

NEW AMERICA FOUNDATION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

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 - 20



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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 September 12, 2017, 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 & McQuade PA

Washington, DC
September 12, 2017

NEW AMERICA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016
(with comparative totals as of December 31, 2015)

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,720,005	\$ 7,205,557
Grants receivable, current portion, net	11,017,755	13,549,630
Accounts receivable	205,153	115,993
Investments	9,892	-
Certificates of deposit	3,866,370	2,851,321
Prepaid expenses	570,100	430,099
Total Current Assets	27,389,275	24,152,600
PROPERTY AND EQUIPMENT, NET	568,292	495,061
OTHER ASSETS		
Certificates of deposit, net of current portion	1,520,000	1,500,000
Grants receivable, net of current portion	1,999,166	-
Security deposits	52,873	51,333
Deferred rental asset	394,030	87,384
Total Other Assets	3,966,069	1,638,717
TOTAL ASSETS	\$ 31,923,636	\$ 26,286,378
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,490,590	\$ 1,982,384
Deferred revenue	346,716	-
Grants payable, current portion	789,545	-
Total Current Liabilities	3,626,851	1,982,384
LONG-TERM LIABILITIES		
Grants payable, net of current portion	850,000	-
Deferred rent	3,785,713	1,281,956
Tenant escrow	89,471	178,942
Total Long-Term Liabilities	4,725,184	1,460,898
Total Liabilities	8,352,035	3,443,282
NET ASSETS		
Unrestricted net assets		
Undesignated	4,379,121	6,546,255
Board designated	1,000,000	1,000,000
Total Unrestricted	5,379,121	7,546,255
Temporarily restricted	18,192,480	15,296,841
Total Net Assets	23,571,601	22,843,096
TOTAL LIABILITIES AND NET ASSETS	\$ 31,923,636	\$ 26,286,378

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

**NEW AMERICA FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

(with comparative totals for the year ended December 31, 2015)

	2016			2015		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Total		Unrestricted	Total
REVENUE AND SUPPORT						
Contributions and grants	\$ 9,272,083	\$ 25,891,083	\$ 35,163,166	\$ 11,082,016	\$ 20,647,162	\$ 31,729,178
Contracts and federal grants	1,365,002	-	1,365,002	1,503,049	-	1,503,049
Interest income	50,597	-	50,597	72,642	-	72,642
Rental income	1,354,580	-	1,354,580	246,614	-	246,614
Other income	15,563	-	15,563	14,456	-	14,456
Net appreciation (depreciation) in fair value of investments	32,813	-	32,813	(631)	-	(631)
Loss on foreign currency exchange	(231)	-	(231)	(1,074)	-	(1,074)
Loss on disposal of property and equipment	(7,914)	-	(7,914)	(54,640)	-	(54,640)
Net assets released from restrictions	22,995,444	(22,995,444)	-	16,943,409	(16,943,409)	-
Total Revenue and Support	35,077,937	2,895,639	37,973,576	29,805,841	3,703,753	33,509,594
EXPENSES						
Program services						
International Policy Programs	2,227,089	-	2,227,089	1,830,277	-	1,830,277
Economic/Fiscal Policy Programs	7,834,688	-	7,834,688	3,291,997	-	3,291,997
Domestic Policy Programs	10,688,132	-	10,688,132	6,177,150	-	6,177,150
Technology Policy Programs	6,597,515	-	6,597,515	7,521,314	-	7,521,314
Events, Editorial and Communications Programs	1,618,174	-	1,618,174	937,890	-	937,890
Fellows Program	2,351,704	-	2,351,704	2,038,591	-	2,038,591
Total Program Services	31,317,302	-	31,317,302	21,797,219	-	21,797,219
Supporting services:						
Management and general	4,807,766	-	4,807,766	3,224,062	-	3,224,062
Fundraising	1,120,003	-	1,120,003	628,505	-	628,505
Total Supporting Services	5,927,769	-	5,927,769	3,852,567	-	3,852,567
Total Expenses	37,245,071	-	37,245,071	25,649,786	-	25,649,786
CHANGE IN NET ASSETS	(2,167,134)	2,895,639	728,505	4,156,055	3,703,753	7,859,808
NET ASSETS, beginning of year	7,546,255	15,296,841	22,843,096	3,390,200	11,593,088	14,983,288
NET ASSETS, end of year	<u>\$ 5,379,121</u>	<u>\$ 18,192,480</u>	<u>\$ 23,571,601</u>	<u>\$ 7,546,255</u>	<u>\$ 15,296,841</u>	<u>\$ 22,843,096</u>

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

NEW AMERICA FOUNDATION
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(with comparative totals for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 728,505	\$ 7,859,808
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of property and equipment	7,914	54,640
Depreciation and amortization expense	111,052	64,281
Donated stock	(82,623)	-
Net (appreciation) depreciation in fair value of investments	(32,813)	631
Decrease (increase) in operating assets:		
Grants receivable	532,709	(8,317,148)
Accounts receivable	(89,160)	161,476
Prepaid expenses	(140,001)	(270,446)
Security deposits	(1,540)	(51,333)
Deferred rental asset	(306,646)	(87,384)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	508,206	1,060,393
Deferred revenue	346,716	(18,033)
Deferred rent	2,503,757	507,476
Grants payable	1,639,545	-
Tenant escrow	(89,471)	161,886
Net Cash Provided by Operating Activities	5,636,150	1,126,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(192,197)	(309,615)
Proceeds from sale of investments	78,865	15,410
Purchases of certificates of deposit	(5,091,370)	(2,386,952)
Proceeds from maturity of certificates of deposit	4,083,000	4,328,000
Net Cash Provided by (Used for) Investing Activities	(1,121,702)	1,646,843
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,514,448	2,773,090
CASH AND CASH EQUIVALENTS:		
Beginning of year	7,205,557	4,432,467
End of year	\$ 11,720,005	\$ 7,205,557

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

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

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 toughest security challenges facing American policymakers and the public. New America’s research has addressed homegrown American terrorism, the development and nature of ISIS’ networks in the West, the United States’ drone wars abroad, the collapse of the American monopoly on armed drones and the proliferation of drones around the world, and the profound changes in warfare wrought by new technology and societal changes. The program also examines regional security issues, with a particular focus on the Middle East and South Asia.

International Reporting Project: The International Reporting Project provides fellowship opportunities for journalists to report internationally on critical issues that are under covered in the news media.

U.S.-Iran Initiative: The U.S.-Iran Initiative combines policy dialogue, research, private roundtables, and public events, with the aim of exploring possible grounds for constructive engagement and developing mutually acceptable strategies for addressing a range of issues. It represents one of the few consistent bridges for unofficial bilateral dialogue on nuclear issues, regional security, and U.S.-Iran relations.

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. Through informed analysis, expert commentary, innovative policy development, and promotion of an elevated public discussion, the program is building a policy culture that supports increased saving and financial security.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Economic/Fiscal Policy Programs - continued

Bretton Woods II: The Bretton Woods II program is engaging sovereign wealth funds, pension funds, endowments, and family offices to build a new business model for social finance. The initiative is harnessing analytics, advocacy, and financial tools to channel part of the \$25 trillion controlled by long-term asset holders into strategic investments in social impact that address the root causes of volatility. The effort aims to help close the gap in financing for the Sustainable Development Goals while increasing investors risk-adjusted returns.

Open Markets: The Open Markets program at New America uses journalism to promote greater awareness of the political and economic dangers of monopolization, identifies the changes in policy and law that cleared the way for such consolidation, and fosters discussions with policymakers and citizens as to how to update America’s traditional political economic principles for our 21st century digital society.

SHIFT Commission: The SHIFT Commission on Work, Workers, and Technology reimagines America’s social contract and how the evolution of work is changing society. Through a series of scenario planning exercises with small groups of tech and business CEOs, SHIFT explores how artificial intelligence, the on-demand economy, the aging workforce, and other technological and cultural changes will transform the way we work.

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.

Domestic Policy Programs

Education Policy Program: The Education Policy program uses original research and policy analysis to help solve the nation’s critical education problems, crafting objective analyses and suggesting new ideas for policymakers, educators, and the public at large. New America combines a steadfast concern for historically disadvantaged populations with a belief that better information about education can vastly improve both the policies that govern educational institutions and the quality of learning itself.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Domestic Policy Programs – continued

Education Policy Program – continued

The Early & Elementary Education Policy team works to help ensure that all children have access to a system of high-quality early learning opportunities from birth through third grade that prepare them to succeed in school and in life.

The PreK-12 initiative works to ensure that all children attending public elementary and secondary schools have access to and receive high-quality educational experiences, with a particular emphasis on improving equity and outcomes for traditionally underserved students.

New America’s Higher Education initiative works to make higher education more accessible, innovative, student-centered, outcomes-focused, and equitable.

The Center on Education and Skills is a research and policy development program focused on the intersection of our higher education, job training, and workforce development systems. The Center is dedicated to building learning-based pathways to economic opportunity that can begin inside or outside of formal higher education.

Dual Language Learners National Work Group provides a policy-driven focus on language learners in the early and elementary years. The Work Group conducts research, develops recommendations, and disseminates new ideas to policymakers, practitioners, and the public to improve outcomes for dual language learners (DLLs), children from birth through age eight who are learning English in addition to their native languages.

The Learning Technologies Project seeks to ensure that public education is equitable and open so all students have access to the information, tools, and experiences they need to succeed in the Digital Age.

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.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Domestic Policy Programs – continued

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.

Better Life Lab: The Better Life Lab is leading the national conversation about the evolution of gender roles and norms, family policy, and how we work and live. 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.

The Global Gender Parity Initiative aims to broaden how policymakers and the general public understand unpaid work through surveys and journalism.

National Network: 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 and collaborative policy processes. In addition to the research and writing our analysts and fellows do around the country, our teams in New York City, San Francisco, and Chicago are dedicated to doing work relevant to—and with—people in their communities.

Family Centered Social Policy Program: The Family Centered Social Policy program is a collaborative effort to help reimagine social policy for the twenty-first century. The primary objectives include assessing current conditions, exploring alternatives, and proposing forward-looking reforms to inform policy design and public discourse.

Resilient Communities Program: The Resilient Communities program works alongside local groups and leaders to design, build, manage, and leverage community wireless networks as platforms to strengthen relationships and address risks and challenges.

Resource Security Program: New America's Resource Security program works on the intersection of security, prosperity, and natural resources, or "natural security." New America is looking at the shifting patterns of natural security, from local communities to geopolitics, and seek to promote understanding and innovative public policy ideas, actions, and partnerships.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

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.

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.

The Ranking Digital Rights project evaluates and ranks the world’s largest internet, mobile, and telecommunications companies’ commitments, policies and practices affecting freedom of expression and privacy.

TechCongress is a project to embed technologists in congressional offices to bolster in-house tech expertise in government.

The Measurement Lab (M-Lab) platform and corresponding toolkit measure internet speeds and performance, so that anyone can now search for local information about internet providers and speeds, download the data themselves, and compare locations across the world.

Public Interest Technology Program: The Public Interest Technology program connects technologists to public interest organizations to improve services to vulnerable communities and strengthen local organizations that serve them.

Cybersecurity Initiative: The goal of New America’s Cybersecurity Initiative is to bring the key attributes of New America’s ethos to the cybersecurity policy conversation. In doing so, the Initiative provides a look at issues from fresh perspectives, an emphasis on cross-disciplinary collaboration, a commitment to quality research and events, and dedication to diversity in all its guises. The Initiative seeks to address issues others can’t or don’t and create impact at scale.

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.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAMS – continued

Events, Editorial, Production and Communications

The mission of the Events, Editorial, Productions and Communications team is to bring the work done by staff at New America to an audience of thought leaders, change makers, and intellectuals of 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 policy into op-eds and articles to engage readers with the most pressing policies, ideas, and issues of the day 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 earned media relations, livestreaming events, podcasts, video production, and more, so that even those who aren't in Washington, D.C., New York, San Francisco, or Chicago—or who don't yet know about New America's work—can learn who we are and about our work to renew America in the digital age.

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.

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:

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Statement Presentation – continued

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, 2016 and 2015.

Cash and 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, 2016, the allowance for doubtful accounts totaled \$600,000. As of December 31, 2015, an allowance for doubtful accounts had not been established. As of December 31, 2016 grants receivable totaling \$11,017,755 are due within one year and grants receivable totaling \$1,999,166 are due within one to five years.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(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.

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, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(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.

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.

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.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

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 FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE C - INCOME TAXES - continued

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 2013 through 2015 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.

NOTE D – FAIR VALUE MEASUREMENT AND INVESTMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements). Financial assets valued using Level 1 inputs are based on unadjusted market prices within active markets.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Marketable securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

The fair value of investments have been provided by New America's investment managers and custodian banks, who use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE D – FAIR VALUE MEASUREMENT AND INVESTMENTS - continued

The following table presents the New America’s fair value hierarchy for investments measured on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 9,892	\$ -	\$ -	\$ 9,892
	<u>\$ 9,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,892</u>

NOTE E – CERTIFICATES OF DEPOSIT

Certificates of deposit as of December 31, 2016 and 2015 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.

NOTE F – PROPERTY AND EQUIPMENT

As of December 31, 2016 and 2015, property and equipment and accumulated depreciation were as follows:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 418,579	\$ 724,653
Leasehold improvements	<u>381,317</u>	<u>320,154</u>
Subtotal	799,896	1,044,807
Less: Accumulated depreciation and amortization	<u>(231,604)</u>	<u>(549,746)</u>
Property and Equipment, Net	<u>\$ 568,292</u>	<u>\$ 495,061</u>

Depreciation and amortization expense totaled \$111,052 and \$64,281 for the years ended December 31, 2016 and 2015, respectively.

NOTE G – 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 \$1,041,125, and \$795,706 related to the retirement plan contributions for the years ended December 31, 2016 and 2015, respectively.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Fellows Program	\$ 677,296	\$ 865,366
Domestic Policy Programs	6,479,270	7,723,986
Economic/Fiscal Policy Programs	2,423,040	2,344,224
International Policy Programs	1,614,341	731,437
Technology Policy Programs	6,998,533	3,521,828
Development	-	100,000
Editorial, Events and Communications	-	10,000
Total	<u>\$ 18,192,480</u>	<u>\$ 15,296,841</u>

NOTE I – 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 a deferred rent liability and is being amortized over the life of the lease. The rent expense recorded on the financial statements 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, 2016 and 2015, 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 and is collateralized by a certificate of deposit included in the accompanying statement of financial position. 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 a 15 year 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 a deferred rent liability and is being amortized over the life of the lease. Rent expense for this lease for the years ended December 31, 2016 and 2015 totaled \$3,307,697 and \$551,283, respectively. 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, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE I – OPERATING LEASES – continued

During 2015, New America signed a five year office lease for a new office space in New York which expires in July of 2020. Rent expense under this lease for this lease totaled \$171,561 and \$77,775 for the years ended December 31, 2016 and 2015, respectively.

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

<u>Year</u>	<u>Amount</u>
2017	\$ 3,842,831
2018	4,202,963
2019	4,499,822
2020	4,076,622
2021	3,409,593
Thereafter	<u>38,093,993</u>
Total	<u>\$ 58,125,824</u>

Related to the prior office space, New America received \$1,354,580 and \$246,614 in sublet rent income for the years ended December 31, 2016 and 2015, respectively. 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>
2017	\$ 1,126,036
2018	1,170,360
2019	1,216,434
2020	<u>524,286</u>
Total	<u>\$ 4,037,116</u>

NOTE J - TRANSACTIONS WITH RELATED PARTIES

New America subleased office space for its former 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. No amounts were paid under this agreement during the year ended December 31, 2016. During the year ended December 31, 2015, New America paid \$75,458 under this agreement. No amounts were payable to this board member on December 31, 2016 and 2015.

NEW AMERICA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)
(continued)

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, New America has evaluated events and transactions for potential recognition or disclosure through September 12, 2017, 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.