

KIPP FOUNDATION

JUNE 30, 2023

SINGLE AUDIT REPORT

KIPP Foundation

Single Audit Report

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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, 2023, and 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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, 2023, and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2024, on our consideration of the 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 solely 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 effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

Hood & Strong LLP

San Francisco, CA
January 15, 2024

KIPP Foundation

Statement of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 8,147,226	\$ 17,253,760
Receivables, net	6,527,286	6,463,439
Government grants receivable	6,714,353	6,364,101
Contributions receivable, net (Note 4)	9,574,815	21,027,237
Investment contracts (Note 5)	3,750,000	3,750,000
Investments (Note 6)	72,052,965	73,153,430
Notes receivable (Note 7)	3,383,334	4,266,667
Furniture and equipment, net (Note 8)	1,335,558	1,598,049
Right-of-use leased assets	2,892,274	-
Deposits, prepaids, and other assets	1,688,338	2,397,389
Total assets	\$ 116,066,149	\$ 136,274,072
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 3,839,010	\$ 3,560,913
Accrued expenses	4,058,608	2,843,401
Government grants accrued expenses	6,340,657	5,826,955
Guarantees and other liabilities (Note 10)	100,000	100,000
Unearned network support service income	-	-
Lease obligation (Note 10)	3,594,192	-
Government advance - KCEP (Note 9)	7,962,824	7,733,983
Total liabilities	25,895,291	20,065,252
Net Assets:		
Without donor restrictions:		
Board-designated net assets	3,680,589	3,680,589
Undesignated net assets	39,691,357	44,844,280
Total net assets without donor restrictions	43,371,946	48,524,869
With donor restrictions (Note 13)	46,798,912	67,683,951
Total net assets	90,170,858	116,208,820
Total liabilities and net assets	\$ 116,066,149	\$ 136,274,072

See accompanying notes to the financial statements.

KIPP Foundation

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Support:			
Contributions	\$ 27,041,358	\$ 21,220,769	\$ 48,262,127
Government grants (Note 9)	-	2,454,698	2,454,698
Government grants - school designated grants (Note 9)	-	17,349,045	17,349,045
License fees	5,768,670	-	5,768,670
Network support service income	1,964,133	-	1,964,133
Contributed services	4,466,921	-	4,466,921
Investment (loss) return, net	2,223,009	-	2,223,009
Total revenue, gains and support	41,464,091	41,024,512	82,488,603
Net Assets Released from Restrictions (Note 14)	61,909,551	(61,909,551)	-
Expenses:			
Program services:			
Network growth & sustainability	47,749,693	-	47,749,693
Academics & culture	15,277,736	-	15,277,736
Policy & public affairs	10,874,873	-	10,874,873
KIPP forward	9,149,425	-	9,149,425
Research, design & innovation	8,085,831	-	8,085,831
Network talent & leadership development	6,997,845	-	6,997,845
Total program services	98,135,403	-	98,135,403
Support services:			
Administration	7,273,266	-	7,273,266
Fundraising	3,117,896	-	3,117,896
Total support services	10,391,162	-	10,391,162
Total expenses	108,526,565	-	108,526,565
Change in Net Assets	(5,152,923)	(20,885,039)	(26,037,962)
Net Assets, beginning of year	48,524,869	67,683,951	116,208,820
Net Assets, end of year	\$ 43,371,946	\$ 46,798,912	\$ 90,170,858

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
Network talent & leadership development	7,174,391	-	7,174,391
Policy & public affairs	6,387,051	-	6,387,051
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 Functional Expenses

For the Year Ended June 30, 2023

	Network Growth & Sustainability	Academics & Culture	Policy & Public Affairs	KIPP Forward	Research, Design & Innovation	Network Talent & Leadership Development	Total Program	Support Services		2023 Total
								Administration	Fundraising	
Salaries and related employee expenses	\$ 9,076,031	\$ 7,421,930	\$ 5,607,868	\$ 3,208,965	\$ 4,892,420	\$ 3,613,128	\$ 33,820,342	\$ 5,317,498	\$ 2,626,910	\$ 41,764,750
Grants	30,578,887	2,982,602	1,262,252	4,508,621	673,707	1,402,136	41,408,205	-	-	41,408,205
Professional fees	6,732,565	3,364,819	780,315	786,873	450,116	862,052	12,976,740	645,824	329,729	13,952,293
Travel	239,338	552,490	1,020,684	189,688	836,843	362,109	3,201,152	148,528	15,815	3,365,495
Training and event production	123,090	389,725	861,112	90,455	776,169	536,922	2,777,473	17,197	15,190	2,809,860
Office expenses	412,532	213,045	236,881	202,228	140,574	70,138	1,275,398	632,153	33,095	1,940,646
Occupancy	205,554	166,875	129,791	83,438	129,830	43,704	759,192	158,661	37,083	954,936
Advertising and promotion	6,768	29,434	825,850	2,586	32,185	27,773	924,596	9,029	13,831	947,456
Information technology	233,198	29,762	53,329	14,348	56,987	34,619	422,243	206,714	15,781	644,738
Depreciation	108,300	95,092	73,961	47,547	73,961	34,339	433,200	84,527	21,132	538,859
Insurance	33,430	29,354	22,830	14,676	22,831	10,600	133,721	26,092	6,523	166,336
Other	-	2,608	-	-	208	325	3,141	27,043	2,807	32,991
	\$ 47,749,693	\$ 15,277,736	\$ 10,874,873	\$ 9,149,425	\$ 8,085,831	\$ 6,997,845	\$ 98,135,403	\$ 7,273,266	\$ 3,117,896	\$ 108,526,565

Included in professional fees above is \$4,466,921 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, 2022

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

<i>For the Year Ended June 30,</i>	2023	2022
Cash Flows from Operating Activities:		
Changes in net assets	\$ (26,037,962)	\$ 32,366,836
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	538,859	585,339
Loss on disposal of assets	20,998	-
Amortization of right-of-use leased assets	768,665	-
Change in discount and allowance	(68,406)	99,026
Realized and unrealized loss on investments	493,714	2,810,977
Decrease (increase) in operating assets:		
Receivables	(45,449)	(617,556)
Government grants receivable	(350,252)	(1,492,579)
Contributions receivable	11,502,430	(1,291,728)
Deposits, prepaids and other assets	709,051	(642,520)
(Decrease) increase in operating liabilities:		
Accounts payable	278,097	1,201,603
Accrued expenses	2,112,733	(43,324)
Lease obligations	(964,273)	-
Government grants accrued expenses	513,702	1,324,719
Unearned network support service income	-	(37,500)
Net cash (used) provided by operating activities	(10,528,093)	34,263,293
Cash Flows from Investing Activities:		
Purchase of investments	(11,803,802)	(42,911,974)
Proceeds from the sale of investments	12,410,553	10,512,453
Advances on notes receivables	-	(750,000)
Collections on notes receivable	883,333	33,333
Purchases of fixed assets	(297,366)	(439,014)
Interest earned on KCEP investment	228,841	71,941
Net cash provided (used) by investing activities	1,421,559	(33,483,261)
Net Change in Cash and Cash Equivalents	(9,106,534)	780,032
Cash and Cash Equivalents, beginning of year	17,253,760	16,473,728
Cash and Cash Equivalents, end of year	\$ 8,147,226	\$ 17,253,760
Supplementary Disclosure of Non-Cash Activities:		
Operating right-of-use lease assets financed by lease liabilities	\$ 3,660,939	
Supplementary Disclosure of Cash Activities:		
Cash paid under operating right-of-use leases	\$ 1,005,865	

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 Schools & 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 Schools & Regions:

- Coaching for executive directors;
- Financial and operational support;
- Integration and scale support;
- Strategic leadership for 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, 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, 2023 and 2022.

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 deemed no allowance for doubtful accounts was required at June 30, 2023.

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, 2023 and 2022.

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, 2023 and 2022.

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. Leases

The Foundation accounts for its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842. The Foundation determines whether an arrangement is or includes a lease and categorizes leases as either operating or finance leases. The Foundation does not have any finance leases. Operating lease ROU assets and obligations are recognized based on the present value of the future minimum lease payments over the lease term. As the Foundation's leases do not provide an implicit rate, the Foundation uses the risk-free rate at the lease commencement date to determine the present value of future lease payments in accordance with the private company expedient available under FASB ASC 842. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Foundation made an accounting policy election available under FASB ASC 842 not to recognize ROU assets and lease obligations for leases with a term of 12 months or less.

j. 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.

k. 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.

KIPP Foundation

Notes to the Financial Statements

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 FASB ASC Topic 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 are collected within a given fiscal year. Amounts received in advance, if any, are recorded as deferred revenue, a contract liability, in the statement of financial position. There were no such advance amounts at June 30, 2023 and 2022.

The Foundation uses the allowance method to record uncollectible license fees. The allowance is based on prior years' experience and management's analysis. Management deemed the balances fully collectible and no allowance was required at June 30, 2023 and 2022.

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 years ended June 30, 2023 and 2022 the Foundation recorded no unearned network support service income.

1. 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 \$4.4 million consisted of legal services of \$1.3 million and consulting services of \$3.1 million provided for the year ended June 30, 2023. In-kind contributions of \$25 thousand consisted of legal services provided for the year ended June 30, 2022. 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.

KIPP Foundation

Notes to the Financial Statements

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:

	2023	2022
Network growth & sustainability	\$ 4,466,921	\$ 25,044
Total Contributed services	\$ 4,466,921	\$ 25,044

m. 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.

n. 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, 2023 and 2022, contributions receivable from two donors/foundations accounted for approximately 87% and 59% of total contributions receivable, respectively.

During the years ended June 30, 2023, and 2022, contributions from three donors/foundations accounted for approximately 48% and 56% of total contributions revenue, respectively.

KIPP Foundation

Notes to the Financial Statements

o. 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.

p. 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.

q. Reclassifications

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. These reclassifications had no impact on net assets or the change in net assets.

r. Recent Accounting Pronouncements

Pronouncement Adopted:

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize, at commencement date, a lease obligation representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. The Foundation adopted this guidance as of July 1, 2022. The prior year information is presented in accordance with Topic 840, as permitted by the ASU. The Foundation applied a package of practical expedients to its leases that commenced before the adoption date, electing not to reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. Adoption of Topic 842 resulted in the recording of lease assets and lease obligation related to Foundation's operating leases of \$3,660,939 and \$4,558,464, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows.

KIPP Foundation

Notes to the Financial Statements

s. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2023 through January 15, 2024, 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, 2023 and 2022, 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.

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

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 8,147,226	\$ 17,253,760
Receivables, net	6,527,286	6,463,439
Government grants receivable	6,714,353	6,364,101
Contributions receivable, net	6,027,547	21,027,237
Investment contracts	3,750,000	-
Investments	72,052,965	73,153,430
Notes receivable – current portion	983,334	333,333
Other assets – current portion	1,151,232	1,928,533
Total financial assets	105,353,943	126,523,833
Less amounts not available to be used within one year:		
Net assets with donor restrictions	46,798,912	67,683,951
KCEP funds included in investments (see Note 9)	4,845,271	4,780,345
Investment contracts – KCEP portion	3,375,000	
Board-designated net assets	3,680,589	3,680,589
Add net assets with restrictions to be met in less than a year	(8,145,345)	(9,691,500)
Total amounts not available to be used within one year	50,554,427	66,453,385
Financial assets available to meet general expenditures over the next twelve months	\$ 54,799,516	\$ 60,070,448

KIPP Foundation

Notes to the Financial Statements

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.

Note 4 - Contributions Receivable:

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

	2023	2022
Within one year	\$ 6,027,547	\$ 9,691,500
In one to five years	3,650,000	11,488,477
Total	9,677,547	21,179,977
Less: Discount	(102,732)	(152,740)
Contributions receivable, net	\$ 9,574,815	\$ 21,027,237

The Foundation has approximately \$27.3 million and \$36.4 million in conditional contributions receivable (not including federal grants) at June 30, 2023 and 2022, respectively. The contributions are conditional upon attaining certain program achievements and other barriers and therefore have not been recorded at year end. Approximately 59% and 65% of total conditional contributions receivable at June 30, 2023 and 2022, respectively, were due from one foundation.

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 one percent per annum plus the six-month treasury rate, to be 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, 2023 and June 20, 2022.

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, 2023:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 38,087,877	\$ -	\$ -	\$ 38,087,877
Equity securities and funds	3,171,051	-	-	3,171,051
Fixed income:				
U.S. Treasuries	-	19,653,213	-	19,653,213
U.S. corporate bonds	-	9,668,652	-	9,668,652
International bonds	-	1,472,172	-	1,472,172
Investments	\$ 41,258,928	\$ 30,794,037	\$ -	\$ 72,052,965

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

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 \$0.5 million and \$0.6 million at June 30, 2023 and June 30, 2022, respectively.

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 \$2.9 million and \$3.7 million at June 30, 2023 and June 30, 2022, respectively.

Future principal payments on all notes are due as follows:

Years Ending June 30,	
2024	\$ 983,334
2025	950,000
2026	350,000
2027	150,000
2028	950,000
<hr/>	
Total	\$ 3,383,334

Note 8 - Furniture and Equipment:

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

	2023	2022
Computer equipment	\$ 643,870	\$ 643,870
Computer software	5,315,022	5,018,901
Office furniture	542,611	607,721
Leasehold improvements	1,384,455	1,404,069
<hr/>		
Total	7,885,958	7,674,561
Accumulated depreciation	(6,550,400)	(6,076,512)
<hr/>		
Furniture and equipment, net	\$ 1,335,558	\$ 1,598,049

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 School Program Replication & Expansion of High Quality Charter Schools	Charter School Program Replication & Expansion Supplement of High Quality Charter Schools	Charter School Program Replication & Expansion of High Quality Charter Schools	Supporting Effective Educator Development Grant Program	Charter School Program Replication & Expansion of High Quality Charter Schools
Grant Awarded	Spring 2023	Spring 2023	Spring 2019	Fall 2018	Fall 2016
Span of Grant	5 years	1 year	5 years	3 years	5 years
No Cost Extension Approved	Not Applicable	Not Applicable	Not Applicable	Yes 10/1/2021-9/30/2022	Yes 10/1/2021-9/30/2022
Amount of Total Grant	\$9.2 million	\$9.1 million	\$88.0 million	\$10.2 million	\$48.8 million
Total Authorized	\$8.9 million	\$9.1 million	\$88.0 million	\$10.2 million	\$48.8 million
Conditional Amount	\$9.2 million	\$7.8 million	\$43.5 million	\$1.8 million	\$0.7 million
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2023 2022	2023 2022	2023 2022	2023 2022	2023 2022
Total Expenditures including Pass-through Grants (in millions)	\$ - \$ -	\$ 1.3 \$ -	\$ 18.1 \$ 15.9	\$ 0.4 \$ 2.6	\$ 0.1 \$ 6.0
Pass-through Grants Portion (in millions)	\$ - \$ -	\$ 1.1 \$ -	\$ 16.0 \$ 14.1	\$ 0.2 \$ 1.5	\$ - \$ 5.7

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 for the years ended June 30, 2023 and 2022.

As of June 30, 2023, the Foundation had right-to-use leased assets of \$2.9 million and lease obligations related to its operating leases of \$3.6 million. The weighted average remaining lease term as of June 30, 2023 was 5.15 years. The weighted average discount rate as of June 30, 2023 was 2.90%

KIPP Foundation

Notes to the Financial Statements

Maturities of the lease obligations are as follows:

Year Ending June 30,	
2024	\$ 882,280
2025	825,171
2026	505,809
2027	517,190
2028	528,827
Thereafter	632,530
	<hr/>
	3,891,807
Less imputed discount	(297,615)
	<hr/>
Total present value of right-of-use lease liabilities	\$ 3,594,192

Prior to the implementation of ASU 842, minimum future lease commitments at June 30, 2022 were estimated as follows:

Year 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

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, 2023, was \$6.2 million, of which \$.6 million would be from unrestricted funds and \$5.6 million from KCEP funds. At June 30, 2022 the maximum amount of future payments was \$7.9 million of which \$0.8 million would be from unrestricted funds and \$7.1 million 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, 2023 and 2022. There were no payouts related to the guarantees during June 30, 2023 and 2022.

KIPP Foundation

Notes to the Financial Statements

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 \$5.8 million for leadership and training meetings and events, professional services, fees and subscriptions, which are to be held or completed during the following three 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 \$1.1 million and \$0.9 million for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022.

Note 12 - Related Party Transactions:

For the year ending June 30, 2023, the Foundation received contributions totaling \$36.2 million from related parties (board members, their family, foundations and companies at which they sit on the board), of which \$35.9 million was from five related parties. The Foundation incurred \$2.7 million for services provided by related parties for the year ended June 30, 2023. There were no contributions receivable from, nor amounts payable to related parties at June 30, 2023. Several board members sit on the boards of a KIPP Region, from which the Foundation recorded license, program, and service fees of \$1.5 million for the year ended June 30, 2023. The amount receivable relating to these fees was \$1.3 million at June 30, 2023.

For the year ending June 30, 2022, the Foundation received contributions totaling \$70.1 million from related parties, of which \$59.4 million was from three related parties. The Foundation incurred \$131 thousand for services provided by related parties for the year ended June 30, 2022. There were no contributions receivable from, nor amounts payable to related parties at June 30, 2022. Some board members sit on the boards of a KIPP Region, from which the Foundation recorded license, program, and service fees of \$1.3 million for the year ended June 30, 2022. The amount receivable relating to these fees was \$1.1 million at June 30, 2022.

KIPP Foundation

Notes to the Financial Statements

Note 13 - Net Assets With Donor Restrictions:

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

	2023	2022
Policy & Public Affairs	\$ 8,735,811	\$ 8,266,925
KIPP Forward	6,813,180	11,894,580
Network Growth & Sustainability	4,470,340	4,879,701
Academics & Culture	859,294	1,939,652
Network Talent & Leadership Development	-	100,000
Time restrictions	25,920,287	40,603,093
	<hr/>	<hr/>
	\$ 46,798,912	\$ 67,683,951

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:

	2023	2022
Government grants – school-designated grants (Note 9)	\$ 17,349,045	\$ 21,316,650
Government grants (Note 9)	2,454,698	3,205,627
Network Growth & Sustainability	10,815,027	10,889,093
KIPP Forward	10,297,570	19,221,446
Policy & Public Affairs	4,060,208	4,066,548
Network Talent & Leadership Development	1,100,000	1,100,000
Academics & Culture	1,083,003	1,155,328
Research, Design & Innovation	-	25,968
Time restrictions	14,750,000	17,500,000
	<hr/>	<hr/>
	\$ 61,909,551	\$ 78,480,660

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***

THE BOARD OF DIRECTORS
KIPP FOUNDATION
San Francisco, California

We have audited, in accordance with the 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, the financial statements of **KIPP FOUNDATION (the Foundation)**, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hood & Strong LLP

San Francisco, California
January 15, 2024

Independent Auditors' Report on Compliance for Each Major Federal Program on Internal Control Over Compliance in Accordance with *Uniform Guidance*

THE BOARD OF DIRECTORS
KIPP FOUNDATION
San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **KIPP FOUNDATION's (the Foundation)** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2023. The Foundation's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hood & Strong LLP

San Francisco, California
January 15, 2024

KIPP Foundation

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor Program Title	Federal Assistance Listing Number	Award Period	Expenditures		
			Passed through to Subrecipients	From Direct Awards	Loans Outstanding
U.S. Department of Education:					
Charter School Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	10/1/2016-9/30/2022		\$ 68,979	
Charter School Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	3/29/2019-3/29/2024		19,323,167	
Charter School Program - Grants for Replication and Expansion of High-Quality Charter Schools	84.282M	4/1/2023-3/31/2028		17,376	
Total Charter School Program				19,409,522	
Supporting Effective Educator Development Grant Program	84.423A	10/01/2018-9/30/2022	\$ 170,446	394,220	
Credit Enhancement for Charter School Facilities Program - Funds Received	84.354A	6/14/2006 - 6/14/2031		7,962,824	
Credit Enhancement for Charter School Facilities Program - Loans Outstanding	84.354A	At 7/1/2022			\$ 3,375,000
Credit Enhancement for Charter School Facilities Program - New Loans	84.354A	7/1/2022 - 6/30/2023			
Total Federal Awards Expended			\$ 170,446	\$ 27,766,566	\$ 3,375,000

See accompanying notes to the schedule.

KIPP Foundation

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Foundation under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Credit Enhancement for Charter School Facilities Program:

Funds shown as federal expenditures under the program are the original federal funds drawn plus interest and fees earned. Funds totaling \$4,587,824 are being held in accounts with financial institutions in accordance with the program requirements and the remaining amount of \$3,375,000 has been loaned and is outstanding as of June 30, 2023. A portion of these funds were also used to guarantee certain third party loans. No funds were expended for obligations secured or collateralized in accordance with the program in the fiscal year ended June 30, 2023. Interest earned on the funds through June 30, 2023 totaled \$1,156,933 and remained with grant funds to be expended.

Note 4 - Subrecipients:

Of the federal expenditures presented in the Schedule, the Foundation provided federal awards to subrecipients under the following program:

Supporting Effective Educator Development Grant Program 84.423A	\$ 170,446
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KIPP Foundation

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Note 5 - Indirect Cost:

The Foundation uses a negotiated indirect cost rate of 27.5% of total direct salaries, wages and fringe benefits and a restricted indirect cost rate of 12.5% on salaries, wages and fringe benefits, depending on individual grant requirements and as approved by the U.S. Department of Education. The Foundation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

KIPP Foundation

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

A. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified?	<i>None reported</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Type of auditors' report issued on compliance for major programs:	<i>Unmodified</i>
Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiency(ies) identified?	<i>None reported</i>
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	<i>No</i>

Identification of major program:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.354A	Credit Enhancement for Charter School Facilities Program

Dollar threshold used to distinguish between type A and type B programs:	<i>\$750,000</i>
Auditee qualified as low-risk auditee?	<i>Yes</i>

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Schedule of Findings and Questioned Costs Year Ended June 30, 2023

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Federal Award Audit

None