

**New Schools Fund and the AERDF Subsidiary**

Consolidated Financial Statements  
and Supplementary Information

December 31, 2021  
(With Comparative Totals for 2020)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Schools Fund and the AERDF Subsidiary  
Oakland, California

### **Opinion**

We have audited the accompanying consolidated financial statements of New Schools Fund and the AERDF Subsidiary (a California nonprofit public benefit corporation) ("Consolidated Entity"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Schools Fund and the AERDF Subsidiary as of December 31, 2021, 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.

### **Basis of 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 the AERDF Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated 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 and the AERDF Subsidiary'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 consolidated 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 consolidated 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 consolidated 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 and the AERDF Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Schools Fund and the AERDF Subsidiary'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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 18 - 19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## Report on Summarized Comparative Information

We have previously audited New Schools Fund and the AERDF Subsidiary (a California nonprofit public benefit corporation)'s 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



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

May 20, 2022

New Schools Fund and the AERDF Subsidiary  
Consolidated Statement of Financial Position  
December 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 82,959,124	\$ 38,160,981
Investments	4,129,423	32,621,215
Contributions and other accounts receivable	205,001	758,373
Prepaid assets	77,035	130,630
Total current assets	87,370,583	71,671,199
Other assets		
Property and equipment, net	45,137	121,230
Mission related investments	325,002	326,002
Investment in NewSchools Seed, L.P.	5,063,399	7,594,392
Other assets	30,000	30,000
Total other assets	5,463,538	8,071,624
Total assets	\$ 92,834,121	\$ 79,742,823
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,721,523	\$ 1,504,522
Grants payable	422,500	-
Accrued salaries and wages	423,628	290,796
Total current liabilities	2,567,651	1,795,318
Long-term liabilities		
Deferred rent	173,939	18,133
Deferred revenue	12,500	12,500
Total long-term liabilities	186,439	30,633
Total liabilities	2,754,090	1,825,951
Net assets		
Without donor restrictions	76,966,625	55,714,013
With donor restrictions	13,113,406	22,202,859
Total net assets	90,080,031	77,916,872
Total liabilities and net assets	\$ 92,834,121	\$ 79,742,823

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

New Schools Fund and the AERDF Subsidiary  
Consolidated Statement of Activities  
For the Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Revenues, gains (losses), and other support				
Contributions	\$ 17,055,328	\$ 18,871,962	\$ 35,927,290	\$ 44,354,946
Contributions for AERDF	28,000,000	4,770,000	32,770,000	14,111,347
Interest income and gains (losses)	(6,200)	-	(6,200)	210,931
Program service fees	-	-	-	579,903
Net assets released from restrictions	<u>32,731,415</u>	<u>(32,731,415)</u>	<u>-</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>77,780,543</u>	<u>(9,089,453)</u>	<u>68,691,090</u>	<u>59,257,127</u>
Functional expenses				
Program services				
NewSchools - Venture Funding and Support	40,987,777	-	40,987,777	28,528,004
NewSchools - Convening	397,803	-	397,803	536,094
AERDF	<u>12,673,775</u>	<u>-</u>	<u>12,673,775</u>	<u>9,370,346</u>
Total program services	<u>54,059,355</u>	<u>-</u>	<u>54,059,355</u>	<u>38,434,444</u>
Support services				
Management and General	5,545,809	-	5,545,809	3,108,800
Fundraising	<u>976,195</u>	<u>-</u>	<u>976,195</u>	<u>793,632</u>
Total support services	<u>6,522,004</u>	<u>-</u>	<u>6,522,004</u>	<u>3,902,432</u>
Total functional expenses	<u>60,581,359</u>	<u>-</u>	<u>60,581,359</u>	<u>42,336,876</u>
Change in net assets from operations	<u>17,199,184</u>	<u>(9,089,453)</u>	<u>8,109,731</u>	<u>16,920,251</u>
Nonoperating activities in net assets without donor restrictions				
Gain (loss) on mission related investments	(651)	-	(651)	6,011,095
Gain on equity investment in NewSchools Seed L.P.	<u>4,054,079</u>	<u>-</u>	<u>4,054,079</u>	<u>(47,429)</u>
Total nonoperating activities in net assets without donor restrictions	<u>4,053,428</u>	<u>-</u>	<u>4,053,428</u>	<u>5,963,666</u>
Change in net assets	21,252,612	(9,089,453)	12,163,159	22,883,917
Net assets, beginning of year	<u>55,714,013</u>	<u>22,202,859</u>	<u>77,916,872</u>	<u>55,032,955</u>
Net assets, end of year	<u>\$ 76,966,625</u>	<u>\$ 13,113,406</u>	<u>\$ 90,080,031</u>	<u>\$ 77,916,872</u>

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

New Schools Fund and the AERDF Subsidiary  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	Program Services				Support Services				2021 Total	2020 Total	
	NewSchools - Venture Funding and Support	NewSchools - Convening	AERDF	Total Program Services	NewSchools - Management and General	NewSchools - Fundraising	AERDF - Management and General	AERDF - Fundraising			Total Support Services
Grants and contracts	\$ 35,708,833	\$ -	\$ 8,236,507	\$ 43,945,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,945,340	\$ 28,259,068
Personnel	4,372,727	-	2,992,685	7,365,412	2,485,973	537,226	516,231	249,519	3,788,949	11,154,361	8,050,044
Professional services	582,934	-	1,187,666	1,770,600	576,081	179,821	76,233	-	832,135	2,602,735	3,779,802
Events and travel	165,880	397,803	21,471	585,154	38,908	360	3,382	793	43,443	628,597	957,111
General expenses	157,403	-	235,446	392,849	1,381,028	7,632	467,973	844	1,857,477	2,250,326	1,290,851
	<u>\$ 40,987,777</u>	<u>\$ 397,803</u>	<u>\$ 12,673,775</u>	<u>\$ 54,059,355</u>	<u>\$ 4,481,990</u>	<u>\$ 725,039</u>	<u>\$ 1,063,819</u>	<u>\$ 251,156</u>	<u>\$ 6,522,004</u>	<u>\$ 60,581,359</u>	<u>\$ 42,336,876</u>

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

New Schools Fund and the AERDF Subsidiary  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 12,163,159	\$ 22,883,917
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	76,093	85,318
Net realized and unrealized (gain) loss on investments	172,197	116,780
Net (gain) loss on mission related investments	651	(6,011,095)
Net (gain) loss on equity investment in NewSchools Seed, L.P.	(4,054,079)	47,429
Contributions and other accounts receivable	553,372	(674,453)
Prepaid assets	53,595	118,416
Accounts payable and accrued expenses	217,001	1,162,889
Grants payable	422,500	(212,500)
Accrued salaries and wages	132,834	(5,136)
Deferred rent	155,806	(15,267)
Deferred revenue	-	12,500
Net cash provided by operating activities	<u>9,893,129</u>	<u>17,508,798</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(65,975)
Purchases of investments	(342,380,364)	(265,289,494)
Proceeds from sale/maturity of investments	370,699,958	275,688,488
Proceeds from sale of mission related investments	-	7,402,283
Contributions to NewSchools Seed, L.P.	(64,713)	(200,000)
Distributions from NewSchools Seed, L.P.	6,650,133	1,035,408
Net cash provided by investing activities	<u>34,905,014</u>	<u>18,570,710</u>
Net increase in cash and cash equivalents	44,798,143	36,079,508
Cash and cash equivalents, beginning of year	<u>38,160,981</u>	<u>2,081,473</u>
Cash and cash equivalents, end of year	<u>\$ 82,959,124</u>	<u>\$ 38,160,981</u>

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

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

1. NATURE OF OPERATIONS

New School Fund, dba NewSchools Venture Fund, ("NewSchools") 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 remaining 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 has been the fiscal sponsor of the Advanced Education Research and Development Fund ("AERDF") through December 31, 2020. On October 13, 2020, articles of incorporation were filed to establish AERDF as a California Nonprofit Corporation seeking exemption from taxation under Code Section 501(c)(3) of the Internal Revenue Code. AERDF uses charitable donations to support innovative research and development projects that address teaching and learning challenges that disproportionately impact Black, Latino, and low-income students. On December 18, 2020, NewSchools and AERDF signed an Asset Transfer Agreement to dissolve the fiscal sponsorship agreement and transfer all related assets and liabilities of AERDF from NewSchools to the newly formed legal entity. NewSchools transitioned from its fiscal sponsorship of AERDF to the newly formed entity in January 2021. AERDF is a controlled entity of NewSchools. On March 22, 2021, AERDF received notice from the Internal Revenue Service confirming its exemption from taxation under Code Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles on consolidation

The consolidated financial statements include the accounts of NewSchools and AERDF (collectively, the "Consolidated Entity"). All intercompany accounts are eliminated upon consolidation.

Basis of accounting

The accompanying consolidated 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 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:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Consolidated Entity, and/or the passage of time, or are maintained in perpetuity by the Consolidated Entity. When the donor-imposed stipulation ends or the Consolidated Entity satisfies an action, the Consolidated Entity 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. The Consolidated Entity 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).

Contributions

The Consolidated Entity 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. The Consolidated Entity's conditional promises to give totaled \$172,137,500 as of December 31, 2021.

Consequently, at December 31, 2021, contributions approximating \$172,137,500, have not been recognized in the accompanying consolidated 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. The Consolidated Entity considers all contributions to be available for the general programs of the Consolidated Entity unless the donor stipulates specific restrictions, such as for a specific program area or sponsored project.

Program service fees

NewSchools provides services to AERDF, primarily for the shared service functions including, finance, grant management, human resources, information technology, marketing, communications, rent and utilities, and general operations. During year ended December 31, 2021, NewSchools billed AERDF \$1,177,819 for these services, which has been eliminated upon consolidation in the accompanying consolidated statement of activities.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

Unconditional grants made by the Consolidated Entity 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 consolidated 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 Consolidated Entity 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 Consolidated Entity 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. Consolidated Entity 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.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instruments, which are included in the Consolidated Entity's consolidated statement of financial position as of December 31, 2021 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 Consolidated Entity expenses as incurred other expenditures for repairs and maintenance.

Deferred revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2021. This is comprised of revenue received to host NewSchools' Summit event in 2022.

Use of estimates

The preparation of consolidated 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 Consolidated Entity 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 Consolidated Entity are deductible for income tax purposes under IRC Section 170(b)(1)(A).

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Consolidated Entity'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 Consolidated Entity's tax positions and concluded that the Consolidated Entity 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 Consolidated Entity is no longer subject to income tax examinations by Federal and State tax authorities for tax years before 2017.

Functional expenses

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

Measure of operations

The consolidated statement of activities presents the changes in net assets of the Consolidated Entity 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 Consolidated Entity has evaluated subsequent events through May 20, 2022, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Consolidated Entity's consolidated financial statements.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Consolidated Entity's assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	\$ -	\$ 247,033	\$ -	\$ 247,033
U.S. Government Bonds	-	500,565	-	500,565
U.S. Corporate Bonds	-	3,381,825	-	3,381,825
	\$ -	\$ 4,129,423	\$ -	\$ 4,129,423

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Hardware	\$ 204,467
Software	120,808
Furniture and fixtures	263,837
Leasehold improvements	132,059
	721,171
Accumulated depreciation and amortization	(676,034)
	\$ 45,137

Depreciation and amortization expense for the year ended December 31, 2021 was \$76,093.

5. MISSION RELATED INVESTMENTS

Occasionally, the Consolidated Entity 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 Consolidated Entity 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.

In 2021, the Consolidated Entity dissolved NewSchools Capital, LLC. The write off of the asset resulted in a loss of \$651. The Consolidated Entity's remaining equity investments in one entity has a total carrying value of \$325,002 as of December 31, 2021.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

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 consolidated statement of financial position. NewSchools recognized a gain on the equity investment in NewSchools Seed of \$4,054,079 for the year ended December 31, 2021.

7. CONDITIONAL GRANTS PAYABLE

At December 31, 2021, grant payments totaling \$8,667,582 are contingent upon grantees meeting specific conditions in the future and have not been recorded.

8. LINE OF CREDIT

The Consolidated Entity 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 renewed agreement, the interest rate will be 3.25% per annum. There were no draws outstanding at December 31, 2021. The line of credit is collateralized by substantially all of the assets of the Consolidated Entity. The line of credit has a maturity date of June 13, 2022. The Consolidated Entity is required to maintain compliance with certain financial and reporting covenants under the terms of the agreement; the Consolidated Entity was in compliance with the covenants at December 31, 2021.

9. NET ASSETS

Net assets consisted of the following:

Net assets without donor restrictions	
Undesignated	<u>\$ 76,966,625</u>
Net assets with donor restrictions	
AERDF - EF + Math	<u>13,113,406</u>
	<u><u>13,113,406</u></u>
	<u><u>\$ 90,080,031</u></u>

10. LEASE COMMITMENTS

The Consolidated Entity leases offices under non-cancelable operating lease agreements through 2025 with payments increasing to approximately \$67,000 a month.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

10. LEASE COMMITMENTS (continued)

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

<u>Year ending December 31,</u>	
2022	\$ 742,514
2023	764,735
2024	787,215
2025	<u>672,525</u>
	<u>\$ 2,966,989</u>

Rental expense for all operating leases totaled \$531,767 for the year ended December 31, 2021.

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Consolidated Entity recognized total contribution revenue of approximately \$2,321,310 from eleven members of the Board of Directors of the Consolidated Entity.

NewSchools was 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. On October 31, 2021 NewSchools Capital was dissolved and the asset was written off on the accompanying consolidated statement of financial position.

12. CONCENTRATIONS OF CREDIT RISK

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

During the year ended December 31, 2021, The Consolidated Entity regularly held cash deposits in excess of federally insured limits. The Consolidated Entity does not believe it is exposed to any custodial credit risk on excess deposits.

The Consolidated Entity received \$44,493,234 or 65% of its total contribution revenue from three foundations during the year ended December 31, 2021.

13. RETIREMENT PLAN

The Consolidated Entity sponsors a 401(k) Plan which allows for the Consolidated Entity to make discretionary contributions of up to 7% of each employee's eligible compensation. The Consolidated Entity's contribution was \$527,923 for the year ended December 31, 2021.

New Schools Fund and the AERDF Subsidiary  
Notes to Consolidated Financial Statements  
December 31, 2021

14. LIQUIDITY AND FUNDS AVAILABLE

As part of the Consolidated Entity'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 Consolidated Entity's Corporate Cash Investment Policy provides guidelines for the management of cash.

The Consolidated Entity 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 Consolidated Entity's consolidated 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, 2021 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 82,959,124
Investments	4,129,423
Mission related investments	325,002
Investment in NewSchools Seed, L.P.	5,063,399
Contributions and other accounts receivable	<u>205,001</u>
	<u>92,681,949</u>
Line of credit	<u>3,000,000</u>
Less: amounts unavailable for general expenditure within one year	
Mission related investments	(325,002)
Investments in NewSchools Seed, L.P.	<u>(5,063,399)</u>
	<u>(5,388,401)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 90,293,548</u></u>

In total, the Consolidated Entity has financial assets on hand at December 31, 2021 to cover approximately 11 months of operating expenses based on the 2022 monthly budgeted run rate for all program and support services expense. Excluding grants and contracts expense, which consist of 71% of the total budgeted expense, financial assets on hand will cover 38 months of operating expenses.

Additionally, the Consolidated Entity has net assets without donor restrictions to cover approximately 10 months of operating expenditures. As of December 31, 2021, there are \$13,113,406 of net assets with donor restrictions.

SUPPLEMENTARY INFORMATION

New Schools Fund and the AERDF Subsidiary  
Consolidating Statement of Financial Position  
December 31, 2021

ASSETS

	<u>NewSchools</u>	<u>AERDF</u>	<u>Unconsolidated Balances</u>	<u>Eliminating Entries</u>	<u>2021 Total</u>
Current assets					
Cash and cash equivalents	\$ 47,453,143	\$ 35,505,981	\$ 82,959,124	\$ -	\$ 82,959,124
Investments	1,842,614	2,286,809	4,129,423	-	4,129,423
Contributions and other accounts receivable	560,991	25,940	586,931	(381,930)	205,001
Prepaid assets	<u>77,035</u>	<u>-</u>	<u>77,035</u>	<u>-</u>	<u>77,035</u>
Total current assets	<u>49,933,783</u>	<u>37,818,730</u>	<u>87,752,513</u>	<u>(381,930)</u>	<u>87,370,583</u>
Other assets					
Property and equipment, net	45,137	-	45,137	-	45,137
Mission related investments	325,002	-	325,002	-	325,002
Investment in NewSchools Seed, L.P.	5,063,399	-	5,063,399	-	5,063,399
Other assets	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total other assets	<u>5,463,538</u>	<u>-</u>	<u>5,463,538</u>	<u>-</u>	<u>5,463,538</u>
Total assets	<u>\$ 55,397,321</u>	<u>\$ 37,818,730</u>	<u>\$ 93,216,051</u>	<u>\$ (381,930)</u>	<u>\$ 92,834,121</u>

LIABILITIES AND NET ASSETS

Current liabilities					
Accounts payable and accrued expenses	\$ 535,079	\$ 1,568,374	\$ 2,103,453	\$ (381,930)	\$ 1,721,523
Grants payable	422,500	-	422,500	-	422,500
Accrued salaries and wages	<u>253,999</u>	<u>169,629</u>	<u>423,628</u>	<u>-</u>	<u>423,628</u>
Total current liabilities	<u>1,211,578</u>	<u>1,738,003</u>	<u>2,949,581</u>	<u>(381,930)</u>	<u>2,567,651</u>
Long-term liabilities					
Deferred rent	173,939	-	173,939	-	173,939
Deferred revenue	<u>12,500</u>	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total long-term liabilities	<u>186,439</u>	<u>-</u>	<u>186,439</u>	<u>-</u>	<u>186,439</u>
Total current liabilities	<u>1,398,017</u>	<u>1,738,003</u>	<u>3,136,020</u>	<u>(381,930)</u>	<u>2,754,090</u>
Net assets					
Unrestricted	53,999,304	22,967,321	76,966,625	-	76,966,625
Temporarily restricted	<u>-</u>	<u>13,113,406</u>	<u>13,113,406</u>	<u>-</u>	<u>13,113,406</u>
Total net assets	<u>53,999,304</u>	<u>36,080,727</u>	<u>90,080,031</u>	<u>-</u>	<u>90,080,031</u>
Total liabilities and net assets	<u>\$ 55,397,321</u>	<u>\$ 37,818,730</u>	<u>\$ 93,216,051</u>	<u>\$ (381,930)</u>	<u>\$ 92,834,121</u>

New Schools Fund and the AERDF Subsidiary  
Consolidating Statement of Activities  
For The Year Ended December 31, 2021

	<u>NewSchools</u>	<u>AERDF</u>	<u>Unconsolidated Balances</u>	<u>Eliminating Entries</u>	<u>2021 Total</u>
Revenues, gains (losses), and other support					
Contributions	\$ 35,927,290	\$ 32,770,000	\$ 68,697,290	\$ -	\$ 68,697,290
Interest income and gains (losses)	(19,444)	13,244	(6,200)	-	(6,200)
Program service fees	<u>1,177,819</u>	<u>-</u>	<u>1,177,819</u>	<u>(1,177,819)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>37,085,665</u>	<u>32,783,244</u>	<u>69,868,909</u>	<u>(1,177,819)</u>	<u>68,691,090</u>
Functional expenses					
Program services					
NewSchools - Venture Funding and Support	40,987,777	-	40,987,777	-	40,987,777
NewSchools - Convening	397,803	-	397,803	-	397,803
AERDF	<u>-</u>	<u>12,673,775</u>	<u>12,673,775</u>	<u>-</u>	<u>12,673,775</u>
	<u>41,385,580</u>	<u>12,673,775</u>	<u>54,059,355</u>	<u>-</u>	<u>54,059,355</u>
Support services					
General and administrative	4,481,988	2,241,640	6,723,628	(1,177,819)	5,545,809
Fundraising	725,039	251,156	976,195	-	976,195
	<u>5,207,027</u>	<u>2,492,796</u>	<u>7,699,823</u>	<u>(1,177,819)</u>	<u>6,522,004</u>
Total functional expenses	<u>46,592,607</u>	<u>15,166,571</u>	<u>61,759,178</u>	<u>1,177,819</u>	<u>60,581,359</u>
Changes in net assets	(9,506,942)	17,616,673	8,109,731	-	8,109,731
Nonoperating activities in net assets without donor restrictions					
Gain (loss) on mission related investments	(651)	-	(651)	-	(651)
Gain on equity investment in NewSchools Seed L.P.	<u>4,054,079</u>	<u>-</u>	<u>4,054,079</u>	<u>-</u>	<u>4,054,079</u>
Total nonoperating activities in net assets without donor restrictions	<u>4,053,428</u>	<u>-</u>	<u>4,053,428</u>	<u>-</u>	<u>4,053,428</u>
Change in net assets	(5,453,514)	17,616,673	12,163,159	-	12,163,159
Net assets, beginning of year	77,916,872	-	77,916,872	-	77,916,872
Net asset transfer	<u>(18,464,054)</u>	<u>18,464,054</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 53,999,304</u>	<u>\$ 36,080,727</u>	<u>\$ 90,080,031</u>	<u>\$ -</u>	<u>\$ 90,080,031</u>