

New Schools Fund

dba NewSchools Venture Fund

Financial Statements

December 31, 2019

(With Comparative Totals for 2018)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16



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, 2019, 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.



An independent firm
associated with Moore
Global Network Limited

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, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, NewSchools has adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective January 1, 2019. Our opinion is not modified with respect to that matter.

As described in Note 2 to the financial statements, NewSchools has adopted ASU 2014-09 and related subsequent updates codified into Topic 606, *Revenue from Contracts with Customers*, effective January 1, 2019. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited NewSchools' 2018 financial statements, and our report dated April 11, 2019 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

May 15, 2020

New Schools Fund
 dba NewSchools Venture Fund
 Statement of Financial Position
 December 31, 2019
 (With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,081,473	\$ 2,517,482
Investments	43,136,989	28,168,379
Other accounts receivable	83,920	62,059
Prepaid assets	249,046	35,498
Total current assets	45,551,428	30,783,418
Other assets		
Property and equipment, net	140,573	232,700
Mission related investments	1,717,190	1,716,690
Investment in NewSchools Seed, L.P.	8,477,229	11,808,636
Other assets	30,000	62,750
Total other assets	10,364,992	13,820,776
Total assets	\$ 55,916,420	\$ 44,604,194
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 341,633	\$ 636,509
Grants payable	212,500	538,000
Accrued salaries and wages	295,932	380,128
Total current liabilities	850,065	1,554,637
Deferred rent	33,400	37,529
Total liabilities	883,465	1,592,166
Net assets		
Without donor restrictions	40,975,351	39,385,637
With donor restrictions	14,057,604	3,626,391
Total net assets	55,032,955	43,012,028
Total liabilities and net assets	\$ 55,916,420	\$ 44,604,194

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, 2019
 (With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues, gains, and other support				
Contributions	\$ 23,051,957	\$ 17,336,359	\$ 40,388,316	\$ 34,315,981
Contributions for fiscal sponsorships	-	14,035,973	14,035,973	3,823,072
Interest income and gains (losses)	751,035	-	751,035	416,961
Program service fees	1,038,006	-	1,038,006	834,593
Gifts in-kind	34,829	-	34,829	9,841
Net assets released from restrictions	<u>20,941,119</u>	<u>(20,941,119)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>45,816,946</u>	<u>10,431,213</u>	<u>56,248,159</u>	<u>39,400,448</u>
Functional expenses				
Program services				
Venture funding and support	34,531,295	-	34,531,295	29,769,304
Convening	1,636,341	-	1,636,341	1,285,087
Fiscal sponsorships	<u>3,494,899</u>	<u>-</u>	<u>3,494,899</u>	<u>671,682</u>
Total program services	<u>39,662,535</u>	<u>-</u>	<u>39,662,535</u>	<u>31,726,073</u>
Support services				
Management and general	3,230,163	-	3,230,163	2,813,571
Fundraising	<u>709,028</u>	<u>-</u>	<u>709,028</u>	<u>748,436</u>
Total support services	<u>3,939,191</u>	<u>-</u>	<u>3,939,191</u>	<u>3,562,007</u>
Total functional expenses	<u>43,601,726</u>	<u>-</u>	<u>43,601,726</u>	<u>35,288,080</u>
Change in net assets from operations	<u>2,215,220</u>	<u>10,431,213</u>	<u>12,646,433</u>	<u>4,112,368</u>
Nonoperating activities in net assets without donor restrictions				
Gain (loss) on equity investment in NewSchools Seed, L.P.	<u>(625,506)</u>	<u>-</u>	<u>(625,506)</u>	<u>1,296,868</u>
Total nonoperating activities in net assets without donor restrictions	<u>(625,506)</u>	<u>-</u>	<u>(625,506)</u>	<u>1,296,868</u>
Change in net assets	1,589,714	10,431,213	12,020,927	5,409,236
Net assets, beginning of year	<u>39,385,637</u>	<u>3,626,391</u>	<u>43,012,028</u>	<u>37,602,792</u>
Net assets, end of year	<u>\$ 40,975,351</u>	<u>\$ 14,057,604</u>	<u>\$ 55,032,955</u>	<u>\$ 43,012,028</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, 2019
 (With Comparative Totals for 2018)

	Program Services				Support Services			2018 Total
	Venture Funding and Support	Convening	Fiscal Sponsorships	Total Program Services	Management and General	Fundraising	Total Support Services	
Grants and contracts	\$ 28,960,957	\$ -	\$ 789,363	\$ 29,750,320	\$ -	\$ -	\$ -	\$ 24,724,145
Personnel	4,009,732	66,501	925,217	5,001,450	1,640,625	636,641	2,277,266	6,204,792
Professional services	515,307	-	1,390,688	1,905,995	316,627	36,126	352,753	995,286
Events and travel	645,454	1,481,788	320,227	2,447,469	55,517	20,335	75,852	2,150,607
General expenses	399,845	88,052	69,404	557,301	1,217,394	15,926	1,233,320	1,213,250
	<u>\$ 34,531,295</u>	<u>\$ 1,636,341</u>	<u>\$ 3,494,899</u>	<u>\$ 39,662,535</u>	<u>\$ 3,230,163</u>	<u>\$ 709,028</u>	<u>\$ 3,939,191</u>	<u>\$ 43,601,726</u>
								<u>\$ 35,288,080</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, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 12,020,927	\$ 5,409,236
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	121,056	137,580
Net realized and unrealized (gain)/loss on investments	(10,117)	22,742
Net (gain)/loss on equity investment in NewSchools Seed, L.P.	625,506	(1,296,868)
Other accounts receivable	(21,861)	357,020
Prepaid assets	(213,548)	20,116
Other assets	32,750	-
Accounts payable and accrued expenses	(294,876)	190,936
Grants payable	(325,500)	313,000
Accrued salaries and wages	(84,196)	197,136
Deferred rent	(4,129)	6,023
Net cash provided by operating activities	11,846,012	5,356,921
Cash flows from investing activities		
Purchases of property and equipment	(28,929)	(16,072)
Purchases of investments	(221,368,038)	(97,670,979)
Proceeds from sale/maturity of investments	206,409,545	93,781,614
Contributions to NewSchools Seed, L.P.	(200,000)	(200,000)
Distributions from NewSchools Seed, L.P.	2,905,401	373,809
Net cash used in investing activities	(12,282,021)	(3,731,628)
Net increase (decrease) in cash and cash equivalents	(436,009)	1,625,293
Cash and cash equivalents, beginning of year	2,517,482	892,189
Cash and cash equivalents, end of year	\$ 2,081,473	\$ 2,517,482

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

New Schools Fund
dba NewSchools Venture Fund
Notes to Financial Statements
December 31, 2019

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 ("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 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).

New Schools Fund
dba NewSchools Venture Fund
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

NewSchools 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. NewSchools conditional promises to give totaled \$48,715,000 as of December 31, 2019.

Consequently, at December 31, 2019, contributions approximating \$48,715,000, 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, performance metrics and/or approval of progress reports. 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.

Program service fees

Revenues in this category consist of registration fees as well as fees earned for serving as a fiscal sponsor. At December 31, 2019, NewSchools had recorded Other Income of \$540,849 in registration fees paid by attendees of Summit 2019 and another \$497,157 in fees earned for serving as fiscal sponsor to the Advanced Education Research & Development Fund.

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, 2019 there was \$34,829 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.

New Schools Fund
dba NewSchools Venture Fund
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019 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.

New Schools Fund
dba NewSchools Venture Fund
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. NewSchools expenses as incurred other expenditures for repairs and maintenance.

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

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 2015.

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.

New Schools Fund
dba NewSchools Venture Fund
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent events

NewSchools has evaluated subsequent events through May 15, 2020, the date these financial statements were available to be issued.

COVID 19 – Pandemic – On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. NewSchools is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations. However, the financial impact and duration cannot be reasonably estimated at this time.

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("Topic 958") as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of this standard resulted in no significant changes in the way NewSchools recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In May 2014, the FASB issued ASU2014-09, Revenue from Contracts with Customers ("Topic 606"), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way NewSchools recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

New Schools Fund
 dba NewSchools Venture Fund
 Notes to Financial Statements
 December 31, 2019

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the NewSchools's assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	\$ -	\$ 3,002,853	\$ -	\$ 3,002,853
U.S. Treasury Securities	-	2,728,870	-	2,728,870
U.S. Government Bonds	-	33,935,024	-	33,935,024
Corporate Bonds	-	3,470,242	-	3,470,242
	\$ -	\$ 43,136,989	\$ -	\$ 43,136,989

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Hardware	\$ 193,217
Software	66,083
Furniture and fixtures	263,837
Leasehold improvements	132,059
	655,196
Accumulated depreciation and amortization	(514,623)
	\$ 140,573

Depreciation and amortization expense for the year ended December 31, 2019 was \$121,056.

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.

NewSchools has equity investments in three entities with a total carrying value of \$1,717,190 as of December 31, 2019.

New Schools Fund
 dba NewSchools Venture Fund
 Notes to Financial Statements
 December 31, 2019

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 in the amount of \$200,000 during the year ended December 31, 2019. NewSchools recognized a loss on the equity investment in NewSchools Seed of \$625,506 for the year ended December 31, 2019.

7. GRANTS PAYABLE

Grants payable at December 31, 2019 of \$212,500 are scheduled to be paid in 2020.

At December 31, 2019, grant payments totaling \$7,570,140 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 4.75% per annum. The interest rate was 5.50% at December 31, 2019. There were no draws outstanding at December 31, 2019. The line of credit is collateralized by substantially all of the assets of the Organization. The line of credit has a maturity date of June 13, 2020. NewSchools is required to maintain compliance with certain financial and reporting covenants under the terms of the agreement; NewSchools was in compliance with the covenants at December 31, 2019.

9. NET ASSETS

Net assets consisted of the following:

Undesignated	<u>\$ 40,975,351</u>
Net assets with donor restrictions	
Diverse Leaders	340,166
Fiscal Sponsorships	<u>13,717,438</u>
	<u><u>14,057,604</u></u>
	<u><u>\$ 55,032,955</u></u>

New Schools Fund
 dba NewSchools Venture Fund
 Notes to Financial Statements
 December 31, 2019

10. LEASE COMMITMENTS

NewSchools leases offices under non-cancelable operating lease agreements through 2025 with payments increasing to approximately \$66,000 a month.

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

<u>Year ending December 31,</u>	
2020	\$ 509,805
2021	642,645
2022	730,845
2023	752,715
2024	774,840
Thereafter	<u>661,950</u>
	<u><u>\$ 4,072,800</u></u>

Rental expense for all operating leases totaled \$365,883 for the year ended December 31, 2019.

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, NewSchools recognized total contribution revenue of approximately \$1,366,410 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, 2019, 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 \$35,977,198 or 66% of its total contribution revenue from three foundations during the year ended December 31, 2019.

New Schools Fund
 dba NewSchools Venture Fund
 Notes to Financial Statements
 December 31, 2019

13. RETIREMENT PLAN

NewSchools sponsors 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 \$328,219 for the year ended December 31, 2019.

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' 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, 2019 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 2,081,473
Investments	43,136,989
Mission related investments	1,717,190
Investment in NewSchools Seed, L.P.	8,477,229
Other accounts receivable	<u>83,920</u>
	<u>55,496,801</u>
Line of credit	<u>3,000,000</u>
Less: amounts unavailable for general expenditure within one year	
Mission related investments	(1,717,190)
Investments in NewSchools Seed, L.P.	<u>(8,477,229)</u>
	<u>(10,194,419)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 48,302,382</u></u>

In total, NewSchools has financial assets on hand at December 31, 2019 to cover approximately 12 months of operating expenses based on the 2020 monthly budgeted run rate for all program and support services expense. Excluding grants and contracts expense, which consist of 72% of the total budgeted expense, financial assets on hand will cover 42 months of operating expenses.

New Schools Fund
dba NewSchools Venture Fund
Notes to Financial Statements
December 31, 2019

14. LIQUIDITY AND FUNDS AVAILABLE (continued)

Additionally, NewSchools has net assets without donor restrictions to cover approximately 11 months of operating expenditures. As of December 31, 2019, there are \$14,057,604 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 90.6% of the 2020 budget.