u>	<u>\$ 1,285,087</u>	<u>\$ 671,682</u>	<u>\$ 31,726,073</u>	<u>\$ 2,813,571</u>	<u>\$ 748,436</u>	<u>\$ 3,562,007</u>	<u>\$ 35,288,080</u>	<u>\$ 35,413,030</u>

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

New Schools Fund  
 dba NewSchools Venture Fund  
 Statement of Cash Flows  
 For the Year Ended December 31, 2018  
 (With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 5,409,236	\$ 335,084
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	137,580	136,037
Net realized and unrealized (gain)/loss on investments	22,742	70,555
Net (gain)/loss on mission related investments	-	155,209
Net (gain)/loss on equity investment in NewSchools Seed, L.P.	(1,296,868)	398,986
Changes in operating assets and liabilities		
Contributions receivable	-	333,667
Other accounts receivable	357,020	(393,168)
Prepaid expenses	20,116	(1,182)
Other assets	-	10,000
Accounts payable and accrued expenses	190,936	325,759
Grants payable	313,000	(1,763,699)
Accrued salaries and wages	197,136	(61,664)
Deferred rent	<u>6,023</u>	<u>13,027</u>
Net cash provided by (used in) operating activities	<u>5,356,921</u>	<u>(441,389)</u>
Cash flows from investing activities		
Purchases of property and equipment	(16,072)	(18,670)
Purchases of investments	(97,670,979)	(48,420,822)
Proceeds from sale/maturity of investments	93,781,614	43,804,632
Contributions to NewSchools Seed, L.P.	(200,000)	(363,034)
Distributions from NewSchools Seed, L.P.	<u>373,809</u>	<u>899,545</u>
Net cash used in investing activities	<u>(3,731,628)</u>	<u>(4,098,349)</u>
Net increase (decrease) in cash and cash equivalents	1,625,293	(4,539,738)
Cash and cash equivalents, beginning of year	<u>892,189</u>	<u>5,431,927</u>
Cash and cash equivalents, end of year	<u>\$ 2,517,482</u>	<u>\$ 892,189</u>

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



New Schools Fund  
dba NewSchools Venture Fund  
Notes to Financial Statements  
December 31, 2018

1. NATURE OF OPERATIONS

New Schools Fund dba NewSchools Venture Fund ("NewSchools") was founded in 1998 under the laws of the State of California. NewSchools' mission is to transform public education through powerful ideas and passionate entrepreneurs so that all children - especially those in underserved communities – have the opportunity to succeed. NewSchools provides grants to teams of educators and organizations that are improving 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 from time to time serves as the fiscal sponsor to support other entrepreneurial education organizations as they launch into new 501(c)(3) organizations. NewSchools is supported through donor contributions.

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.

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 NewSchools, and/or the passage of time, or are maintained in perpetuity by NewSchools. When the donor-imposed stipulation ends or NewSchools satisfies an action, NewSchools reclassifies net assets with donor restrictions to net assets without donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless 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. NewSchools reports as 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).

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Notes to Financial Statements  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

NewSchools recognizes contributions, including unconditional promises to give, as revenues in the year they are unconditionally promised. NewSchools recognizes conditional promises only when they become unconditional, that is, when NewSchools satisfies the conditions on which they depend. NewSchools records contributions of assets other than cash at their estimated fair value. NewSchools discounts non-current contributions receivable at an appropriate discount rate commensurate with the risks involved. The discounts on contributions receivable are computed using the prime rate as listed in the Wall Street Journal on the date of the gift. NewSchools records the amortization of the discount as additional contribution revenue over the payment period. NewSchools conditional promises to give totaled \$28,083,333 as of December 31, 2018.

NewSchools considers all contributions to be available for the general programs of NewSchools unless the donor stipulates specific restrictions, such as for a specific program area or sponsored project.

Contributed services

NewSchools records revenue for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. For the year ending December 31, 2018 there was \$9,841 in contributed services meeting the requirement for recognition in the financial statements.

Grants

Unconditional grants made by the Organization are accrued as expenses and are recognized in the year in which final grant agreements are signed. Conditional grants are not recorded until the conditions are substantially met.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and money market funds included in a brokerage account.

Investments

Investments in corporate and government bonds and certificates of deposit are reported at fair value, with realized and unrealized gains and losses, interest and dividends recorded in the Statement of Activities.

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Notes to Financial Statements  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mission related investments

Mission related investments consist of non-marketable equity securities and are reported at historical cost, unless it can reasonably be expected that NewSchools 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.

Fair value measurements

NewSchools carries certain assets at fair value.

The 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. NewSchools 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 entity 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.

Financial instruments

Financial instruments, which are included in NewSchools' statement of financial position as of December 31, 2018 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 seven years. 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. NewSchools expenses, as incurred, other expenditures for repairs and maintenance.

New Schools Fund  
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Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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

NewSchools 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 NewSchools are deductible for income tax purposes under IRC Section 170(b)(1)(A).

NewSchools' 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 NewSchools' tax positions and concluded that NewSchools 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. NewSchools is no longer subject to income tax examinations by Federal and State tax authorities for tax years before 2014.

Functional expenses

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of NewSchools. The costs of providing various programs and activities have been summarized on a natural and functional allocation basis by NewSchools based on management's estimates.

Measure of operations

The statement of activities presents the changes in net assets of NewSchools 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.

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 Notes to Financial Statements  
 December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

NewSchools has evaluated subsequent events through April 11, 2019, the date these financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation to NewSchools financial statements.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, NewSchools' assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Certificates of deposit	\$ -	\$ 5,133,795	\$ -	\$ 5,133,795
U.S. Treasury Securities	-	4,006,712	-	4,006,712
U.S. Government Bonds	-	15,075,921	-	15,075,921
Corporate Bonds	<u>-</u>	<u>3,951,951</u>	<u>-</u>	<u>3,951,951</u>
Total investments	<u>\$ -</u>	<u>\$ 28,168,379</u>	<u>\$ -</u>	<u>\$ 28,168,379</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Hardware	\$ 164,289
Software	66,083
Furniture and fixtures	263,837
Leasehold improvements	<u>132,059</u>
	626,268
Accumulated depreciation	<u>(393,568)</u>
	<u>\$ 232,700</u>

Depreciation expense for the year ended December 31, 2018 was \$137,580.

5. MISSION RELATED INVESTMENTS

Occasionally, NewSchools 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 NewSchools 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.

New Schools Fund  
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 Notes to Financial Statements  
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5. MISSION RELATED INVESTMENTS (continued)

NewSchools has equity investments in three entities with a total carrying value of \$1,716,690 for the year ended December 31, 2018.

6. 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. NewSchools contributed capital to NewSchools Seed with contributions of \$200,000 for the year ended December 31, 2018. NewSchools recognized a gain on the equity investment in NewSchools Seed of \$1,296,868 for the year ended December 31, 2018.

7. GRANTS PAYABLE

Grants payable at December 31, 2018 of \$538,000 are scheduled to be paid in 2019.

At December 31, 2018, grant payments totaling \$6,881,112 are contingent upon grantees meeting specific conditions in the future and have not been recorded.

8. LINE OF CREDIT

NewSchools entered into a \$3,000,000 credit line agreement with a bank in April 2018. Interest accrues at the U.S. prime rate as published in the Western Edition of the Wall Street Journal. Under the agreement the interest rate will not be less than 4.25% per annum. The interest rate was 5.50% at December 31, 2018. There were no draws outstanding at December 31, 2018. The line of credit is collateralized by substantially all of the assets of the Organization. The line of credit has a maturity date of April 13, 2019.

9. NET ASSETS

Net assets consist of the following:

	2018
Net assets without donor restrictions	
Undesignated	\$ 39,385,637
Net assets with donor restrictions	
Restricted for a specified purpose	
Convening	475,000
Fiscal Sponsorships	3,151,391
Total net assets	\$ 43,012,028

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Notes to Financial Statements  
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10. LEASE COMMITMENTS

NewSchools leases offices under non-cancelable operating lease agreements through 2021 with payments increasing to approximately \$33,000 a month.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending December 31,</u>	
2019	\$ 370,013
2020	381,150
2021	<u>292,545</u>
	<u>\$ 1,043,708</u>

Rental expense for all operating leases totaled \$365,885 for the year ended December 31, 2018.

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, NewSchools recognized total contribution revenue of approximately \$1,389,981 from four members of the Board of Directors of NewSchools.

NewSchools is a 50% owner of NewSchools Capital, LLC (NewSchools Capital) with an unrelated third party. NewSchools Capital was established as a for-profit management company for new venture funds that invest in the education technology market, as well as to serve as a management company for NewSchools' Seed Fund Portfolio of mission related equity investments. The initial capital contribution is included in other assets on the statement of financial position.

12. CONCENTRATIONS OF CREDIT RISK

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

During the year ended December 31, 2018, NewSchools regularly held cash deposits in excess of federally insured limits. NewSchools does not believe it is exposed to any custodial credit risk on excess deposits.

NewSchools received \$23,232,481 or 61% of its total contribution revenue from four foundations during the year ended December 31, 2018.

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 Notes to Financial Statements  
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13. RETIREMENT PLAN

NewSchools participates in a 401(k) Plan which allows for NewSchools to make discretionary contributions of up to 7% of each employee's eligible compensation. NewSchools' contribution was \$288,597 for the year ended December 31, 2018.

14. LIQUIDITY AND FUNDS AVAILABLE

As part of NewSchools Venture Fund'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, NewSchools Corporate Cash Investment Policy provides guidelines for the management of NewSchools' surplus cash.

NewSchools has short term investments, which consist of certificates of deposit, U.S. government bonds, and corporate 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 NewSchools' balance sheet 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, 2018 to fund general expenditures and other obligations when they become due:

	2018
Financial assets	
Cash and cash equivalents	\$ 2,517,482
Investments	28,168,379
Mission related investments	1,716,690
Investments in NewSchools Seed, L.P.	11,808,636
Other accounts receivable	62,059
	44,273,246
Line of Credit	
Total liquid resources	3,000,000
Less: amounts unavailable for general expenditure within one year	
Mission related investments	(1,716,690)
Investments in NewSchools Seed, L.P.	(11,808,636)
	(13,525,326)
Financial assets available to meet cash needs for general expenditures within one year	\$ 30,747,920



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Notes to Financial Statements  
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14. LIQUIDITY AND FUNDS AVAILABLE (continued)

In total, NewSchools has financial assets on hand at December 31, 2018 to cover approximately 9 months of operating expenses based on the 2019 monthly budgeted run rate for all program and support services expense. Excluding grants and contracts expense, which consist of 70% of the total budgeted expense, financial assets on hand will cover 30 months of operating expenses.

Additionally, NewSchools has net assets without donor restrictions to cover approximately 12 months of operating expenditures. As of December 31, 2018, there are \$3,626,391 of net assets with donor restrictions. It is highly probable that all restricted assets will be released within one year given NewSchools' budgeted ratios, where program service expense consists of 90.2% of the 2019 budget.