

NEW AMERICA FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

| | <u>Page No.</u> |
|-------------------------------------|-----------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |
| Notes to the Financial Statements | 7 - 17 |



Independent Auditor's Report

To the Board of Directors
New America Foundation
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of New America Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 America Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New America Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016, on our consideration of New America Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New America Foundation's internal control over financial reporting and compliance.

Jane Maruca & M^oQuade PA

Washington, DC
October 24, 2016

**NEW AMERICA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---------------|---------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 7,205,557 | \$ 4,432,467 |
| Grants receivable | 13,549,630 | 5,232,482 |
| Accounts receivable | 115,993 | 277,469 |
| Investments | - | 15,410 |
| Certificates of deposit | 2,851,321 | 1,959,000 |
| Prepaid expenses | 430,099 | 159,653 |
| Total Current Assets | 24,152,600 | 12,076,481 |
| PROPERTY AND EQUIPMENT, NET | 495,061 | 304,367 |
| OTHER ASSETS | | |
| Certificates of deposit, net of current portion | 1,500,000 | 4,334,000 |
| Security deposits | 51,333 | - |
| Deferred rental asset | 87,384 | - |
| Total Other Assets | 1,638,717 | 4,334,000 |
| TOTAL ASSETS | \$ 26,286,378 | \$ 16,714,848 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 1,982,384 | \$ 921,991 |
| Deferred revenue | - | 18,033 |
| Total Current Liabilities | 1,982,384 | 940,024 |
| LONG-TERM LIABILITIES | | |
| Deferred rent | 1,281,956 | 774,480 |
| Tenant escrow | 178,942 | 17,056 |
| Total Long-Term Liabilities | 1,460,898 | 791,536 |
| Total Liabilities | 3,443,282 | 1,731,560 |
| NET ASSETS | | |
| Unrestricted net assets | | |
| Undesignated | 6,546,255 | 3,390,200 |
| Board designated | 1,000,000 | - |
| Total Unrestricted | 7,546,255 | 3,390,200 |
| Temporarily restricted | 15,296,841 | 11,593,088 |
| Total Net Assets | 22,843,096 | 14,983,288 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 26,286,378 | \$ 16,714,848 |

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

**NEW AMERICA FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | | | 2014 | | |
|--|---------------|------------------------|---------------|--------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUE AND SUPPORT | | | | | | |
| Contributions and grants | \$ 11,082,016 | \$ 20,647,162 | \$ 31,729,178 | \$ 44,352 | \$ 16,029,251 | \$ 16,073,603 |
| Contracts and federal grants | 1,503,049 | - | 1,503,049 | 4,145,943 | - | 4,145,943 |
| Interest income | 72,642 | - | 72,642 | 78,946 | - | 78,946 |
| Rental income | 246,614 | - | 246,614 | - | - | - |
| Other income | 14,456 | - | 14,456 | 16,002 | - | 16,002 |
| Net appreciation (depreciation) in fair value of investments | (631) | - | (631) | 1,426 | - | 1,426 |
| Loss on foreign currency exchange | (1,074) | - | (1,074) | - | - | - |
| Loss on disposal of property and equipment | (54,640) | - | (54,640) | - | - | - |
| Net assets released from restrictions | 16,943,409 | (16,943,409) | - | 13,946,492 | (13,946,492) | - |
| Total Revenue and Support | 29,805,841 | 3,703,753 | 33,509,594 | 18,233,161 | 2,082,759 | 20,315,920 |
| EXPENSES | | | | | | |
| Program services | | | | | | |
| International Policy Programs | 2,600,898 | - | 2,600,898 | 1,861,636 | - | 1,861,636 |
| Economic/Fiscal Policy Programs | 1,958,054 | - | 1,958,054 | 2,180,075 | - | 2,180,075 |
| Domestic Policy Programs | 7,820,106 | - | 7,820,106 | 4,904,091 | - | 4,904,091 |
| Technology Policy Programs | 6,441,680 | - | 6,441,680 | 6,762,448 | - | 6,762,448 |
| Events, Editorial and Communications Programs | 937,890 | - | 937,890 | - | - | - |
| Fellows Program | 2,038,591 | - | 2,038,591 | 1,721,807 | - | 1,721,807 |
| Total Program Services | 21,797,219 | - | 21,797,219 | 17,430,057 | - | 17,430,057 |
| Supporting services: | | | | | | |
| Management and general | 3,224,062 | - | 3,224,062 | 3,466,118 | - | 3,466,118 |
| Fundraising | 628,505 | - | 628,505 | 643,065 | - | 643,065 |
| Total Supporting Services | 3,852,567 | - | 3,852,567 | 4,109,183 | - | 4,109,183 |
| Total Expenses | 25,649,786 | - | 25,649,786 | 21,539,240 | - | 21,539,240 |
| CHANGE IN NET ASSETS | 4,156,055 | 3,703,753 | 7,859,808 | (3,306,079) | 2,082,759 | (1,223,320) |
| NET ASSETS, beginning of year | 3,390,200 | 11,593,088 | 14,983,288 | 6,696,279 | 9,510,329 | 16,206,608 |
| NET ASSETS, end of year | \$ 7,546,255 | \$ 15,296,841 | \$ 22,843,096 | \$ 3,390,200 | \$ 11,593,088 | \$ 14,983,288 |

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

NEW AMERICA FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

| | 2015 | | | | | | | | | | 2014 | |
|--|-------------------------------|---------------------------------|--------------------------|----------------------------|--------------------------------------|---------------------|------------------------|------------------------|-------------|---------------|---------------|--|
| | Program Services | | | | | Supporting Services | | | | | Total | |
| | International Policy Programs | Economic/Fiscal Policy Programs | Domestic Policy Programs | Technology Policy Programs | Events, Editorial and Communications | Fellows Program | Total Program Services | Management and General | Fundraising | Total | Total | |
| Salaries and Related Expenses: | | | | | | | | | | | | |
| Salaries | \$ 1,129,923 | \$ 1,037,914 | \$ 3,904,334 | \$ 2,617,451 | \$ 454,797 | \$ 954,542 | \$ 10,098,961 | \$ 2,024,243 | \$ 308,937 | \$ 12,432,141 | \$ 10,626,117 | |
| Employee benefits and payroll taxes | 272,693 | 288,553 | 1,066,270 | 825,201 | 135,844 | 208,943 | 2,797,504 | 620,107 | 92,283 | 3,509,894 | 2,955,281 | |
| Total Salaries and Related Expenses | 1,402,616 | 1,326,467 | 4,970,604 | 3,442,652 | 590,641 | 1,163,485 | 12,896,465 | 2,644,350 | 401,220 | 15,942,035 | 13,581,398 | |
| Consultants and non-residential fellows | 403,319 | 217,926 | 856,193 | 1,452,185 | 169,295 | 522,183 | 3,621,101 | 489,604 | 76,126 | 4,186,831 | 3,784,411 | |
| Occupancy | 131,915 | 125,603 | 486,549 | 423,094 | 100,654 | 62,830 | 1,330,645 | 804,844 | 55,814 | 2,191,303 | 1,601,885 | |
| Travel | 213,874 | 39,523 | 308,684 | 229,530 | 79,798 | 55,612 | 927,021 | 42,420 | 26,654 | 996,095 | 910,497 | |
| Supplies, small tools and equipment | 17,138 | 4,624 | 74,401 | 47,660 | 31,599 | 3,289 | 178,711 | 426,200 | 23,635 | 628,546 | 368,136 | |
| Conferences and meetings | 89,646 | 13,815 | 129,553 | 117,806 | 72,442 | 5,942 | 429,204 | 34,554 | 9,504 | 473,262 | 502,815 | |
| Publications and subscriptions | 14,154 | 1,433 | 13,310 | 16,247 | 129,338 | 6,433 | 180,915 | 74,622 | 3,292 | 258,829 | 257,778 | |
| Professional services | 7,125 | - | 10,553 | 11,253 | 4,725 | 2,831 | 36,487 | 145,478 | - | 181,965 | 81,053 | |
| Telephone and communications | 4,593 | 3,352 | 14,893 | 15,341 | 10,708 | 3,203 | 52,090 | 143,087 | 1,100 | 196,277 | 73,591 | |
| Marketing, printing and copying | 12,961 | 3,649 | 35,449 | 6,650 | 24,309 | 1,890 | 84,908 | 25,114 | 111 | 110,133 | 77,425 | |
| Staff recruitment and development | 122 | - | 1,531 | 3,145 | 16,799 | 1,350 | 22,947 | 53,749 | 7,088 | 83,784 | 47,074 | |
| Contributions | - | - | - | 94,705 | - | - | 94,705 | - | - | 94,705 | - | |
| Miscellaneous expenses | 21,951 | - | 2,590 | 4,499 | 49,261 | - | 78,301 | 175 | 451 | 78,927 | 10,078 | |
| Depreciation and amortization | - | - | - | - | - | - | - | 64,281 | - | 64,281 | 55,882 | |
| Insurance | - | - | - | - | 10,467 | - | 10,467 | 46,134 | - | 56,601 | 51,141 | |
| Bad debt expense | - | - | - | 50,000 | - | - | 50,000 | 1,400 | - | 51,400 | 112,490 | |
| Postage | 1,137 | 58 | 1,588 | 904 | 612 | 396 | 4,695 | 7,669 | - | 35,870 | 13,997 | |
| Bank fees | 411 | 170 | 158 | 3,978 | 15 | - | 4,732 | 14,206 | 23,506 | 18,942 | 9,589 | |
| Allocated editorial, events and communications | 31,068 | 37,869 | 146,015 | 87,164 | (352,773) | 29,304 | (21,353) | 21,353 | 4 | - | - | |
| Allocated management and general | 248,868 | 183,565 | 768,035 | 434,867 | - | 179,843 | 1,815,178 | (1,815,178) | - | - | - | |
| Total | \$ 2,600,898 | \$ 1,958,054 | \$ 7,820,106 | \$ 6,441,680 | \$ 937,890 | \$ 2,038,591 | \$ 21,797,219 | \$ 3,224,062 | \$ 628,505 | \$ 25,649,786 | \$ 21,539,240 | |

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

**NEW AMERICA FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 7,859,808 | \$ (1,223,320) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | |
| Loss on disposal of property and equipment | 54,640 | - |
| Depreciation and amortization expense | 64,281 | 55,882 |
| Donated stock | - | (17,808) |
| Decrease (increase) in operating assets: | | |
| Grants receivable | (8,317,148) | (997,865) |
| Accounts receivable | 161,476 | (156,479) |
| Prepaid expenses | (270,446) | (40,158) |
| Security deposits | (51,333) | 2,463 |
| Deferred rental asset | (87,384) | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 1,060,393 | 50,963 |
| Deferred revenue | (18,033) | 18,033 |
| Deferred rent | 507,476 | (21,063) |
| Tenant escrow | 161,886 | 17,056 |
| Net Cash Provided by (Used for) Operating Activities | <u>1,125,616</u> | <u>(2,312,296)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (309,615) | (153,366) |
| Purchases of certificates of deposit | (2,386,321) | (3,601,000) |
| Proceeds from sale of investments | 15,410 | 2,743 |
| Proceeds from maturity of certificates of deposit | 4,328,000 | 3,171,000 |
| Net Cash Provided by (Used for) Investing Activities | <u>1,647,474</u> | <u>(580,623)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,773,090 | (2,892,919) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | <u>4,432,467</u> | <u>7,325,386</u> |
| End of year | <u>\$ 7,205,557</u> | <u>\$ 4,432,467</u> |

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

**NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS

New America Foundation (“New America”) is a not-for-profit organization incorporated in the District of Columbia effective April 22, 1998. The objectives of New America are to bring new voices and ideas into the U.S. public debate and to improve the quality and impact of national discourse on public policy. Through its programs, New America sponsors a wide range of research, published writings, conferences, and events on the most important issues of our time.

New America’s programs and initiatives consist of the following:

International Policy Programs

International Security Program: The International Security Program aims to provide evidence-based analysis of some of the thorniest questions facing American policymakers and the public. New America is largely focused on South Asia and the Middle East, al-Qaeda and allied groups, the rise of political Islam, the proliferation of weapons of mass destruction (WMD), homeland security, and the activities of U.S. Special Forces and the CIA.

Economic/Fiscal Policy Programs

Asset Building Program: The mission of the Asset Building Program is to significantly broaden access to economic resources through increased savings and asset ownership, thereby providing families with enhanced economic security, a direct stake in the commonwealth, and the means to pursue their aspirations.

Economic Growth: The Economic Growth Program aims to chart a growth path through the post-bubble world economy by advancing pro-growth policy reforms and bringing innovative solutions to the forefront of public debate. The program strives to promote a more balanced pattern of domestic and international growth that creates a stronger productive economy capable of supporting rising living standards for all Americans.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Economic/Fiscal Policy Programs - continued

Open Markets: The Open Markets Program promotes political, industrial, economic, and environmental resilience. New America does so by documenting and clarifying the dangers of extreme consolidation, and by fostering discussions of ways to reestablish America’s political economy on a more stable and fair foundation.

Bretton Woods II: The Bretton Woods II program aims to examine and enhance the ways we harness private energies and resources for public purpose. Through research, policy recommendation and public programming and engagement, Bretton Woods II seeks to improve the ways we design and finance solutions to poverty, inequality and opportunity, focusing on social entrepreneurship, innovation and public-private partnerships to strengthen investment in human and physical capital in the U.S. and around the world.

Domestic Policy Programs

Education Policy Program: The Education Policy Program uses original research and policy analysis to solve the nation’s critical education problems, serving as a trusted source of objective analysis and innovative ideas for policymakers, educators, and the public at large.

The Federal Education Budget Project produces a continuous stream of rigorous, independent research on and analysis of all facets of federal education finance. New America’s expert staff analyzes the financing, quality, and cost-effectiveness of various federal initiatives-including each year's federal education budget, appropriations legislation, education-related tax policy changes, and mandatory spending on student loans.

Political Reform Program: The Political Reform program seeks to develop new strategies and innovations to repair the dysfunction of government, restore trust, and rebuild the promise of American democracy by working towards an open, fair democratic process, with equitable opportunities for full participation, in order to restore dynamism and growth to the American economy and society.

The Postsecondary National Policy Institute: The Postsecondary National Policy Institute serves as the leading source of professional development for Congressional staff working on higher education issues. New America’s goal is to increase policymakers' knowledge and capacity to devise and implement workable, sustainable, and affordable higher education solutions for the years to come.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Domestic Policy Programs - continued

Better Life Lab: The Better Life Lab program aims to create a community engaged in issues that include work-family balance, improved access to child care, our changing definition of family, education gender imbalance, discrimination in the workplace, opportunities for female leadership, and the global context. The program seeks to create a public environment that's hospitable to change, through powerful writing and informed debate about careers and families, their strengths and their needs.

Future Tense: Future Tense is a partnership between New America, Arizona State University and Slate magazine to explore emerging technologies and their transformative effects on society and public policy. Central to the partnership is a series of events that take in-depth, provocative looks at issues that, while little-understood today, will dramatically reshape the policy debates of the coming decade.

Opportunity@Work: - Opportunity@Work aims to rewire the demand side of the U.S. job market and implement new methods for matching talent to jobs. The program is working to streamline and scale the adoption of existing tools, methods, public policies, and business practices in order to establish pathways into high-value work through high-quality training and create a more inclusive job market.

Reinventing the Think Tank: New America is overhauling the traditional think tank model by developing a new model of civic enterprise, which experiments with ideas and solutions to public problems on the ground through direct action, collaborative policy processes, or artistic expression. Civic enterprise also seeks to connect citizens to government by building broad conversations, convening a wide variety of perspectives, and publishing ideas and stories that spark debate and encourage readers to keep reading, clicking, and ultimately responding.

Technology Policy Programs

Open Technology Institute: The Open Technology Institute strengthens communities through grounded research, technological innovation, and policy reform. New America creates reform to support open source innovations and foster open technologies and communications networks. Partnering with communities, researchers, industry and public interest groups, New America promotes affordable, universal, and ubiquitous communications networks.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Technology Policy Programs - continued

Wireless Future Project: The Wireless Future Project develops and advocates policy proposals to promote universal, affordable and ubiquitous broadband and improve the public's access to critical wireless communication technologies.

Events, Editorial and Communications Program

The mission of the Events, Editorial and Communications program is to bring the work done by staff at New America to an audience of thought leaders, change makers, and intellectuals of both today and tomorrow across the country. This is accomplished in four ways:

- Showcasing the work of policy staff by producing policy papers and data visualizations.
- Translating that policy into op-eds and articles so as to engage readers with the most pressing policies, ideas, and issues of the day (both in our own central editorial products and in other outlets).
- Convening those who want to be in the room where it happens for events that create a space for genuine dialogue
- Amplifying all of the above through social media, strong media relations, live streaming, video production, and more, all so that even those Americans who aren't in Washington, D.C. or New York or San Francisco or Chicago, or who don't yet know about our think tank and civic enterprise, can learn who we are and what we are doing to ensure that the New America is more equitable and informed than the old.

Fellows Program

New America Fellows: The New America Fellows Program supports talented journalists, academics and other public policy analysts who offer a fresh and often unpredictable perspective on the major challenges facing our society.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

New America prepares its financial statements using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligation is incurred.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Statement Presentation

New America follows Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") topic Not-for-Profit Entities. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of New America and changes therein, are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met by either actions of New America and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by New America. There were no permanently restricted net assets as of December 31, 2015 and 2014.

Cash Equivalents

For purposes of reporting in the statement of cash flows, New America considers all highly liquid funds, including savings funds with an original maturity of three months or less, to be cash equivalents. New America's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. New America believes it is not exposed to any significant credit risk on cash.

Accounts and Grants Receivable

Accounts and grants receivable are stated at net realizable value. Grants receivables consist of grants from foundations, governments, and supporting organizations. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved. As of December 31, 2015 and 2014, management has determined that all significant receivables are collectible and due within one year; therefore, an allowance for doubtful accounts has not been established. Grants receivable as of December 31, 2015 and 2014 are due within one year.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments in common stocks are reported at fair value, which is based on quoted market prices as of the last day of the fiscal year. Interest income is reported when earned. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes the gains and losses on investments bought and sold as well as held during the year.

Property and Equipment

Property and equipment valued in excess of \$5,000 and with a useful life greater than one year is capitalized and recorded at cost, if purchased, and estimated fair value, if donated. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. Depreciation on property and equipment is recorded using the straight-line method over the estimated useful lives of the property and equipment, ranging between three and seven years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and grants that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Federal grants are recognized as revenue only when expenditures are incurred. Expenditures in excess of reimbursement are included in grants receivable. These federal grants are subject to audit by grantor agencies. Such audits could result in a request for reimbursement by the agencies for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements. Contract revenue and rental income are recognized as revenue when earned.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign Currency Transactions

New America records transactions denominated in a foreign currency at the United States dollar equivalent as of the date of the transaction. Any resulting foreign currency gain or loss is recorded in the accompanying statement of activities as gain or loss on foreign currency exchange as applicable and presented in the statement of activities.

Functional Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Rent

New America records rent income and expense including incentives on a straight-line basis over the terms of its leases. Deferred rental asset or liability is recorded as the difference in the rent income or expense recognized on a straight-line basis and the cash receipts or payments.

NOTE C - INCOME TAXES

New America is a 501(c)(3) organization, exempt from federal income tax under Section 501(a) of the Internal Revenue Code. New America is, however, subject to tax on business income unrelated to its exempt purpose.

New America believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

New America's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. New America's Form 990 tax returns for the years 2012 through 2014 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE D – CERTIFICATES OF DEPOSIT

Certificates of deposit as of December 31, 2015 and 2014 consisted of short-term (less than one year but more than 3 months) and long-term (more than one year) certificates of deposits and are reported at cost. Certificates of deposit totaling \$100,000 and \$100,000, as of December 31, 2015 and 2014, respectively, as well as the related accrued interest, are restricted as collateral for the irrevocable letter of credit.

NOTE E – PROPERTY AND EQUIPMENT

As of December 31, 2015 and 2014, property and equipment and accumulated depreciation were as follows:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Furniture and equipment | \$ 724,653 | \$ 698,943 |
| Leasehold improvements | <u>320,154</u> | <u>157,889</u> |
| Subtotal | 1,044,807 | 856,832 |
| Less: Accumulated depreciation and amortization | <u>(549,746)</u> | <u>(552,465)</u> |
| Property and Equipment, Net | <u>\$ 495,061</u> | <u>\$ 304,367</u> |

Depreciation and amortization expense totaled \$64,281 and \$55,882 for the years ended December 31, 2015 and 2014, respectively.

NOTE F – RETIREMENT PLAN

New America established a 403(b) retirement plan covering all eligible employees. New America contributes either 9% or 12% of the employees' compensation based on the length of service. Employees are immediately fully vested with employer contributions. New America expensed \$795,706 and \$726,272 related to the retirement plan contributions for the years ended December 31, 2015 and 2014, respectively.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

| | 2015 | 2014 |
|--------------------------------------|---------------|---------------|
| Fellows Program | \$ 865,366 | \$ 1,105,855 |
| Domestic Policy Programs | 8,460,929 | 4,574,544 |
| Economic/Fiscal Policy Programs | 1,478,167 | 1,705,784 |
| International Policy Programs | 1,062,014 | 1,193,097 |
| Technology Policy Programs | 3,320,365 | 3,013,808 |
| Development | 100,000 | - |
| Editorial, Events and Communications | 10,000 | - |
| Total | \$ 15,296,841 | \$ 11,593,088 |

NOTE H – OPERATING LEASES

New America signed an office lease agreement for its Washington, DC operations on March 1, 2009. The lease was amended on September 17, 2012 to lease additional office space in the same building and expires June 1, 2020. Previously, New America used a majority of the space; upon moving into its new offices during November 2015, New America began subletting the space. As part of the office lease, New America received three months of free rent which was recorded as deferred rent and is being amortized over the life of the lease. The rent expense recorded on the financials for this Washington, DC office has been recorded on a straight line basis in accordance with accounting principles generally accepted in the United States of America and totaled \$1,364,248 per year for the years ended December 31, 2015 and 2014, excluding common area maintenance and utility costs. An irrevocable letter of credit of \$274,114 was accepted as a security deposit by the landlord, in accordance with the agreement, the letter of credit was reduced to \$91,371. New America was required to purchase certificates of deposit to collateralize the letter of credit, and these are included in the certificates of deposit in the accompanying statement of financial position.

During 2014, New America signed an office lease for a new office space with an initial commencement date of November 1, 2015. As part of the office lease, New America received eight months of free rent which was recorded as deferred rent and is being amortized over the life of the lease. Rent expense for this lease for the year ended December 31, 2015 totaled \$551,283. No rent expense was recorded with respect to this lease during 2014 since the lease did not commence until 2015. Under this lease agreement, New America was required to purchase a certificate of deposit for \$500,000 to collateralize the letter of credit and, this is included in the certificates of deposit in the accompanying statement of financial position.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE H – OPERATING LEASES - continued

During 2015, New America signed a five year office lease for a new office space in New York which ends in July of 2020. Rent expense under this lease for this lease for the year ended December 31, 2015 totaled \$77,775.

Future minimum payments under operating leases for office space for the years ending December 31, are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------------|
| 2016 | \$ 2,339,748 |
| 2017 | 3,842,831 |
| 2018 | 4,202,963 |
| 2019 | 4,499,822 |
| 2020 | 4,076,622 |
| Thereafter | <u>41,503,586</u> |
| Total | <u>\$ 60,465,572</u> |

Related to the prior office space, New America received \$246,614 in sublet rent income during the year ended December 31, 2015. No sublet rent income was received during 2014. The space is subletted under three separate sublease agreements, expiring May 31, 2020.

Future minimum payments due under the sublease agreements for the years ending December 31, are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------------|
| 2016 | \$ 759,623 |
| 2017 | 1,126,036 |
| 2018 | 1,170,360 |
| 2019 | 1,216,434 |
| 2020 | <u>524,286</u> |
| Total | <u>\$ 4,796,739</u> |

NOTE I - TRANSACTIONS WITH RELATED PARTIES

New America subleased office space for its New York City office from a board member who was the prime lessee. Under a month to month lease agreement which ended in June of 2015, New America paid for rent, improvements, utilities and administrative assistance. During the years ended December 31, 2015 and 2014, New America paid \$75,458 and \$163,843 under this agreement, respectively. No amounts were payable to this board member on December 31, 2015 and 2014.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, New America has evaluated events and transactions for potential recognition or disclosure through October 24, 2016, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.