New Schools Fund and the AERDF Subsidiary

Consolidated Financial Statements
and Supplementary Information

December 31, 2022
(With Comparative Totals for 2021)

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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, 2022, 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, 2022, 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 for Opinion

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

Change in Accounting Principle

As described in Note 2 to the financial statements, the Consolidated Entity adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

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 consolidated 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 consolidated 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 consolidated 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 21 - 22 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's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
St. Louis, Missouri

July 11, 2023

New Schools Fund and the AERDF Subsidiary
Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 10,439,108	$ 82,959,124
Contributions and grants receivable	300,050	150,000
Investments	111,038,923	4,129,423
Other accounts receivable	602,991	55,001
Prepaid assets	52,625	77,035
Total current assets	122,433,697	87,370,583
Other assets		
Property and equipment, net	29,867	45,137
Contributions and grants receivable, net of current portion	284,061	-
Mission related investments	325,002	325,002
Investment in NewSchools Seed, L.P.	4,433,769	5,063,399
Right-of-use assets	2,051,904	-
Other assets	30,000	30,000
Total other assets	7,154,603	5,463,538
Total assets	$ 129,588,300	$ 92,834,121

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

New Schools Fund and the AERDF Subsidiary
Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 2,293,544	$ 1,721,523
Grants payable	520,000	422,500
Accrued salaries and wages	563,884	423,628
Lease liability, current	739,478	-
Total current liabilities	4,116,906	2,567,651
Long-term liabilities		
Deferred rent	-	173,939
Deferred revenue	250,000	12,500
Lease liability, net of current	1,440,615	-
Total long-term liabilities	1,690,615	186,439
Total liabilities	5,807,521	2,754,090
Net assets		
Without donor restrictions	108,554,469	76,966,625
With donor restrictions	15,226,310	13,113,406
Total net assets	123,780,779	90,080,031
Total liabilities and net assets	$ 129,588,300	$ 92,834,121

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, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains (losses), and other support				
Contributions	$ 48,977,086	$ 22,556,453	$ 71,533,539	$ 35,927,290
Contributions for AERDF	32,000,000	9,610,000	41,610,000	32,770,000
Interest income and gains (losses)	1,008,809	-	1,008,809	(6,200)
Rental income	2,100	-	2,100	-
Net assets released from restrictions	30,053,549	(30,053,549)	-	-
Total revenues, gains (losses), and other support	112,041,544	2,112,904	114,154,448	68,691,090
Functional expenses				
Program services				
NewSchools - Venture Funding and Support	52,112,035	-	52,112,035	41,385,580
AERDF	20,021,832	-	20,021,832	12,673,775
Total program services	72,133,867	-	72,133,867	54,059,355
Support services				
Management and General	7,215,299	-	7,215,299	5,545,809
Fundraising	1,319,519	-	1,319,519	976,195
Total support services	8,534,818	-	8,534,818	6,522,004
Total functional expenses	80,668,685	-	80,668,685	60,581,359
Change in net assets from operations	31,372,859	2,112,904	33,485,763	8,109,731
Nonoperating activities in net assets without donor restrictions				
Gain (loss) on mission related investments	343,402	-	343,402	(651)
Gain (loss) on equity investment in NewSchools Seed L.P.	(128,417)	-	(128,417)	4,054,079
Total nonoperating activities in net assets without donor restrictions	214,985	-	214,985	4,053,428
Change in net assets	31,587,844	2,112,904	33,700,748	12,163,159
Net assets, beginning of year	76,966,625	13,113,406	90,080,031	77,916,872
Net assets, end of year	$ 108,554,469	$ 15,226,310	$ 123,780,779	$ 90,080,031

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, 2022
(With Comparative Totals for 2021)

	Program Services			Support Services						
	NewSchools - Venture Funding and Support	AERDF	Total Program Services	NewSchools - Management and General	NewSchools - Fundraising	AERDF - Management and General	AERDF - Fundraising	Total Support Services	2022 Total	2021 Total
Grants and contracts	$ 43,204,472	$ 10,025,960	$ 53,230,432	$ -	$ -	$ -	$ -	$ -	$ 53,230,432	$ 43,945,340
Personnel	6,142,668	6,185,300	12,327,968	3,165,832	918,403	1,170,245	90,736	5,345,216	17,673,184	11,154,361
Professional services	995,684	2,643,108	3,638,792	570,105	225,240	219,189	-	1,014,534	4,653,326	2,602,735
Events and travel	1,527,255	395,361	1,922,616	153,937	70,801	28,380	-	253,118	2,175,734	628,597
General expenses	241,956	772,103	1,014,059	1,760,214	14,039	147,397	300	1,921,950	2,936,009	2,250,326
	$ 52,112,035	$ 20,021,832	$ 72,133,867	$ 5,650,088	$ 1,228,483	$ 1,565,211	$ 91,036	$ 8,534,818	$ 80,668,685	$ 60,581,359

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, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 33,700,748	$ 12,163,159
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	28,232	76,093
Right-of-use lease assets amortization	704,648	-
Net realized and unrealized gain on investments	1,515,810	172,197
Net (gain) loss on mission related investments	(343,402)	651
Net (gain) loss on equity investment in NewSchools Seed, L.P.	128,417	(4,054,079)
Changes in operating assets and liabilities		
Contributions and other accounts receivable	(547,990)	553,372
Prepaid assets	24,410	53,595
Contributions receivable, net	(434,111)	-
Accounts payable and accrued expenses	572,021	217,001
Grants payable	97,500	422,500
Accrued salaries and wages	140,256	132,834
Deferred rent	-	155,806
Deferred revenue	237,500	-
Operating lease liability	(750,398)	-
Net cash provided by operating activities	35,073,641	9,893,129
Cash flows from investing activities		
Purchase of property and equipment	(12,962)	-
Purchase of investments	(368,083,437)	(342,380,364)
Proceeds from sales/maturity of investments	259,658,127	370,699,958
Liquidation of mission related investments	343,402	349
Contributions to NewSchools Seed, L.P.	(41,181)	(64,713)
Distributions from NewSchools Seed, L.P.	542,394	6,649,784
Net cash provided by (used in) investing activities	(107,593,657)	34,905,014
Net increase (decrease) in cash and cash equivalents	(72,520,016)	44,798,143
Cash and cash equivalents, beginning of year	82,959,124	38,160,981
Cash and cash equivalents, end of year	$ 10,439,108	$ 82,959,124

Supplemental schedule of noncash activities related to the adoption of ASC 842

	2022	2021
Right-of-use asset	$ 2,756,552	$ -
Lease liability	$ (2,930,491)	$ -
Deferred rent	$ 173,939	$ -

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

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 reimagining public education. NewSchools also provides management assistance to those ventures and builds the field of visionary leaders in education by organizing events and knowledge-sharing opportunities. NewSchools occasionally serves as the fiscal sponsor to support other education organizations as they launch into new 501(c)(3) organizations.

The Advanced Education Research and Development Fund ("AERDF") is a nonprofit organization that 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. AERDF was initially a fiscally sponsored project of NewSchools. After receiving its IRS 501c(3) determination, AERDF transitioned from a fiscally sponsored project of NewSchools to a newly formed subsidiary entity of NewSchools in January 2021. AERDF remained a controlled entity of NewSchools through December 31, 2022. On January 1, 2023, AERDF exited NewSchools and currently operates as a wholly owned entity.

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.
- *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless the use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. The 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 $109,375,000 as of December 31, 2022.

Consequently, at December 31, 2022, contributions approximating $109,375,000 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.

Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. There was no allowance for doubtful accounts as of December 31, 2022.

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 the year ended December 31, 2022, NewSchools billed AERDF $1,165,440 for these services, which has been eliminated upon consolidation in the accompanying consolidated statement of activities.

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 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.

Fair value measurements

The Consolidated Entity carries certain assets at fair value.

Fair value is defined as the price that one would receive by selling an asset or paying to transfer a liability in an orderly transaction among market participants at the measurement date. The 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.

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, 2022, 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, 2022. This is comprised of revenue received to fund and support ventures and provide additional management assistance in 2023.

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).

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 2018.

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.

Reclassifications

Certain amounts presented in prior year financial statements have been reclassified to conform to current year presentation. Such reclassifications had no effect on total assets, liabilities, net assets, changes in net assets or cash flows from the amounts previously reported.

Subsequent events

The Consolidated Entity has evaluated subsequent events through July 11, 2023, the date the consolidated financial statements were available to be issued. No other subsequent events, other than as noted in Note 1, would have a material impact on the presentation of the Consolidated Entity's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy

In February 2016, the Financial Accounting Standards Board ("FASB") introduced Accounting Standards Codification ("ASC") 842, Leases, which is a comprehensive new lease standard that will supersede previous lease guidance. The standard requires a lessee to recognize assets and liabilities related to long-term leases that were classified as operating leases under previous guidance in its balance sheet. An asset would be recognized related to the right to use the underlying asset and a liability would be recognized related to the obligation to make lease payments over the term of the lease. The standard also requires expanded disclosures surrounding leases. The Consolidated Entity adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by FASB ASC 842. The Consolidated Entity did not restate prior periods as presented under FASB ASC 840 and, instead, evaluated whether a cumulative impact adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. Management determined no cumulative effect adjustment to net assets as of January 1, 2022 was necessary. As part of the transition, the Consolidated Entity elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases
- Election whereby the lease and non-lease components will not be separated for leases of office space, warehouses, and vehicles
- Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying consolidated financial statements as contributions receivable and revenue in the appropriate net asset category. Discounted contributions receivable are recorded using a discount rate of 7.27%.

Contributions receivable consisted of the following:

Receivable in less than one year	$ 300,050
Receivable in one to five years	325,000
	625,050
Less: discounts to present value	(40,939)
	$ 584,111

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on December 31, 2022.

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

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

The following table sets forth by level, within the fair value hierarchy, the Consolidated Entity's assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	$ -	$ 3,508,965	$ -	$ 3,508,965
International Bonds	-	2,463,348	-	2,463,348
U.S. Government Bonds	-	23,271,702	-	23,271,702
U.S. Corporate Bonds	-	81,794,908	-	81,794,908
	$ -	$ 111,038,923	$ -	$ 111,038,923

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Hardware	$ 217,429
Software	120,808
Furniture and fixtures	263,837
Leasehold improvements	132,059
	734,133
Accumulated depreciation and amortization	(704,266)
	$ 29,867

Depreciation and amortization expense for the year ended December 31, 2022 was $28,232.

6. 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 2022, the Consolidated Entity sold common stock and recorded a gain of $343,402. The Consolidated Entity's remaining equity investments in one entity has a total carrying value of $325,002 as of December 31, 2022.

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

NewSchools is the sole Limited Partner in NewSchools Seed, L.P. ("NewSchools Seed"), with an unrelated third party as General Partner. NewSchools Seed was established to acquire and hold venture capital investments in the entities that were previously part of NewSchools mission related investment portfolio and to make a limited number of new investments. NewSchools' investment in NewSchools Seed is accounted for as an equity method investment in the consolidated statement of financial position. NewSchools recognized a loss on the equity investment in NewSchools Seed of $128,417 for the year ended December 31, 2022.

8. CONDITIONAL GRANTS PAYABLE

At December 31, 2022, grant payments totaling $8,601,902 are contingent upon grantees meeting specific conditions in the future and have not been recorded.

9. 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 7.50% per annum. There were no draws outstanding at December 31, 2022. The line of credit is collateralized by substantially all of the assets of the Consolidated Entity. The line of credit has an extended maturity date of September 11, 2023. 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, 2022.

10. NET ASSETS

Net assets consisted of the following:

Net assets without donor restrictions	
Undesignated	$ 108,554,469
Net assets with donor restrictions	
Venture funding and support	1,181,691
AERDF - EF + Math	14,044,619
	15,226,310
	$ 123,780,779

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

Venture funding and support	$ 21,374,762
AERDF - EF + Math	8,678,787
	$ 30,053,549

11. LEASE COMMITMENTS

On January 1, 2022, the Consolidated Entity adopted the new lease accounting guidance under ASC 842. The most significant change requires lessees to record the present value of the operating lease payments as right-of-use assets and lease liabilities on the statement of financial position. The new guidance continues to require lessees to classify leases between operating and financing leases (formerly "capital leases"). The adoption of ASC 842 resulted in the recognition of a right-of-use asset and liability in the amount of $2,930,491.

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

The right-of-use asset as of December 31, 2022 is detailed as follows:

Right-of-use asset	$ 2,051,904

The right-of-use lease liability as of December 31, 2022 is detailed as follows:

Lease liability, current	
Operating lease liability	$ 739,478
Lease liability, net of current	
Operating lease liability	1,440,615
	$ 2,180,093

11. LEASE COMMITMENTS (continued)

The components of lease costs are as follows:

Operating lease costs	$ 704,649

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

Year ending December 31,	
2023	$ 764,735
2024	787,215
2025	672,525
	2,224,475
Less: imputed interest	(44,382)
Term loan, net of discount	2,180,093
Current portion	(739,478)
	$ 1,440,615

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Consolidated Entity recognized total contribution revenue of $1,377,550 from ten members of the Board of Directors of the Consolidated Entity.

13. 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, 2022, 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 $90,644,168 or 80% of its total contribution revenue from four foundations during the year ended December 31, 2022.

14. 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 $849,012 for the year ended December 31, 2022.

15. 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, 2022 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	$ 10,439,108
Investments	111,038,923
Mission related investments	325,002
Investment in NewSchools Seed, L.P.	4,433,769
Other accounts receivable	602,991
	126,839,793
Line of credit	3,000,000
Less: amounts unavailable for general expenditure within one year	
Mission related investments	(325,002)
Investments in NewSchools Seed, L.P.	(4,433,769)
	(4,758,771)
Financial assets available to meet cash needs for general expenditures within one year	$ 125,081,022

In total, the Consolidated Entity has financial assets on hand at December 31, 2022 to cover approximately 13 months of operating expenses based on the 2023 monthly budgeted run rate for all program and support services expense. Excluding grants and contracts expense, which consist of 69% of the total budgeted expense, financial assets on hand will cover 42 months of operating expenses.

Additionally, the Consolidated Entity has net assets without donor restrictions to cover approximately 12 months of operating expenditures. As of December 31, 2022, there are $108,554,469 of net assets without donor restrictions.

SUPPLEMENTARY INFORMATION

New Schools Fund and the AERDF Subsidiary
Consolidating Statement of Financial Position
December 31, 2022

ASSETS

	NewSchools	AERDF	Unconsolidated Balances	Eliminating Entries	2022 Total
Current assets					
Cash and cash equivalents	$ 5,352,965	$ 5,086,143	$ 10,439,108	$ -	$ 10,439,108
Investments	59,004,364	52,034,559	111,038,923	-	111,038,923
Other accounts receivable	918,000	290,784	1,208,784	(305,743)	903,041
Prepaid assets	52,625	-	52,625	-	52,625
Total current assets	65,327,954	57,411,486	122,739,440	(305,743)	122,433,697
Other assets					
Property and equipment, net	29,867	-	29,867	-	29,867
Contributions and other accounts receivable, net of current	284,061	-	284,061	-	284,061
Mission related investments	325,002	-	325,002	-	325,002
Investment in NewSchools Seed, L.P.	4,433,769	-	4,433,769	-	4,433,769
Right-of-use assets	2,051,904	-	2,051,904	-	2,051,904
Other assets	30,000	-	30,000	-	30,000
Total other assets	7,154,603	-	7,154,603	-	7,154,603
Total assets	$ 72,482,557	$ 57,411,486	$ 129,894,043	$ (305,743)	$ 129,588,300

LIABILITIES AND NET ASSETS

	NewSchools	AERDF	Unconsolidated Balances	Eliminating Entries	2022 Total
Current liabilities					
Accounts payable and accrued expenses	$ 658,183	$ 1,941,104	$ 2,599,287	$ (305,743)	$ 2,293,544
Grants payable	520,000	-	520,000	-	520,000
Accrued salaries and wages	305,320	258,564	563,884	-	563,884
Lease liability, current	739,478	-	739,478	-	739,478
Total current liabilities	2,222,981	2,199,668	4,422,649	(305,743)	4,116,906
Long-term liabilities					
Deferred revenue	250,000	-	250,000	-	250,000
Lease liability, net of current	1,440,615	-	1,440,615	-	1,440,615
Total long-term liabilities	1,690,615	-	1,690,615	-	1,690,615
Total current liabilities	3,913,596	2,199,668	6,113,264	(305,743)	5,807,521
Net assets					
Without donor restrictions	67,387,270	41,167,199	108,554,469	-	108,554,469
With donor restrictions	1,181,691	14,044,619	15,226,310	-	15,226,310
Total net assets	68,568,961	55,211,818	123,780,779	-	123,780,779
Total liabilities and net assets	$ 72,482,557	$ 57,411,486	$ 129,894,043	$ (305,743)	$ 129,588,300

New Schools Fund and the AERDF Subsidiary
Consolidating Statement of Activities
For The Year Ended December 31, 2022

	NewSchools	AERDF	Unconsolidated Balances	Eliminating Entries	2022 Total
Revenues, gains, and other support					
Contributions	$ 71,533,539	$ 41,610,000	$ 113,143,539	$ -	$ 113,143,539
Interest income and gains	644,199	364,610	1,008,809	-	1,008,809
Program service fees	1,165,440	-	1,165,440	(1,165,440)	-
Rental income	2,100	-	2,100	-	2,100
Total revenues, gains, and other support	73,345,278	41,974,610	115,319,888	(1,165,440)	114,154,448
Functional expenses					
Program services					
NewSchools - Venture Funding and Support	52,112,035	-	52,112,035	-	52,112,035
AERDF	-	20,021,832	20,021,832	-	20,021,832
	52,112,035	20,021,832	72,133,867	-	72,133,867
Support services					
General and administrative	5,650,088	2,730,651	8,380,739	(1,165,440)	7,215,299
Fundraising	1,228,483	91,036	1,319,519	-	1,319,519
	6,878,571	2,821,687	9,700,258	(1,165,440)	8,534,818
Total functional expenses	58,990,606	22,843,519	81,834,125	1,165,440	80,668,685
Changes in net assets	14,354,672	19,131,091	33,485,763	-	33,485,763
Nonoperating activities in net assets without donor restrictions					
Gain on mission related investments	343,402	-	343,402	-	343,402
Loss on equity investment in NewSchools Seed L.P.	(128,417)	-	(128,417)	-	(128,417)
Total nonoperating activities in net assets without donor restrictions	214,985	-	214,985	-	214,985
Change in net assets	14,569,657	19,131,091	33,700,748	-	33,700,748
Net assets, beginning of year	53,999,304	36,080,727	90,080,031	-	90,080,031
Net assets, end of year	$ 68,568,961	$ 55,211,818	$ 123,780,779	$ -	$ 123,780,779