

KIPP FOUNDATION

JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

**HOOD &
STRONG** LLP
CERTIFIED PUBLIC ACCOUNTANTS

KIPP Foundation

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1 - 2
-------------------------------------	-------

Financial Statements

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4 - 5
Statement of Functional Expenses – 2022	6
Statement of Functional Expenses – 2021	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 25



A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
KIPP FOUNDATION
San Francisco, California

Opinion

We have audited the financial statements of **KIPP FOUNDATION (the Foundation)** which comprise the statement of financial position as of June 30, 2022 and 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Hood & Strong LLP

San Francisco, California
December 15, 2022

KIPP Foundation

Statement of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 17,253,760	\$ 16,473,728
Receivables, net	6,463,439	5,851,153
Government grants receivable	6,364,101	4,871,522
Contributions receivable, net (Note 4)	21,027,237	19,829,265
Investment contracts (Note 5)	3,750,000	3,750,000
Investments (Note 6)	73,153,430	43,564,886
Notes receivable (Note 7)	4,266,667	3,550,000
Furniture and equipment, net (Note 8)	1,598,049	1,744,374
Deposits, prepaids, and other assets	2,397,389	1,754,869
Total assets	\$ 136,274,072	\$ 101,389,797
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,560,913	\$ 2,359,310
Accrued expenses	2,843,401	2,886,725
Government grants accrued expenses	5,826,955	4,502,236
Guarantees and other liabilities (Note 10)	100,000	100,000
Unearned network support service income	-	37,500
Government advance - KCEP (Note 9)	7,733,983	7,662,042
Total liabilities	20,065,252	17,547,813
Net Assets:		
Without donor restrictions:		
Board-designated net assets	3,680,589	3,680,589
Undesignated net assets	44,844,280	33,568,552
Total net assets without donor restrictions	48,524,869	37,249,141
With donor restrictions (Note 13)	67,683,951	46,592,843
Total net assets	116,208,820	83,841,984
Total liabilities and net assets	\$ 136,274,072	\$ 101,389,797

See accompanying notes to the financial statements.

KIPP Foundation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support:			
Contributions	\$ 23,247,413	\$ 75,049,491	\$ 98,296,904
Government grants (Note 9)	-	3,205,627	3,205,627
Government grants - school designated grants (Note 9)	-	21,316,650	21,316,650
License fees	5,689,965	-	5,689,965
Network support service income	1,468,715	-	1,468,715
Contributed services	25,044	-	25,044
Investment (loss) return, net	(1,792,130)	-	(1,792,130)
Total revenue, gains and support	28,639,007	99,571,768	128,210,775
Net Assets Released from Restrictions (Note 14)	78,480,660	(78,480,660)	-
Expenses:			
Program services:			
Network growth & sustainability	40,722,027	-	40,722,027
Academics & culture	15,571,368	-	15,571,368
KIPP forward	10,152,346	-	10,152,346
Policy & public affairs	6,387,051	-	6,387,051
Network talent & leadership development	7,174,391	-	7,174,391
Research, design & innovation	6,227,639	-	6,227,639
Total program services	86,234,822	-	86,234,822
Support services:			
Administration	6,708,396	-	6,708,396
Fundraising	2,900,721	-	2,900,721
Total support services	9,609,117	-	9,609,117
Total expenses	95,843,939	-	95,843,939
Change in Net Assets	11,275,728	21,091,108	32,366,836
Net Assets, beginning of year	37,249,141	46,592,843	83,841,984
Net Assets, end of year	\$ 48,524,869	\$ 67,683,951	\$ 116,208,820

See accompanying notes to the financial statements.

KIPP Foundation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support:			
Contributions	\$ 29,383,009	\$ 33,615,899	\$ 62,998,908
Government grants (Note 9)	-	3,279,703	3,279,703
Government grants - school designated grants (Note 9)	-	15,184,098	15,184,098
License fees	5,369,716	-	5,369,716
Network support service income	1,339,453	-	1,339,453
Contributed services	742,309	-	742,309
Investment (loss) return, net	(94,193)	-	(94,193)
Total revenue, gains and support	36,740,294	52,079,700	88,819,994
Net Assets Released from Restrictions (Note 14)	49,744,817	(49,744,817)	-
Expenses:			
Program services:			
Network growth & sustainability	32,480,160	-	32,480,160
Academics & culture	13,411,734	-	13,411,734
KIPP forward	6,980,648	-	6,980,648
Policy & public affairs	6,504,652	-	6,504,652
Network talent & leadership development	6,206,945	-	6,206,945
Research, design & innovation	5,586,340	-	5,586,340
Total program services	71,170,479	-	71,170,479
Support services:			
Administration	5,972,608	-	5,972,608
Fundraising	3,088,181	-	3,088,181
Total support services	9,060,789	-	9,060,789
Total expenses	80,231,268	-	80,231,268
Change in Net Assets	6,253,843	2,334,883	8,588,726
Net Assets, beginning of year	30,995,298	44,257,960	75,253,258
Net Assets, end of year	\$ 37,249,141	\$ 46,592,843	\$ 83,841,984

See accompanying notes to the financial statements.

KIPP Foundation

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Support Services									
	Network Growth & Sustainability	Academics & Culture	KIPP Forward	Policy & Public Affairs	Network Talent & Leadership Development	Research, Design & Innovation	Total Program	Administration	Fundraising	2022 Total
Grants	\$ 31,039,407	\$ 6,475,647	\$ 6,265,673	\$ 10,000	\$ 1,910,065	\$ 1,051,816	\$ 46,752,608	\$ -	\$ -	\$ 46,752,608
Salaries and related employee expenses	6,821,299	5,205,712	2,498,689	4,027,047	3,471,321	3,520,153	25,544,221	4,310,817	2,187,506	32,042,544
Professional fees	1,603,980	3,239,155	764,225	944,503	910,301	648,301	8,110,465	1,203,867	518,000	9,832,332
Office expenses	469,243	76,940	222,859	360,707	122,837	212,678	1,465,264	536,873	36,304	2,038,441
Travel	226,827	203,866	87,817	390,797	185,594	234,283	1,329,184	84,434	12,329	1,425,947
Occupancy	222,249	149,522	82,605	137,786	93,760	127,997	813,919	183,283	49,594	1,046,796
Training and event production	30,060	90,600	20,171	232,258	360,069	240,741	973,899	32,423	537	1,006,859
Information technology	169,544	17,721	146,395	23,547	21,469	68,986	447,662	200,054	15,302	663,018
Depreciation	109,349	86,836	48,242	80,404	54,675	73,971	453,477	102,917	28,945	585,339
Advertising and promotion	4,670	5,436	4,495	160,024	31,583	31,698	237,906	1,186	42,510	281,602
Insurance	24,799	19,694	10,941	18,235	12,400	16,776	102,845	46,236	6,565	155,646
Other	600	239	234	1,743	317	239	3,372	6,306	3,129	12,807
	\$ 40,722,027	\$ 15,571,368	\$ 10,152,346	\$ 6,387,051	7,174,391	\$ 6,227,639	\$ 86,234,822	\$ 6,708,396	\$ 2,900,721	\$ 95,843,939

Included in professional fees above is \$25,044 in contributed services (see Note 2k).

See accompanying notes to the financial statements.

KIPP Foundation

Statement of Functional Expenses

For the Year Ended June 30, 2021

								Support Services		2021 Total
	Network Growth & Sustainability	Academics & Culture	KIPP Forward	Policy & Public Affairs	Network Talent & Leadership Development	Research, Design & Innovation	Total Program	Administration	Fundraising	
Grants	\$ 22,999,073	\$ 6,060,507	\$ 3,650,598	\$ 1,048,500	\$ 1,447,876	\$ 440,270	\$ 35,646,824	\$ -	\$ -	\$ 35,646,824
Salaries and related employee expenses	6,466,074	4,645,915	2,295,428	3,738,772	3,275,477	3,865,080	24,286,746	4,511,895	2,450,427	31,249,068
Professional fees	1,797,839	2,149,526	709,685	817,187	1,074,138	483,242	7,031,617	486,046	411,041	7,928,704
Office expenses	440,199	91,930	99,766	475,858	103,851	372,939	1,584,543	588,160	47,454	2,220,157
Occupancy	277,150	177,607	103,604	170,207	133,205	162,806	1,024,579	203,869	88,803	1,317,251
Depreciation	136,532	96,376	56,219	92,360	72,282	88,344	542,113	104,407	48,188	694,708
Information technology	322,107	110,171	37,048	14,962	30,530	95,985	610,803	37,438	13,341	661,582
Training and event production	3,299	40,302	2,756	59,263	40,209	36,874	182,703	3,093	1,271	187,067
Advertising and promotion	10,573	6,475	13,667	72,611	7,676	5,073	116,075	2,077	16,133	134,285
Insurance	20,163	14,233	8,303	13,640	10,675	13,047	80,061	15,419	7,116	102,596
Travel	7,151	18,492	3,574	1,292	11,026	2,680	44,215	5,954	(48)	50,121
Other	-	200	-	-	-	20,000	20,200	14,250	4,455	38,905
	\$ 32,480,160	\$ 13,411,734	\$ 6,980,648	\$ 6,504,652	\$ 6,206,945	\$ 5,586,340	\$ 71,170,479	\$ 5,972,608	\$ 3,088,181	\$ 80,231,268

Included in professional fees above is \$742,309 in contributed services (see Note 2k).

See accompanying notes to the financial statements.

KIPP Foundation

Statement of Cash Flows

<i>For the Year Ended June 30,</i>	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	\$ 32,366,836	\$ 8,588,726
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	585,339	694,708
Change in discount and allowance	99,026	(38,813)
Realized and unrealized loss on investments	2,810,977	543,164
Decrease (increase) in operating assets:		
Receivables	(617,556)	(1,858,891)
Government grants receivable	(1,492,579)	(553,259)
Contributions receivable	(1,291,728)	9,018,704
Deposits, prepaids and other assets	(642,520)	(121,559)
(Decrease) increase in operating liabilities:		
Accounts payable	1,201,603	734,973
Accrued expenses	(43,324)	(732,006)
Government grants accrued expenses	1,324,719	539,919
Unearned network support service income	(37,500)	33,500
Net cash provided by operating activities	34,263,293	16,849,166
Cash Flows from Investing Activities:		
Purchase of investments	(42,911,974)	(36,449,690)
Proceeds from the sale of investments	10,512,453	29,683,287
Advances on investment contracts	-	(3,750,000)
Advances on notes receivables	(750,000)	(1,450,000)
Collections on notes receivable	33,333	-
Purchases of fixed assets	(439,014)	(324,674)
Interest earned on KCEP investment	71,941	41,953
Net cash used by investing activities	(33,483,261)	(12,249,124)
Net Change in Cash and Cash Equivalents	780,032	4,600,042
Cash and Cash Equivalents, beginning of year	16,473,728	11,873,686
Cash and Cash Equivalents, end of year	\$ 17,253,760	\$ 16,473,728

See accompanying notes to the financial statements.

KIPP Foundation

Notes to the Financial Statements

Note 1 - Nature of the Organization:

KIPP Foundation (the Foundation) is a nonprofit corporation, organized under the laws of the State of California in April 2000. The mission of the Foundation is to collaborate with families and communities to create a network of joyful, academically excellent schools that prepare students with the skills and confidence to pursue the paths they choose, so that they can lead fulfilling lives and build a more just world. KIPP Schools & Regions are separate entities operating independently of the Foundation and, therefore, are not consolidated with these financial statements of the Foundation.

To fulfill its mission, the Foundation focuses on six programmatic areas:

Network Growth & Sustainability:

The Foundation builds stronger, more capable KIPP regions that are delivering on all aspects of KIPP's mission. The Foundation partners with regional executive directors and senior leaders to understand their unique context to support them on growth, regional scale, and priority planning. The Foundation offers KIPP Regions:

- Coaching for executive directors;
- Financial and operational support;
- Integration and scale support;
- Strategic leadership around new site development; and
- Direct legal and technology support.

Academics & Culture:

To ensure all KIPPsters experience a joyful, academically excellent, anti-racist education, the Foundation partners with KIPP Schools and Regions to build systems that promote academic equity, establish a healthy and equitable school culture, and ensure teachers are effectively supported in expanding their content knowledge and culturally responsive pedagogy. The Foundation also provides KIPP Schools & Regions with curriculum, assessment, and other instructional resources; as well as training and implementation support to maximize instructional effectiveness and student outcomes.

KIPP Forward:

The Foundation supports KIPP Schools and Regions in strengthening their college counseling and alumni advising to ensure that KIPP alumni are prepared for the educational and career path that fits their goals and sense of purpose. The Foundation has created a set of national initiatives and programs designed to support and provide resources to local KIPP Forward programs across the country. These programs include:

KIPP Foundation

Notes to the Financial Statements

- College partnerships;
- Support for KIPP alumni on college campuses;
- Career exposure and exploration; and
- Professional development for school leaders through training, and shared tools and resources.

Policy & Public Affairs:

The Foundation has adopted a Policy & Public Affairs strategy to:

- Proactively shift the narrative about KIPP and charters to protect and grow the KIPP brand, engage more stakeholders and pave the way for growth;
- Build authentic relationships rooted in a shared agenda to advocate nationally and locally on key policy priorities that support students and alumni on the path to leading choice-filled lives;
- Connect adult alumni to each other and to KIPP;
- Build the capacity of KIPP Schools & Regions to leverage KIPP's national scale and communicate and advocate proactively in a coordinated manner.

Network Talent & Leadership Development:

The Foundation partners with KIPP Schools and Regions to build and sustain healthy talent ecosystems and ensure strong, equitable and inclusive talent planning, recruitment, selection and development of teachers and leaders. The Foundation also supports the development of principals and district leaders through a systemic strategy to ensure healthy principal pipelines.

Research, Design, & Innovation:

The Foundation supports continuous learning and improvement among KIPP Schools & Regions by:

- Creating on-going visibility into KIPP's network-wide performance and generating actionable insights;
- Ensuring high quality data and research to support network leaders in making data-driven decisions; and
- Promoting innovation and facilitating the exchange of ideas through network-wide retreats and professional development events.

KIPP Foundation

Notes to the Financial Statements

Note 2 - Significant Accounting Policies:

a. Basis of Accounting

These financial statements are prepared on the accrual basis of accounting. The accounts of the Foundation are maintained in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) relevant to not-for-profit organizations.

b. Description of Net Assets

Net Assets Without Donor Restrictions - the portion of net assets that is not subject to donor-imposed stipulations. Net assets without donor restrictions include board-designated net assets, which are funds reserved by the board of directors for guarantees made by the Foundation to a third party for the performance of certain schools and for loans made directly to schools.

Net Assets With Donor Restrictions - the portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation. Net assets with donor restrictions also include net assets to be retained in perpetuity of which the Foundation has none as of June 30, 2022 and 2021.

c. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and highly liquid money market funds held with banks, except those held for investment purposes. Based on the Foundation's investment policy, cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity, and return.

d. Receivables

Receivables represent uncollateralized obligations due from KIPP Schools & Regions for network support service, license fees, and reimbursement of expenses.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the probability of collecting those amounts. Management estimated that an allowance for doubtful accounts of approximately \$18 thousand was required at June 30, 2022 and deemed the balance fully collectible.

KIPP Foundation

Notes to the Financial Statements

e. Contributions Receivable

Unconditional promises to give are recognized as contributions when such promises are made by the donor. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the rates applicable in the years in which those promises are received. Amortization of the discount is included in contribution revenue.

The Foundation uses the allowance method to record uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible unconditional promises to give at June 30, 2022 and 2021.

f. Investments

Investments are recorded at fair value based on quoted market prices. Investment income is accrued when earned. Unrealized gains and losses are included in the statements of activities and changes in net assets.

U.S. Department of Education funds must be held in cash and investments which protect the principal from undue market risk while allowing the funds to be liquidated and applied toward the five statutory purposes allowed under the program guidelines (see Note 9).

g. Notes Receivable

Notes receivable represent loans to KIPP Schools & Regions used primarily to finance facilities-related projects or school start-up costs, or to meet financial compliance targets. These notes receivable are uncollateralized and are stated at principal amount. Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. The carrying amount of notes receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected, if any. Management deemed the balances fully collectible at June 30, 2022 and 2021.

h. Furniture and Equipment

Furniture and equipment are carried at cost less accumulated depreciation and amortization and are depreciated on a straight-line basis over the assets' estimated useful lives of 3 - 7 years. Leasehold improvements are amortized on the straight-line basis over the estimated useful lives of the assets or term of the lease. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

KIPP Foundation

Notes to the Financial Statements

i. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy within three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities.

j. Revenue Recognition

Contributions - Contributions received are recorded at fair value as net assets without donor restrictions, or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Foundation's contributions in the form of securities, are sold as soon as practicable and may result in a gain or loss. These contributions are recorded at their net realizable value when sold.

Government Grants - The Foundation has received various grants from one federal agency. These funds are conditional contributions and are recognized when the conditions on which they depend (expenditures have been incurred in accordance with the contract specifications) are substantially met and they become unconditional.

Government Grants - School Designated Grants - The Foundation has received several grants from one federal agency to be awarded to various KIPP Schools & Regions. These funds are conditional contributions and are recognized when the conditions on which they depend (when expenditures have been incurred in accordance with the contract specifications) are substantially met and they become unconditional.

The Foundation accounts for license fees and network support services as exchange transactions under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

License Fees - License fees represent annual fees received from KIPP Schools & Regions for use of the KIPP brand and network and are recorded at the end of the fiscal year that the license covers (performance obligation) based on either a flat rate or an agreed-upon percentage of funding received by the KIPP Schools & Regions from state and local governments during the year (transaction price). Amounts received in advance, if any, are recorded as deferred revenue, a contract liability, in the statement of financial position. There were no such amounts at June 30, 2022 and 2021.

KIPP Foundation

Notes to the Financial Statements

Network Support Service Income - Network support service income represents fees received from KIPP Schools & Regions and unrelated parties for curriculum or network development, or for participation in leadership development courses, programs, or conferences. The Foundation recognizes the income over the period the service, or events occur (performance obligation). Amounts received in advance are recorded as unearned network support service income, a contract liability, in the statement of financial position. For the year ended June 30, 2022 the Foundation recorded no unearned network support service. Unearned network support service income of \$38 thousand as of June 30, 2021 was recognized as revenue during the year ended June 30, 2022.

k. Contributed Services

The Foundation receives donations of professional services. Contributions of donated services that create or enhance non-financial assets that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind contributions of \$25 thousand consisted of legal services provided for the year ended June 30, 2022. In-kind contributions of \$742 thousand consisted of legal services of \$41 thousand and consulting services of \$701 thousand provided for the year ended June 30, 2021. The value of legal and consulting services is based on market rates typically charged for those items in the normal course of business for similar services. Contributed services are included on the statements of activities and changes in net assets, and were utilized in the following functional areas for the years ended June 30:

	2022	2021
Network Growth & Sustainability	\$ 25,044	\$ 742,309
Total contributed services	\$ 25,044	\$ 742,309

l. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the statements of activities and changes in net assets and functional expenses. Certain costs, such as occupancy, information technology, depreciation, and other miscellaneous expenses, have been allocated among the programs and supporting services by management based upon headcount. Grant expenses are recognized when unconditional promises to give are approved and are recorded directly to the program which the grants support. All other costs are allocated directly to the functions they benefit.

KIPP Foundation

Notes to the Financial Statements

m. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, investments, and receivables. The Foundation places its cash and investments with high credit quality financial institutions. At times, the account balances may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. To address the market risk of investments, the Foundation maintains a formal investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment managers' performance. Receivables are due from various individuals and organizations which mitigate the risk associated therein.

During the years ended June 30, 2022 and 2021, contributions receivable from two donors/foundations accounted for approximately 59% and 89% of total contributions receivable, respectively.

During the year ended June 30, 2022, contributions from three donors/foundations accounted for approximately 56% of total contributions revenue. During the year ended June 30, 2021, contributions from three donors/foundations accounted for approximately 46% of total contributions revenue.

n. Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these financial statements. Actual results could differ from those estimates.

o. Tax Exempt Status

The Foundation has received a determination from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from the State of California Franchise Tax Board granting exemption from taxation on related income. The Foundation may be subject to tax on unrelated business income, if any, generated by its investments.

Management has evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to these financial statements. Therefore, no provision or liability for income taxes has been included in these financial statements.

KIPP Foundation

Notes to the Financial Statements

p. Reclassifications

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 presentation. These reclassifications had no impact on net assets or the change in net assets.

q. Recent Accounting Pronouncements

Pronouncements Effective in the Future:

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The ASU is effective for the Foundation for the fiscal year beginning after December 15, 2021 with early application permitted. The Foundation is currently assessing the impact the adoption of this ASU will have on its financial statements.

r. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2022 through December 15, 2022, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 3 - Availability and Liquidity:

The following reflects the Foundation's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

KIPP Foundation

Notes to the Financial Statements

The Foundation's financial assets available within one year for general expenditures were as follows at June 30:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 17,253,760	\$ 16,473,728
Receivables, net	6,463,439	5,851,153
Government grants receivable	6,364,101	4,871,522
Contributions receivable, net	21,027,237	19,829,265
Investments	73,153,430	43,564,886
Notes receivable – current portion	333,333	133,333
Other assets – current portion	1,928,533	769,665
<hr/>		
Total financial assets	126,523,833	91,493,552
<hr/>		
Less amounts not available to be used within one year:		
Net assets with donor restrictions	67,683,951	46,592,843
KCEP funds included in investments (see Note 9)	4,780,345	4,584,190
Board-designated net assets	3,680,589	3,680,589
Add net assets with restrictions to be met in less than a year	(9,691,500)	(7,416,000)
<hr/>		
Total amounts not available to be used within one year	66,453,385	47,441,622
<hr/>		
Financial assets available to meet general expenditures over the next twelve months	\$ 60,070,448	\$ 44,051,930

The Foundation's investment policy is designed to manage investment risk and to optimize investment returns within acceptable risk parameters to support the mission. As such, the objectives of the Foundation's funds include the preservation of capital, liquidity, and optimization of investment returns.

KIPP Foundation

Notes to the Financial Statements

Note 4 - Contributions Receivable:

Contributions receivable are expected to be collected as follows as of June 30:

	2022	2021
Within one year	\$ 9,691,500	\$ 7,471,772
In one to five years	11,488,477	12,416,477
Total	21,179,977	19,888,249
Less: Discount	(152,740)	(58,984)
Contributions receivable, net	\$ 21,027,237	\$ 19,829,265

The Foundation has approximately \$36.4 million and \$5.5 million in conditional contributions receivable (not including federal grants) at June 30, 2022 and 2021, respectively. The contributions are conditional upon attaining certain program achievements and other barriers and therefore have not been recorded at year end. Approximately 65% and 98% of total conditional contributions receivable at June 30, 2022 and 2021, respectively, were due from one foundation. Contributions from that foundation were approximately 4% and 10% of total contribution support for the years ended June 30, 2022 and 2021, respectively.

Federal grants are generally on a reimbursement basis and therefore not recorded until the qualifying expenditures have been made.

Note 5 - Investment Contracts:

On June 24, 2021, the Foundation entered into an investment contract for approximately \$3.8 million to enable a KIPP school to facilitate financing for the refurbishment of a facility utilizing \$3.4 million of KIPP Credit Enhancement Program (KCEP) funds and \$0.4 million of Foundation funds. The contract is a three-year contract with interest payable on a quarterly basis using the six-month Treasury rate, plus 1% per annum, reset annually. The principal is due at the end of the contract. The principal balance on this contract was approximately \$3.8 million at June 30, 2022 and June 20, 2021.

KIPP Foundation

Notes to the Financial Statements

Note 6 - Investments and Fair Value Measurements:

The table below presents the Foundation's investments measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 18,902,852	\$ -	\$ -	\$ 18,902,852
Equity securities and funds	2,835,622	-	-	2,835,622
Fixed income:				
U.S. Treasuries	-	40,479,846	-	40,479,846
U.S. corporate bonds	-	9,555,797	-	9,555,797
International bonds	-	1,379,313	-	1,379,313
Investments	\$ 21,738,474	\$ 51,414,956	\$ -	\$ 73,153,430

The table below presents the Foundation's investments measured at fair value on a recurring basis at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 20,783,044	\$ -	\$ -	\$ 20,783,044
Fixed income:				
Certificates of deposit	-	1,001,201	-	1,001,201
U.S. Treasuries	-	7,328,872	-	7,328,872
U.S. corporate bonds	-	13,399,851	-	13,399,851
International bonds	-	1,051,918	-	1,051,918
Investments	\$ 20,783,044	\$ 22,781,842	\$ -	\$ 43,564,886

Note 7 - Notes Receivable:

Start Up Loan Program

Unsecured notes receivable from KIPP Schools & Regions, issued under a start-up loan pool program, bear interest at 1% per annum and have annual principal payments due. The notes receivable balance relating to this loan program was approximately \$0.6 million at June 30, 2022 and June 30, 2021.

KIPP Foundation

Notes to the Financial Statements

KIPP Loan Fund

Unsecured notes receivable from KIPP Schools & Regions issued under an emergency loan program in order for the KIPP Schools & Regions to meet financial covenants, were distributed. The notes issued bear interest payable annually at rates lower than the market rate. Imputed interest is immaterial and has not been recorded. The notes receivable balances relating to this loan program totaled approximately \$3.7 million and \$3.0 million at June 30, 2022 and June 30, 2021, respectively.

Future principal payments on all notes are due as follows:

Years Ending June 30,	
2023	\$ 333,333
2024	2,533,334
2025	1,000,000
2026	400,000
<hr/>	
Total	\$ 4,266,667

Note 8 - Furniture and Equipment:

Furniture and equipment were comprised of the following at June 30:

	2022	2021
Computer equipment	\$ 643,870	\$ 654,264
Computer software	5,018,901	4,571,050
Office furniture	607,721	607,721
Leasehold improvements	1,404,069	1,403,569
<hr/>		
Total	7,674,561	7,236,604
Accumulated depreciation	(6,076,512)	(5,492,230)
<hr/>		
Furniture and equipment, net	\$ 1,598,049	\$ 1,744,374

KIPP Foundation

Notes to the Financial Statements

Note 9 - Government Grants and Government Advance - KCEP:

The Foundation is the recipient of various government grants from the U.S. Department of Education:

Grant Program	Charter Schools Program Replication & Expansion of High Quality Charter Schools	Supporting Effective Educator Development Grant Program	Charter Schools Program Replication & Expansion of High Quality Charter Schools
Grant Awarded	Spring 2019	Fall 2018	Fall 2016
Span of Grant	5 years	3 years	5 years
No Cost Extension Approved	Not Applicable	Yes 10/1/2021- 9/30/2022	Yes 10/1/2021- 9/30/2022
Amount of Total Grant	\$88.0 million	\$10.2 million	\$48.8 million
Total Authorized	\$88.0 million	\$10.2 million	\$48.8 million
Conditional Amount	\$61.6 million	\$2.2 million	\$0.8 million
	Fiscal Year	Fiscal Year	Fiscal Year
	2022 2021	2022 2021	2022 2021
Total Expenditures including Pass-through Grants (in millions)	\$ 15.9 \$ 7.5	\$ 2.6 \$ 2.1	\$ 6.0 \$ 8.8
Pass-through Grants Portion (in millions)	\$ 14.1 \$ 6.2	\$ 1.5 \$ 1.0	\$ 5.7 \$ 8.0

KIPP Foundation

Notes to the Financial Statements

In fiscal year 2007, the Foundation started KCEP (see Note 5) to sustain as well as increase the number of KIPP and KIPP-affiliated charter schools by promoting affordable financing of the acquisition and renovation of school facilities. In the same fiscal year, the Foundation was awarded a federal grant in the amount of approximately \$6.8 million from the U.S. Department of Education under the Credit Enhancement of Charter School Facilities Program to support KCEP. This grant covers the time period from June 2007 until the federal funds and earnings on those funds have been expended for the grant purposes or until financing facilitated by the grant has been retired, whichever is later. The purpose of the funds is to help charter schools gain access to capital from the private sector and other non-federal sources in order to address their facilities renovation, construction, and acquisition needs. The funds are to be used to leverage the \$6.8 million to secure \$91.8 million in construction loans, permanent loans, leasehold guarantees, letters of credit, and tax-exempt bonds. No direct loans will be made using the federal funds. The funds for this grant were drawn down in November 2007 and are included in the statement of financial position as Government advances - KCEP until the funds are expended to fulfill guarantee obligations (see Note 10) or are returned to the U.S. Department of Education. The Foundation is required to match the \$6.8 million grant by 10%. The grant agreement also restricts the type of investments in which the funds can be invested. Interest income earned is reinvested and increases the government advances balance as earned.

Note 10 - Commitments and Contingencies:

Operating Leases

The Foundation leases its office facilities and certain office equipment in San Francisco, Chicago, New York, and Washington DC under various operating leases expiring at various times through August 2029. Rent expense totaled approximately \$1 million and \$1.2 million for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under noncancelable facilities and equipment operating leases are as follows:

Years Ending June 30,	
2023	\$ 974,976
2024	976,500
2025	851,659
2026	532,585
2027	535,705
Thereafter	1,202,933
<hr/>	
Total	\$ 5,074,358

KIPP Foundation

Notes to the Financial Statements

Other Commitments and Contingencies

Guarantees are contingent commitments issued by the Foundation generally to guarantee the performance of certain schools to a third party in borrowing arrangements, such as loans and lines of credit. The terms of these guarantees range from the performance of specific transactions to the term of the related debt. The maximum potential amount of future payments the Foundation could be required to make under these guarantees at June 30, 2022 is \$7.9 million of which \$0.8 million are from unrestricted funds, and \$7.1 million are from KCEP funds. At June 30, 2021, the maximum amount of future payments was \$6.7 million of which \$0.7 million are from unrestricted funds, and \$6.0 million are from KCEP funds. Management determines the carrying value of the Foundation's guarantees based on an estimated payout rate. The estimated payable on commitments is included in liabilities in the statement of financial position and was \$0.1 million as of June 30, 2022 and 2021. There were no payouts related to the guarantees during June 30, 2022 and 2021.

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse effect on the statement of financial position of the Foundation.

Federal grants administered by the Foundation are subject to audit and final acceptance by the granting agency. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the Foundation's management expects such amounts, if any, will not have a significant impact on these financial statements.

The Foundation has entered into certain agreements totaling approximately \$3.7 million for leadership and training meetings and events, professional services, fees and subscriptions, which are to be held or completed during the following two fiscal years.

Note 11 - Employee Benefit Plan:

Employees of the Foundation may participate in a 401(k) defined contribution retirement plan available upon completion of one month of service. The Foundation matches employees' contributions up to 4% of base salary. Matching contributions totaled approximately \$0.9 million for the years ended June 30, 2022 and 2021.

The Foundation offers a 457(b) non-qualified deferred compensation plan that covers certain employees. There were no contributions made to the 457(b) plan during June 30, 2022 and 2021.

KIPP Foundation

Notes to the Financial Statements

Note 12 - Related Party Transactions:

The Foundation has received contributions totaling \$59.4 million and \$18.2 million from three board members, their family, foundations and companies at which they sit on the board, for the years ended June 30, 2022 and 2021, respectively. There were no contributions receivable from these parties at June 30, 2022 and 2021. In addition, the Foundation incurred \$38 thousand for services provided by these related parties for the year ended June 30, 2022 and none for the year ended June 30, 2021. There were no amounts payable to these related parties at June 30, 2022 and 2021.

The Foundation has received contributions totaling \$10.7 million and \$12.2 million from all other board members, their families, foundations, and companies at which they sit on the board for the years ended June 30, 2022 and 2021, respectively. There were no contributions receivable from these parties at June 30, 2022 and 2021, respectively. Some of these board members sit on the board of a KIPP Region, from which the Foundation recorded license, program, and service fees of \$1.3 million and \$213 thousand for the years ended June 30, 2022 and June 30, 2021, respectively. The amount receivable relating to these fees were \$1.1 million at June 30, 2022 and none June 30, 2021. The Foundation incurred \$93 thousand and \$173 thousand for services provided by these related parties for the years ended June 30, 2022 and June 30, 2021. There were no amounts payable to related parties at June 30, 2022 and 2021.

Note 13 - Net Assets With Donor Restrictions:

Net assets with donor restrictions were restricted as follows at June 30:

	2022	2021
KIPP Forward	\$ 11,894,580	\$ 14,241,026
Policy & Public Affairs	8,266,925	3,596,226
Network Growth & Sustainability	4,879,701	4,862,794
Academics & Culture	1,939,652	2,316,822
Network Talent & Leadership Development	100,000	100,000
Research, Design & Innovation	-	25,968
Time restrictions	40,603,093	21,450,007
	<hr/>	<hr/>
	\$ 67,683,951	\$ 46,592,843

The net assets with donor restrictions above include \$6.2 million restricted for future grants to schools as of June 30, 2022 and 2021.

KIPP Foundation

Notes to the Financial Statements

Note 14 - Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrences of other events specified by donors as follows for the years ended June 30:

	2022	2021
Government grants – school designated grants (Note 9)	\$ 21,316,650	\$ 15,184,098
Government grants (Note 9)	3,205,627	3,279,703
KIPP Forward	19,221,446	7,016,565
Network Growth & Sustainability	10,889,093	1,769,897
Policy & Public Affairs	4,066,548	3,447,810
Academics & Culture	1,155,328	6,583,890
Network Talent & Leadership Development	1,100,000	1,100,000
Research, Design & Innovation	25,968	7,263,464
Time restrictions	17,500,000	4,099,390
	<hr/>	<hr/>
	\$ 78,480,660	\$ 49,744,817

The net assets released from restrictions above include \$23.1 million and \$17.2 million of grants to schools for the years ended June 30, 2022 and 2021, respectively.

Note 15 - Pandemic & Business Operations:

On March 11, 2020, the World Health Organization (WHO) publicly characterized COVID-19 as a pandemic. In response to recommendations from the WHO, the Foundation moved employees to remote work, canceled employee travel, postponed and canceled events, and developed contingency plans for operations through the remainder of calendar 2021. In calendar 2022, the Foundation resumed travel with COVID-19 protocols as set by state and local government mandates. The immediate impact was the reallocation of resources to support KIPP Schools and Regions that are directly serving students to minimize interruptions to academic instruction. While the long-term impacts of the pandemic on business operations and resource allocations cannot be determined, the Foundation has seen no significant adverse impact in terms of contributions and grants.