



**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NEW PROFIT INC.**

Contents  
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of  
New Profit Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of New Profit Inc. (a Massachusetts corporation, not-for-profit), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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***

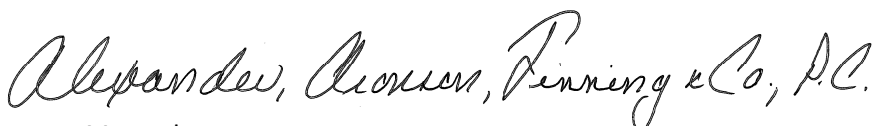
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Profit Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts  
July 6, 2016

**NEW PROFIT INC.**

Statements of Financial Position  
December 31, 2015 and 2014

<b>Assets</b>	<b>2015</b>			<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 2,113,673	\$ 12,289,060	\$ 14,402,733	\$ 4,276,458	\$ 3,232,035	\$ 7,508,493
Marketable securities	-	-	-	140,175	-	140,175
Grant receivable	964,631	-	964,631	1,739,922	-	1,739,922
Current portion of commitments receivable	-	14,194,800	14,194,800	-	16,642,005	16,642,005
Prepaid expenses and other	650,897	-	650,897	372,702	-	372,702
Total current assets	3,729,201	26,483,860	30,213,061	6,529,257	19,874,040	26,403,297
Commitments Receivable, net of current portion and discount	-	14,993,446	14,993,446	-	12,750,459	12,750,459
Property and Equipment, net	-	-	-	12,815	-	12,815
Total assets	<u>\$ 3,729,201</u>	<u>\$ 41,477,306</u>	<u>\$ 45,206,507</u>	<u>\$ 6,542,072</u>	<u>\$ 32,624,499</u>	<u>\$ 39,166,571</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses	\$ 1,295,745	\$ -	\$ 1,295,745	\$ 649,562	\$ -	\$ 649,562
Fiscal agent payable	124,315	-	124,315	199,089	-	199,089
Commitments payable	1,708,317	-	1,708,317	3,058,635	-	3,058,635
Total current liabilities	3,128,377	-	3,128,377	3,907,286	-	3,907,286
<b>Net Assets:</b>						
Unrestricted	600,824	-	600,824	2,634,786	-	2,634,786
Temporarily restricted	-	41,477,306	41,477,306	-	32,624,499	32,624,499
Total net assets	600,824	41,477,306	42,078,130	2,634,786	32,624,499	35,259,285
Total liabilities and net assets	<u>\$ 3,729,201</u>	<u>\$ 41,477,306</u>	<u>\$ 45,206,507</u>	<u>\$ 6,542,072</u>	<u>\$ 32,624,499</u>	<u>\$ 39,166,571</u>

The accompanying notes are an integral part of these statements.

**NEW PROFIT INC.**Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support:</b>						
Grants and contributions	\$ 4,869,069	\$ 27,728,809	\$ 32,597,878	\$ 4,577,319	\$ 14,780,259	\$ 19,357,578
Contract revenue	4,623,470	-	4,623,470	4,999,851	-	4,999,851
Donated services and facility use	2,258,399	-	2,258,399	2,119,925	-	2,119,925
Program fees and miscellaneous	76,141	-	76,141	55,870	-	55,870
Net assets released from restrictions:						
Payments to portfolio organizations	10,528,765	(10,528,765)	-	10,393,128	(10,393,128)	-
Satisfaction of time restrictions	2,115,000	(2,115,000)	-	2,225,000	(2,225,000)	-
Satisfaction of purpose restrictions	6,232,237	(6,232,237)	-	4,488,320	(4,488,320)	-
Total revenue and support	<u>30,703,081</u>	<u>8,852,807</u>	<u>39,555,888</u>	<u>28,859,413</u>	<u>(2,326,189)</u>	<u>26,533,224</u>
<b>Expenses:</b>						
Program	28,918,256	-	28,918,256	26,964,311	-	26,964,311
General and administrative	2,557,361	-	2,557,361	2,691,526	-	2,691,526
Development and communications	1,261,426	-	1,261,426	2,008,608	-	2,008,608
Total expenses	<u>32,737,043</u>	<u>-</u>	<u>32,737,043</u>	<u>31,664,445</u>	<u>-</u>	<u>31,664,445</u>
Changes in net assets before other losses	(2,033,962)	8,852,807	6,818,845	(2,805,032)	(2,326,189)	(5,131,221)
<b>Other Losses:</b>						
Cancelled commitments receivable	-	-	-	-	673,737	673,737
Changes in net assets	(2,033,962)	8,852,807	6,818,845	(2,805,032)	(2,999,926)	(5,804,958)
<b>Net Assets:</b>						
Beginning of year	<u>2,634,786</u>	<u>32,624,499</u>	<u>35,259,285</u>	<u>5,439,818</u>	<u>35,624,425</u>	<u>41,064,243</u>
End of year	<u>\$ 600,824</u>	<u>\$ 41,477,306</u>	<u>\$ 42,078,130</u>	<u>\$ 2,634,786</u>	<u>\$ 32,624,499</u>	<u>\$ 35,259,285</u>

**NEW PROFIT INC.**Statements of Cash Flows  
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 6,818,845	\$ (5,804,958)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,815	22,862
Change in discount on commitments receivable	(55,977)	(130,799)
Cancelled commitments receivable	-	673,737
Changes in operating assets and liabilities:		
Grant receivable	775,291	(132,024)
Commitments receivable	260,195	1,857,054
Prepaid expenses and other	(278,195)	(273,636)
Accounts payable and accrued expenses	646,183	(182,592)
Fiscal agent payable	(74,774)	58,914
Commitments payable	(1,350,318)	230,404
Net cash provided by (used in) operating activities	<u>6,754,065</u>	<u>(3,681,038)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of marketable securities	<u>140,175</u>	<u>490,088</u>
Net cash provided by investing activities	<u>140,175</u>	<u>490,088</u>
<b>Net Change in Cash and Cash Equivalents</b>	6,894,240	(3,190,950)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>7,508,493</u>	<u>10,699,443</u>
End of year	<u>\$ 14,402,733</u>	<u>\$ 7,508,493</u>
<b>Supplemental Disclosure of Non-Cash Transactions:</b>		
Marketable security received and recorded as fiscal agent payable	<u>\$ -</u>	<u>\$ 140,175</u>

**NEW PROFIT INC.**

Statement of Functional Expenses  
 For the Year Ended December 31, 2015  
 (With Summarized Comparative Totals for the Year Ended December 31, 2014)

	2015										2014		
	Program Expenses												
	Portfolio Investing												
	Innovation Fund	Reimagine Learning Fund	Pathways Fund	Early Learning Fund	Reimagine School Systems Fund	Learn to Earn Fund	Portfolio Support Services	Field Leadership	Total Program Expenses	General and Administrative	Development and Communications	Total Expenses	Total Expenses
<b>Program Investments:</b>													
Program investments	\$ 3,940,000	\$ 2,758,000	\$ 8,248,776	\$ 718,510	\$ 750,000	\$ 200,000	\$ -	\$ -	\$ 16,615,286	\$ -	\$ -	\$ 16,615,286	\$ 16,121,975
Donated consulting and technical assistance to portfolio organizations	1,025,000	539,000	-	-	-	-	-	-	1,564,000	-	-	1,564,000	1,338,000
Total program investments	<u>4,965,000</u>	<u>3,297,000</u>	<u>8,248,776</u>	<u>718,510</u>	<u>750,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>18,179,286</u>	<u>-</u>	<u>-</u>	<u>18,179,286</u>	<u>17,459,975</u>
<b>Operating Expenses:</b>													
Personnel and related costs	799,096	1,144,640	509,641	331,576	332,167	487,366	832,018	1,505,072	5,941,576	1,615,180	893,542	8,450,298	8,285,252
Professional fees (including donated legal services)	12,052	57,436	182,373	782,530	28,665	14,655	147,182	42,114	1,267,007	172,561	81,496	1,521,064	1,687,883
Conferences and convenings	9,281	427,639	29,278	38,905	40,803	20,970	87,243	734,685	1,388,804	50,177	10,616	1,449,597	695,066
Contract labor	7,851	596,452	134,602	61,704	203	29,564	133,395	346,409	1,310,180	52,564	5,429	1,368,173	1,807,693
Occupancy	38,866	64,938	36,730	19,561	23,042	13,342	44,063	146,361	386,903	119,480	63,998	570,381	413,190
Donated management consulting	-	-	-	-	-	-	-	-	-	450,000	-	450,000	482,000
Travel	55,295	46,680	28,960	27,791	31,200	22,806	33,111	56,584	302,427	18,221	27,206	347,854	416,891
Design and printing	128	103	60	-	216	359	204	52,886	53,956	1,889	135,547	191,392	101,816
Office	4,689	7,192	4,071	2,188	2,750	2,299	8,034	42,401	73,624	28,053	40,080	141,757	178,835
Miscellaneous	361	1,617	745	328	344	68	1,297	1,286	6,046	31,195	1,988	39,229	32,076
Insurance	-	-	-	-	-	-	-	-	-	15,197	-	15,197	12,506
Depreciation	1,974	1,546	874	466	549	318	-	2,720	8,447	2,844	1,524	12,815	22,862
Professional development	-	-	-	-	-	-	-	-	-	-	-	-	68,400
Allocated portfolio support services	445,415	242,953	242,953	80,954	121,477	-	(1,133,752)	-	-	-	-	-	-
Total operating expenses	<u>1,375,008</u>	<u>2,591,196</u>	<u>1,170,287</u>	<u>1,346,003</u>	<u>581,416</u>	<u>591,747</u>	<u>152,795</u>	<u>2,930,518</u>	<u>10,738,970</u>	<u>2,557,361</u>	<u>1,261,426</u>	<u>14,557,757</u>	<u>14,204,470</u>
Total expenses	<u>\$ 6,340,008</u>	<u>\$ 5,888,196</u>	<u>\$ 9,419,063</u>	<u>\$ 2,064,513</u>	<u>\$ 1,331,416</u>	<u>\$ 791,747</u>	<u>\$ 152,795</u>	<u>\$ 2,930,518</u>	<u>\$ 28,918,256</u>	<u>\$ 2,557,361</u>	<u>\$ 1,261,426</u>	<u>\$ 32,737,043</u>	<u>\$ 31,664,445</u>

**NEW PROFIT INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2014

	Program Expenses							Total Program Expenses	General and Admin- istrative	Development and Com- munications	Total Expenses
	Portfolio Investing										
	Innovation Fund	Reimagine Learning Fund	Pathways Fund	Early Learning Fund	Reimagine School Systems Fund	Learn to Earn Fund	Field Leadership				
<b>Program Investments:</b>											
Program investments	\$ 4,260,735	\$ 2,408,000	\$ 8,703,240	\$ 500,000	\$ 250,000	\$ -	\$ -	\$ 16,121,975	\$ -	\$ -	\$ 16,121,975
Donated consulting and technical assistance to portfolio organizations	-	890,000	400,000	48,000	-	-	-	1,338,000	-	-	1,338,000
Total program investments	4,260,735	3,298,000	9,103,240	548,000	250,000	-	-	17,459,975	-	-	17,459,975
<b>Operating Expenses:</b>											
Personnel and related costs	1,978,259	763,599	566,615	179,478	249,766	427,391	1,338,238	5,503,346	1,626,153	1,155,753	8,285,252
Professional fees (including donated legal services)	211,800	840,583	37,748	36,439	-	1,312	35,933	1,163,815	217,826	306,242	1,687,883
Conferences and convenings	80,075	153,766	37,410	8,245	4,971	61,404	296,201	642,072	35,668	17,326	695,066
Contract labor	221,616	489,259	263,404	7,827	-	2,000	439,192	1,423,298	84,670	299,725	1,807,693
Occupancy	136,994	15,806	27,593	2,565	2,565	-	50,252	235,775	122,729	54,686	413,190
Donated management consulting	-	-	-	-	-	-	-	-	482,000	-	482,000
Travel	76,918	68,860	32,605	17,246	18,013	19,881	86,228	319,751	7,180	89,960	416,891
Design and printing	1,357	5,069	1,853	25	677	235	56,648	65,864	2,353	33,599	101,816
Office	18,086	1,850	3,909	218	240	5,564	47,621	77,488	58,215	43,132	178,835
Miscellaneous	1,088	283	151	-	-	17	1,488	3,027	24,739	4,310	32,076
Insurance	-	-	-	-	-	-	-	-	12,506	-	12,506
Depreciation	5,812	1,938	1,938	388	388	-	1,938	12,402	6,585	3,875	22,862
Professional development	57,088	-	-	-	-	-	410	57,498	10,902	-	68,400
Total operating expenses	2,789,093	2,341,013	973,226	252,431	276,620	517,804	2,354,149	9,504,336	2,691,526	2,008,608	14,204,470
Total expenses	<u>\$ 7,049,828</u>	<u>\$ 5,639,013</u>	<u>\$ 10,076,466</u>	<u>\$ 800,431</u>	<u>\$ 526,620</u>	<u>\$ 517,804</u>	<u>\$ 2,354,149</u>	<u>\$ 26,964,311</u>	<u>\$ 2,691,526</u>	<u>\$ 2,008,608</u>	<u>\$ 31,664,445</u>



## NEW PROFIT INC.

Notes to Financial Statements  
December 31, 2015 and 2014

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### 1. OPERATIONS AND NONPROFIT STATUS

New Profit Inc. (the Organization) is a nonprofit social innovation organization and venture philanthropy fund seeking to increase social mobility for families and communities by accelerating the best ideas across the nation. The Organization collaborates with a diverse group of investors and partners from across sectors to advance social innovations and drive systemic change, ultimately transforming the lives of children, families, and communities.

Through its portfolio investment program, the Organization invests financial and intellectual capital in a portfolio of social entrepreneur-led organizations (such organizations are described as Portfolio Organizations in the accompanying financial statements) and helps them to grow their organizations, increase the scale and quality of their impact, expand their networks, and transform their fields. The portfolio investment team supports these organizations in navigating challenges and tracking their progress in five major areas—impact and innovation, growth, leadership and governance, organizational strategy, and metrics.

Certain components of the Organization's portfolio investment program, expanding beyond the portfolio support described above, are executed through the Organization's issue-based focus funds, which bring like-minded social entrepreneurs, philanthropists and institutional donors, researchers, policy experts, and other cross-sector partners together for intensive collaboration aimed at catalyzing new approaches and breaking through on intractable challenges. As of December 31, 2015 and 2014, the Organization has the following focus funds:

- **Pathways Fund** – The Pathways Fund is a public/private funding partnership amongst the Organization, the Corporation for National and Community Service's (CNCS) Social Innovation Fund, and several corporate foundations. The mission of the Pathways Fund is to strengthen the bridge between education and workforce development, so that more low-income youth have opportunities to build sustainable livelihoods. The Pathways Fund represents an unprecedented collective effort by a cross-section of network of investors and high performing nonprofit organizations to deliver measurable, sustainable impact for individuals, communities, and education to employment pipelines. Each of the six Pathways Fund sub-grantee organizations provides a set of comprehensive, targeted supports for vulnerable, high-risk youth getting them to and through college and into the economic mainstream. The Organization partners closely with each organization to strengthen its operations, improve its programmatic impact, and scale its interventions nationally.
- **Reimagine Learning Fund** – The Reimagine Learning Fund is a collaborative effort established to create a community of learning and action in order to eliminate silos between areas on the outskirts of education reform and to nurture a comprehensive movement that addresses the holistic needs of every child, particularly those with learning disabilities or social-emotional or mental health issues. The vision for this fund is that every child is equipped with the skills to master learning and realize his or her potential.
- **Early Learning Fund** – The Early Learning Fund (launched in 2014) seeks a world where all children have a start in their earliest years of life that sets them on a course to fulfill their potential. Extraordinary advances in neurobiology and behavioral science, together with increasing public recognition of the importance of a strong start, have created a dynamic opportunity for transformative change in the early learning field. The Fund is working to connect and align researchers, practitioners, funders, and policymakers to pursue a shared action agenda and investing in organizations, pilots and partnerships that have the potential to lift up new approaches to whole-child development and enable effective early learning for all children at scale.

## NEW PROFIT INC.

Notes to Financial Statements  
December 31, 2015 and 2014

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### 1. OPERATIONS AND NONPROFIT STATUS (Continued)

- **Reimagine School Systems Fund** – The Reimagine School Systems Fund (launched in 2014) seeks to rapidly increase the number of high performing schools serving low-income students by changing the way school systems work and lifting up new reform models that can be used at scale across the country. This fund seeks to change this situation and create new opportunity in low-income communities by investing in strategies to: (1) influence school districts to create conditions and demand for partnerships between districts and non-profit charter school operators, and (2) increase the supply of great non-profit charter school operators to meet that demand.
- **Learn to Earn Fund** – The Learn to Earn Fund (launched in 2014) is focused on accelerating progress in efforts to develop ten million more career-ready Americans by 2025. The core of this effort is reaching more low-income students by building and scaling collaboration between large employers who need qualified employees and nonprofit organizations working in K-12 and post-secondary education. The fund seeks to catalyze disruptive innovation in the space, engage in policy advocacy to help create conditions for those innovations to scale, and collaborate directly with large employers who can create powerful job pipelines.
- **Portfolio Support Services** include costs relating to developing and maintaining consistent portfolio organization management, investment selection and program evaluation practices throughout the Organization's portfolio. Certain components are allocated to each of the Organization's portfolio investment programs.

The Organization also conducts a variety of field leadership activities that constantly push the social sector to embrace innovation and generate new solutions. Included in Field Leadership are America Forward and *Gathering of Leaders* Initiatives. America Forward is the Organization's nonpartisan policy arm that unites policymakers with social entrepreneurs to advance a public policy agenda that champions innovative and effective solutions to our country's most pressing social problems. America Forward works with policymakers to foster social entrepreneurship, spur innovation, identify more effective and efficient solutions, reward results, and catalyze partnerships across sectors. In addition, the Organization has created communities of learning for social entrepreneurs to collaborate, share, and network for maximum impact. This ecosystem approach provides the opportunity for social entrepreneurs to learn from each other and collaborate with philanthropists, researchers, policymakers, and other essential contributors who are aligned in pursuing systemic change in education, jobs, community health, poverty alleviation, and other areas critical to social mobility. The *Gathering of Leaders*, the Organization's annual convening, is the signature platform for this work.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader. References to generally accepted accounting principles (U.S. GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

## NEW PROFIT INC.

Notes to Financial Statements  
December 31, 2015 and 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Net Assets

**Unrestricted net assets** represent the portion of the Organization's net assets that bear no external restrictions and are generally available for use by the Organization.

**Temporarily restricted net assets** represent contributions that are designated by donors for specific purposes or future time periods. These contributions are recorded as temporarily restricted net assets until expended for their designated purposes or the time restriction has lapsed.

Temporarily restricted net assets consist of funds restricted for the following as of December 31:

	<u>2015</u>	<u>2014</u>
Restricted for Portfolio Organizations	\$ 12,765,125	\$ 5,227,048
Reimagine Learning Fund	11,714,130	12,448,935
Reimagine School Systems Fund	4,969,457	2,681,258
Early Learning Fund	4,822,820	6,154,815
Restricted as to time (commitments receivable without a purpose restriction)	4,135,706	3,695,598
Learn to Earn Fund	1,340,967	299,537
America Forward	728,186	-
Portfolio Performance	660,815	-
Pathways Fund	250,000	1,266,888
Women's Finance Initiative	90,100	130,920
Pay for Success	-	409,265
<i>Gathering of Leaders</i>	-	310,235
	<u>\$ 41,477,306</u>	<u>\$ 32,624,499</u>

#### Cash and Cash Equivalents

Cash and cash equivalents consist of the Organization's operating cash and money market accounts.

#### Allowance for Doubtful Accounts and Commitments

The allowance for doubtful accounts is recorded based upon management's analysis of specific accounts and commitments and their estimate of amounts that may be uncollectible, if any (see Note 4).

## NEW PROFIT INC.

Notes to Financial Statements  
December 31, 2015 and 2014

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2015 and 2014.

#### Donated Services

Donated services are recorded at fair market value as determined by the donors on the date the services are provided if the services create or enhance non-financial assets or are provided by persons possessing certain skills that would typically need to be purchased if not provided by donation.

#### Revenue Recognition and Expense Allocation

Contract revenue is recorded as expenses are incurred over the contract period. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions lapse. All other revenue is recorded when earned.

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributed to each function.

#### Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

#### Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost when purchased or at fair value on the date of donation. Major additions, renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over an estimated useful life of three years.

#### Subsequent Events

Subsequent events have been evaluated through July 6, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

### 3. MARKETABLE SECURITIES

The Organization's management values all marketable securities using observable, or Level 1 inputs. At December 31, 2014, the balance consisted of marketable equity securities donated near year-end and sold in February 2015.

### 4. COMMITMENTS RECEIVABLE

Commitments receivable represent unconditional promises by individuals and foundations to give contributions or to direct charitable trusts or foundations to give contributions to the Organization. Commitments receivable that will be received in one year are recorded at net realizable value. Commitments receivable that will not be received within one year are recorded at the present value of future cash flows. Commitments have been discounted using a risk-free interest rate of 1.7% to 2.5%. As of December 31, 2015 and 2014, there were no allowances for doubtful commitments.

Commitments receivable are expected to be received as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Due in one year	\$ 14,194,800	\$ 16,642,005
Due in one to five years	<u>15,315,739</u>	<u>13,128,729</u>
	29,510,539	29,770,734
Less - current portion	14,194,800	16,642,005
Less - unamortized discount	<u>322,293</u>	<u>378,270</u>
Commitments receivable, net of current portion	<u>\$ 14,993,446</u>	<u>\$ 12,750,459</u>

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### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Computers and computer equipment	\$ 105,039	\$ 105,039
Less - accumulated depreciation	<u>105,039</u>	<u>92,224</u>
Net property and equipment	<u>\$ -</u>	<u>\$ 12,815</u>

### 6. PROGRAM INVESTMENTS AND PROMISES TO GIVE

During 2015 and 2014, the Organization granted \$15,661,586 and \$15,401,975, respectively, to various portfolio organizations. In addition to the portfolio organization grants, the Organization has made conditional promises to give to certain Portfolio Organizations totaling \$10,941,794 and \$13,963,580 as of December 31, 2015 and 2014, respectively. Included in conditional promises to give is \$3,102,794 and \$2,776,580, respectively, of grant awards that are partially funded by the Federal Social Innovation Fund (see Note 7). These promises are conditional on the Portfolio Organizations meeting certain performance or fundraising objectives and the Organization having adequate funds to make the commitment payments. If these conditions are met, the payments would be made during 2016. In accordance with U.S. GAAP, the Organization's conditional promises to give will be recorded in its financial statements when the conditions have been substantially met by the Portfolio Organizations and the Organization has adequate funds to make the payments.

### 7. SOCIAL INNOVATION FUND

In 2010, the Organization was awarded a five-year, \$25,000,000 Federal grant, subject to annual appropriations, from the Corporation for Community and National Services Social Innovation Fund (the "Corporation"). As part of the grant terms and conditions, the Organization is required to match these funds, dollar-for-dollar, resulting in total funding of \$50,000,000 for the program. Under the grant, the Organization selected six organizations and programs (sub-grantees) to fund and collaborate for the purpose of helping youth navigate the path from high school to college and ultimately to the workforce. The grant was scheduled to end on July 2015, but the Organization applied and received a no-cost extension through December 2016.

Upon the completion of the investment selection process, the Organization entered into one-year agreements with each sub-grantee. These agreements are renewed annually upon the completion of an annual review process. Funds are distributed based on certain conditions, as indicated in each agreement. During 2015 and 2014, the Organization disbursed \$4,623,470 and \$4,450,898 of match funds and \$3,869,553 and \$4,252,342 of Federal funds, respectively, related to the Social Innovation Fund. As of December 31, 2015 and 2014, the Organization had amounts due totaling \$964,631 and \$1,739,922, respectively, from the Corporation representing costs incurred by the Organization that are reimbursable under the terms and conditions of the grant agreement. These amounts, combined with the Organization's matching grants, are included in commitments payable in the accompanying statements of financial position.

The Organization and its sub-grantees are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization as of December 31, 2015 and 2014, or on the changes in its net assets for the years then ended.

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### 8. DONATED SERVICES

The Organization and Deloitte Consulting LLP (Deloitte) have entered into a multi-year, multi-million dollar collaboration that provides pro bono strategic support from Deloitte to help portfolio organizations pursue impact at scale by focusing on leadership and board development, monitoring and evaluation, financial sustainability, impact modeling and growth strategy. This collaboration also allows the Organization and Deloitte to work together to jointly pursue a number of efforts to advance the field of social innovation and social entrepreneurship. Deloitte has committed up \$3,000,000 per year of pro bono support through May 2018. A principal of Deloitte serves on the Organization's Board of Directors (see Note 9).

The Organization received donated consulting services from Deloitte and donated legal services from a law firm with the following fair values that have been recognized as donated services revenue and included the following expense categories in the accompanying statements of activities and changes in net assets and functional expenses:

	<u>2015</u>	<u>2014</u>
Consulting and technical assistance to portfolio organizations	\$ 1,564,000	\$ 1,338,000
Management consulting	450,000	482,000
Legal services	<u>244,399</u>	<u>299,925</u>
	<u>\$ 2,258,399</u>	<u>\$ 2,119,925</u>

### 9. RELATED PARTY TRANSACTIONS

Members of the Organization's Board of Directors are members of Deloitte's management in 2015 and 2014. During the years ended December 31, 2015 and 2014, the Organization incurred \$730,500 and \$803,500, respectively, for consulting services from Deloitte to conduct landscape analysis, network assessment, and convening support surrounding the Reimagine Learning Fund. The Organization owed Deloitte \$441,885 and \$33,627 for these services as of December 31, 2015 and 2014, respectively. Deloitte also provided donated services to the Organization (see Note 8) and valued the donated services at \$2,014,000 and \$1,820,000 for the years ended December 31, 2015 and 2014, respectively.

Members of the Organization's Board of Directors contribute funds to the Organization. During the years ended December 31, 2015 and 2014, members contributed \$8,550,000 and \$5,576,000, respectively, to the Organization. As of December 31, 2015 and 2014, commitments receivable includes \$6,358,330 and \$5,655,000, respectively, that has been committed by Board members.

Certain members of the Organization's management and Board of Directors also serve on the Boards of Directors of certain Portfolio Organizations. During the years ended December 31, 2015 and 2014, the Organization made payments totaling \$3,384,028 and \$3,695,032, respectively, to such Portfolio Organizations.

The Organization's office in Boston is sub leased from a company in which certain members of the Organization's Board of Directors are employed as senior managers. The Organization's office space in Washington, D.C. is sub leased from an agency where the Founder and CEO is the spouse of the Organization's CEO and Board Member (see Note 13).

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### **10. CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in one bank and with an investment company. The Federal Deposit Insurance Corporation (FDIC) insures balances at the bank up to certain amounts. At times during the year, the cash balances exceeded the FDIC insured limit. The Organization has not experienced any losses in such accounts. The Organization believes they are not exposed to any significant credit risk with cash. The money market funds of approximately \$14 million and \$7.1 million as of December 31, 2015 and 2014, respectively, held with the investment company are not insured.

The Organization had the following concentrations in grant receivable commitments, contributions revenue and donated services:

- The entire grant receivable balance as of December 31, 2015 and 2014, was due from one government agency.
- Approximately 49% and 46% of commitments receivable was due from three donors at December 31, 2015 and 2014, respectively.
- Approximately 48% and 34% of total revenue and support was contributed by two donors for the years ended December 31, 2015 and 2014, respectively.
- Approximately 89% and 86% of donated services and office space was received from a related party for the years ended December 31, 2015 and 2014, respectively (see Notes 2 and 8).

### **11. AMOUNT DESIGNATED BY DONOR FOR OTHER ORGANIZATIONS**

Under U.S. GAAP, if the Organization accepts assets from a donor and agrees to transfer those assets to another entity specified by the donor, the transaction must be recorded as a liability. The subsequent transfer to the specified entity is recorded as a reduction of the liability. At certain times during the year, the Organization accepts assets from donors to be transferred to other entities. As of December 31, 2015 and 2014, there was \$124,315 and \$199,089, respectively of funds designated for other organizations.

### **12. PENSION PLAN**

The Organization sponsors an IRC Section 401(k) pension plan (the Plan). Under the Plan, eligible employees may elect to defer compensation up to the maximum amount permitted under the IRC. The Organization matches a percentage (based on years of service) of an employee's eligible compensation up to a maximum of \$6,000. Additionally, the Organization may elect to make discretionary contributions in addition to the Plan's matching contribution provisions. The Organization made contributions of \$154,640 and \$137,057 for the years ended December 31, 2015 and 2014, respectively, which are included in personnel and related costs in the accompanying statements of functional expenses.



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### 13. LEASES

Through November 2014, the Organization leased office space in Boston, Massachusetts under an agreement requiring monthly rent payments of \$21,970. The Organization was also responsible for certain utility and operating costs under this lease agreement. In November 2014, the Organization entered into a new lease for office space through December 31, 2016, with monthly payments of \$35,840. The Organization is also responsible for its proportionate share of certain utility and operating costs. In December 2014, the above lease was amended to expand the rented space and the monthly payments were increased to \$49,538 through December 31, 2015. In December 2015, the lease was amended again upon floor relocation and the monthly lease payments were reduced to \$36,580 through December 2016. The sub landlord under this lease is a company in which certain members of the Organization's Board of Directors are employed as senior managers (see Note 9).

The Organization entered into a five year and four month sublease agreement with an agency for office space in Washington, D.C. commencing March 1, 2015. Base rent increases from \$4,969 a month to \$5,690 a month over the lease term. New Profit is also liable for its proportionate share of utilities and increases in operating expenses and real estate taxes. The sub lessor has the right to terminate its lease after year three or four and, if exercised, New Profit may be liable for a portion of the lease termination fee. The Founder and CEO of the sub landlord is the spouse of the Organization's CEO and Board Member (see Note 9).

Rent expense is included in occupancy in the accompanying statements of functional expenses and totaled \$377,814 and \$221,447 for the years ended December 31, 2015 and 2014, respectively.

Future lease payments due under these agreements are as follows:

2016	\$ 499,950
2017	62,667
2018	64,390
2019	66,161
2020	<u>33,838</u>
	<u>\$ 727,006</u>