New Schools Fund
dba NewSchools Venture Fund

Consolidated Financial Statements

December 31, 2015
(With Summarized Comparative Totals for 2014)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of New Schools Fund dba NewSchools Venture Fund ("NewSchools" or "the Organization"), and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Schools Fund dba NewSchools Venture Fund and subsidiary as of December 31, 2015, and the changes in their net assets and their 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 and subsidiary's consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino^LLP
San Ramon, California

April 4, 2016

NEW SCHOOLS FUND DBA NEWSCHOOLS VENTURE FUND
Consolidated Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 12,626,997	$ 5,703,107
Assets of support organization	435,296	435,184
Receivables		
Contributions receivable	2,109,580	7,088,182
Other current assets	119,477	72,129
Investments	9,796,674	14,135,171
Total current assets	25,088,024	27,433,773
Property and equipment, net	68,004	136,519
Contributions receivable, noncurrent portion, net	1,153,649	2,142,443
Mission related investments	11,996,497	12,337,588
Other assets	88,710	56,837
Total assets	$ 38,394,884	$ 42,107,160

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 265,180	$ 476,591
Grants payable	358,667	2,937,195
Accrued compensation	248,835	690,332
Total current liabilities	872,682	4,104,118
Deferred rent	20,268	49,760
Total liabilities	892,950	4,153,878
Net assets		
Unrestricted	24,824,482	25,408,855
Temporarily restricted	12,677,452	12,544,427
Total net assets	37,501,934	37,953,282
Total liabilities and net assets	$ 38,394,884	$ 42,107,160

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

NEW SCHOOLS FUND DBA NEWSCHOOLS VENTURE FUND
Consolidated Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Revenue, gains, and other support				
Contributions	$ 7,989,162	$ 22,029,873	$ 30,019,035	$ 19,470,717
Contributions for fiscal sponsorships	-	25,415,000	25,415,000	4,162,477
Investment income (expense)	(119,814)	-	(119,814)	263,538
Mission related investment income	188,111	-	188,111	150,000
Other income	629,670	-	629,670	624,785
Gifts in-kind	116,805	-	116,805	123,758
Net assets released from restrictions	47,311,848	(47,311,848)	-	-
Total revenue, gains and other support	56,115,782	133,025	56,248,806	24,795,275
Expenses				
Program services				
Grants	18,047,280	-	18,047,280	14,990,289
Grants under fiscal sponsorships	25,157,650	-	25,157,650	5,766,596
Other program personnel and expenses	7,223,228	-	7,223,228	7,114,712
Loss on disposal of mission related investment	-	-	-	750,000
Total program services	50,428,158	-	50,428,158	28,621,597
Supporting services	4,251,401	-	4,251,401	4,120,419
Total expenses	54,679,559	-	54,679,559	32,742,016
Net asset transfer (Note 13)	(2,020,596)	-	(2,020,596)	-
Change in net assets	(584,373)	133,025	(451,349)	(7,946,741)
Net assets - beginning of year	25,408,855	12,544,427	37,953,282	45,900,023
Net assets - end of year	$ 24,824,482	$ 12,677,452	$ 37,501,933	$ 37,953,282

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

NEW SCHOOLS FUND DBA NEWSCHOOLS VENTURE FUND
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ (451,349)	$ (7,946,741)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	54,765	61,477
Net realized and unrealized loss on investments	50,118	40,308
Accrued interest on mission related investments	(221,687)	(134,279)
Net realized loss on mission related investments	33,305	669,759
Loss on disposal of property and equipment	12,601	-
Changes in operating assets and liabilities		
Contributions receivable	5,967,395	4,208
Other current assets	(46,808)	(25,757)
Assets of support organization	(112)	(236)
Other assets	(31,873)	82,603
Accounts payable	(211,411)	(122,844)
Grants payable	(2,578,528)	1,155,195
Accrued compensation	(441,497)	(61,238)
Deferred rent	(29,492)	49,760
Net cash provided by (used in) operating activities	2,105,427	(6,227,785)
Cash flows from investing activities		
Purchases of property and equipment	(15,122)	(72,525)
Proceeds from sale of property and equipment	15,710	-
Purchases of investments	(8,361,362)	(15,882,219)
Proceeds from sale of investments	12,649,740	22,670,912
Purchases of mission related investments	(985,561)	(3,225,000)
Proceeds from collection on note receivable - mission related investments	74,340	42,842
Proceeds from sale of mission related investments	1,440,719	1,750,000
Net cash provided by investing activities	4,818,464	5,284,010
Change in cash and cash equivalents	6,923,891	(943,775)
Cash and cash equivalents, beginning of year	5,703,107	6,646,882
Cash and cash equivalents, end of year	$ 12,626,997	$ 5,703,107

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

1. Organization and 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 improve public education by identifying and supporting the most promising education ventures in the country, and creating a nationwide network of education entrepreneurs committed to closing the achievement gap. NewSchools provides grants to organizations that are improving public education. NewSchools also provides management assistance to those ventures and builds the field of education reform-oriented entrepreneurs by organizing events and knowledge-sharing opportunities. NewSchools is supported through donor contributions.

New Schools Fund Supporting Organization, Inc. (Support Organization) was established to support, exclusively, the operation of NewSchools. The members of the board of the Support Organization are the members of the Board of Directors of NewSchools. The financials of the Support Organization are consolidated with the financial statements of NewSchools presented herein.

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 and reflect the consolidated financial statements of NewSchools and the Support Organization (collectively, the Organization). All material intercompany transactions and balances have been eliminated in consolidation.

Basis of presentation

The consolidated 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:

- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets as of December 31, 2015.

- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor-stipulated time restriction ends or the Organization satisfies a purpose restriction, the Organization reclassifies temporarily restricted net assets to unrestricted net assets and reports such releases in the consolidated statement of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

At December 31, 2015, temporarily restricted net assets, including contributions receivable, were restricted for program purpose and time purposes of approximately $11,760,785 and $916,667, respectively. Program restrictions include both project based and geographic restrictions. Certain donors require unexpended funds to be held in interest bearing accounts. Releases of restriction for the year ended December 31, 2015 include $46,753,514 of program restrictions met and $558,334 of time restrictions met.

- Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

  Revenues are reported as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. The Organization reports as reclassifications between the applicable classes of net assets expirations of temporary restrictions in net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed).

Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenues in the year they are unconditionally promised. The Organization recognizes conditional promises only when they become unconditional, that is, when the Organization satisfies the conditions on which they depend. The Organization records contributions of assets other than cash at their estimated fair value. The Organization 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. The Organization records the amortization of the discount as additional contribution revenue over the payment period.

The Organization considers all contributions to be available for the general programs of the Organization unless the donor stipulates specific restrictions.

Contributed services

The Organization 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, 2015 there was $116,805 in contributed services meeting the requirement for recognition in the consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Grants

Unconditional grants made by the Organization are accrued as expenses and are recognized in the year in which they are approved by the Board of Directors and 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 on hand and money market accounts.

Assets of support organization

Contributions to the Support Organization are recognized as revenue of the Organization. The portion not yet received by the Organization is recorded in net assets of support organization in the consolidated statement of financial position. The Organization invests all liquid assets of the Support Organization in money market funds.

Investments

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

Mission related investments

Mission related investments consist of non-marketable debt and 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.

Fair value measurements

The Organization carries certain assets and liabilities 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. 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).

2. Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

- 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 the Organization's consolidated statement of financial position as of December 31, 2015 but not required to be measured at fair value on a recurring basis, consist of cash and cash equivalents, assets of the supporting organization, contributions receivable, 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 five 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. The Organization expenses, as incurred, other expenditures for repairs and maintenance.

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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax-exempt 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).

2. Summary of Significant Accounting Policies (continued)

Tax-exempt status (continued)

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 consolidated 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 consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. The Organization is no longer subject to income tax examinations by Federal and State tax authorities for tax years before 2011.

Comparative totals

The consolidated financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2014, from which summarized information was derived.

Functional expense allocations

The costs of providing various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates.

Subsequent events

The Organization has evaluated subsequent events through April 4, 2016, the date these financial statements were available to be issued (See Note 14).

3. Contributions Receivable

Contributions receivable as of December 31, 2015 are as follows:

Receivables due in less than one year	$2,109,580
Receivables due in one to five years	1,210,505
Total contributions receivable	3,320,085
Less: amount representing discount for receivables due in one to five years	(56,856)
Net contributions receivable	$3,263,229

3. Contributions Receivable (continued)

Management has deemed all receivables to be fully collectible and therefore no allowance for doubtful accounts has been provided for.

The Organization has conditional promises to give that are not recognized as assets in the consolidated statement of financial position as of December 31, 2015 as follows:

Conditional promise to give subject to matching requirements	$ 1,512,582
Conditional promise to give subject to completing milestones per grant agreements	13,746,744
Total conditional promises to give	$15,259,326

The funds will be paid to the Organization based on the Organization satisfying the conditions as set by the donors.

4. Investments and Fair Value Measurements

Investments as of December 31, 2015 are as follows:

Corporate Bonds	$ 303,446
Certificates of Deposit	9,493,228
	$9,796,674

Investments represent all financial assets measured at fair value on a recurring basis at December 31, 2015. The Organization has determined that its investments are classified using level 2 valuation inputs.

The Organization has money market funds totaling $9,099,682, which are included in cash and cash equivalents on the consolidated Statement of Financial Position, and measured at fair value using Level 1 valuation inputs.

5. Property and Equipment

Property and equipment as of December 31, 2015 are as follows:

Hardware	$255,566
Software	389,079
Furniture, fixtures and equipment	147,308
Leasehold improvements	12,764
	804,717
Accumulated depreciation	(736,713)
Property and equipment, net of depreciation	$ 68,004

6. Mission Related Investments

The Organization has created a pool of capital used to make uncollateralized loans and equity investments to nonprofit and for-profit organizations engaged in working to improve public education; and to invest 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 held 24 notes at December 31, 2015 with a total carrying value of $4,519,578. The average face and carrying amount of the loans is approximately $188,381 at December 31, 2015. Interest rates on the loans range from 2% to 10%. The loans mature at varying times between 2016 and 2018.

The Organization has equity investments in 30 entities at December 31, 2015 with a total carrying value of $7,476,919.

No impairments in carrying value have been recorded for the existing loans or equity investments.

On October 15, 2015, NewSchools formed and is an 80% Limited Partner in NewSchools Seed, LP (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 are part of NewSchools mission related equity investment portfolio, and make a limited number of new investments. On March 8, 2016, NewSchools contributed its right, title and interest in a subset of its mission related equity investment portfolio entities to NewSchools Seed at fair value (See Note 14). NewSchools investment in NewSchools Seed will be accounted for as an equity method investment in the consolidated statement of financial position in subsequent years.

7. NewSchools Capital, LLC

On February 23, 2015, NewSchools formed and 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 NewSchool's Seed Fund Portfolio of mission related equity investments. The initial capital contribution is included in other assets on the consolidated statement of financial position.

8. Grants Payable

Grants payable as of December 31, 2015 of $358,667 are scheduled to be paid in 2016.

At December 31, 2015, grant payments of $9,376,321 are contingent upon grantees meeting specific conditions in the future and have not been recorded.

9. Lease Commitments

The Organization leases offices under non-cancelable operating lease agreements through 2021 with payments ranging from approximately $5,000 to $33,000 a month. Approximate future minimum lease payments under these leases are:

Year Ended December 31,	
2016	$ 326,000
2017	403,000
2018	362,000
2019	373,000
2020	384,000
Thereafter	195,000
Total	$2,043,000

Rental expense for all operating leases totaled $545,854 for the year ended December 31, 2015.

On April 30, 2015, the Organization entered into a lease termination agreement for its Boston, Massachusetts facility to be effective on April 30, 2015. In accordance with the termination agreement, the Organization paid a onetime termination payment of $41,998.

9. Lease Commitments (continued)

On October 13, 2015, the Organization entered into a lease expiration and advancement lease agreement (the Expiration Agreement) to early terminate the lease for its Palo Alto, California facility. A separate lease agreement dated September 1, 2015 between NewSchools Capital as lessee and the lessor was signed for this facility. As a condition to the Expiration Agreement, the Organization entered into a Guaranty of Lease Agreement for this same facility on October 13, 2015, to guaranty NewSchools Capital full and timely payment and performance under the separate lease agreement dated September 1, 2015.

For the year ended December 31, 2015, the total amount of sub-rental revenue received was \$139,717. The total amount of minimum rentals to be received in the future under non-cancelable subleases are approximately \$20,300 for 2016.

10. Related Party Transactions

During the years ended December 31, 2015, the Organization recognized total contribution revenue of approximately \$11,187,686 from four members of the Board of Directors of the Organization. At December 31, 2015, there were contributions receivable of approximately \$666,667 from one member of the Board of Directors of the Organization.

11. Concentrations of 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, 2015, 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 \$12,297,000 or 41% of its total contribution revenue (excluding fiscal sponsorships) from one foundation and one individual donor during the year ended December 31, 2015. No other individual donor other than board members described in Note 10 above, contributed more than 10% of total contribution revenue in 2015.

12. Retirement Plan

The Organization participates in a 401(k) Plan which allows for the Organization to make discretionary contributions of up to 4% of each employee's eligible compensation. The Organization's contribution was \$64,430 for the year ended December 31, 2015.

13. Net Asset Transfer

On June 11, 2015, NewSchools entered into an agreement to transfer the net assets held for NewSchools' restricted Oakland Fund to a newly formed, independent nonprofit organization as of the closing date of June 30, 2015. The value of the net assets transferred on the closing date totaled $2,020,596 and is reflected as a net asset transfer in the consolidated statement of activities.

14. Subsequent Events

On March 8, 2016, NewSchools contributed its rights, title and interest in a subset of the entities included in its mission related equity investment portfolio to NewSchools Seed at fair value of $9,152,351. NewSchools recognized a gain on the transaction of $1,955,691. The contribution represented NewSchool's Initial Contribution to its 80% Limited Partnership interest in NewSchools Seed as defined in the Partnership Agreement.