

Hood & Strong

Advisory, Tax  
and Assurance

# KIPP Foundation

**June 30, 2024 and 2023**

Independent Auditors' Report and  
Financial Statements

# KIPP Foundation

## Independent Auditors' Report and Financial Statements

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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, 2024 and 2023, 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, 2024 and 2023, 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  
February 6, 2025

# KIPP Foundation

## Statement of Financial Position

June 30,	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 13,084,007	\$ 8,147,226
Receivables, net of estimate for credit losses of \$86,488 and \$0 for 2024 and 2023	7,482,054	6,527,286
Government grants receivable	7,521,078	6,714,353
Contributions receivable, net (Note 4)	44,027,599	9,574,815
Investment contracts (Note 5)	-	3,750,000
Investments (Note 6)	58,470,864	72,052,965
Notes receivable (Note 7)	4,645,000	3,383,334
Furniture and equipment, net (Note 8)	1,071,585	1,335,558
Right-of-use leased assets	2,513,033	2,892,274
Deposits, prepaids, and other assets	2,161,964	1,688,338
<b>Total assets</b>	<b>\$ 140,977,184</b>	<b>\$ 116,066,149</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 6,653,171	\$ 3,839,010
Accrued expenses	1,798,039	4,058,608
Government grants accrued expenses	7,324,944	6,340,657
Guarantees and other liabilities (Note 10)	100,000	100,000
Lease obligation (Note 10)	3,463,384	3,594,192
Government advance - KCEP (Note 9)	8,347,233	7,962,824
<b>Total liabilities</b>	<b>27,686,771</b>	<b>25,895,291</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Board-designated net assets	3,680,589	3,680,589
Undesignated net assets	47,549,840	39,691,357
<b>Total net assets without donor restrictions</b>	<b>51,230,429</b>	<b>43,371,946</b>
With donor restrictions (Note 13)	62,059,984	46,798,912
<b>Total net assets</b>	<b>113,290,413</b>	<b>90,170,858</b>
<b>Total liabilities and net assets</b>	<b>\$ 140,977,184</b>	<b>\$ 116,066,149</b>

See accompanying notes to the financial statements.

# KIPP Foundation

## Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Support:</b>			
Contributions	\$ 42,950,758	\$ 39,278,018	\$ 82,228,776
Government grants (Note 9)	-	1,868,925	1,868,925
Government grants - school designated grants (Note 9)	-	16,945,001	16,945,001
License fees	6,059,553	-	6,059,553
Network support service income	1,691,515	-	1,691,515
Contributed services	4,123,917	-	4,123,917
Sublease income (Note 10)	26,448	-	26,448
Investment return, net	4,006,362	-	4,006,362
<b>Total revenue, gains and support</b>	<b>58,858,553</b>	<b>58,091,944</b>	<b>116,950,497</b>
<b>Net Assets Released from Restrictions (Note 14)</b>	<b>42,830,872</b>	<b>(42,830,872)</b>	<b>-</b>
<b>Expenses:</b>			
Program services:			
Network growth & sustainability	34,855,281	-	34,855,281
Academics & culture	23,552,340	-	23,552,340
Research, design & innovation	9,153,340	-	9,153,340
Policy & public affairs	6,580,383	-	6,580,383
Network talent & leadership development	5,322,567	-	5,322,567
KIPP forward	3,029,247	-	3,029,247
<b>Total program services</b>	<b>82,493,158</b>	<b>-</b>	<b>82,493,158</b>
Support services:			
Administration	8,748,968	-	8,748,968
Fundraising	2,588,816	-	2,588,816
<b>Total support services</b>	<b>11,337,784</b>	<b>-</b>	<b>11,337,784</b>
<b>Total expenses</b>	<b>93,830,942</b>	<b>-</b>	<b>93,830,942</b>
<b>Change in Net Assets</b>	<b>7,858,483</b>	<b>15,261,072</b>	<b>23,119,555</b>
<b>Net Assets, beginning of year</b>	<b>43,371,946</b>	<b>46,798,912</b>	<b>90,170,858</b>
<b>Net Assets, end of year</b>	<b>\$ 51,230,429</b>	<b>\$ 62,059,984</b>	<b>\$ 113,290,413</b>

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
<b>Revenues, Gains and Support:</b>			
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 return, net	2,223,009	-	2,223,009
<b>Total revenue, gains and support</b>	<b>41,464,091</b>	<b>41,024,512</b>	<b>82,488,603</b>
<b>Net Assets Released from Restrictions (Note 14)</b>	<b>61,909,551</b>	<b>(61,909,551)</b>	<b>-</b>
<b>Expenses:</b>			
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
<b>Total program services</b>	<b>98,135,403</b>	<b>-</b>	<b>98,135,403</b>
Support services:			
Administration	7,273,266	-	7,273,266
Fundraising	3,117,896	-	3,117,896
<b>Total support services</b>	<b>10,391,162</b>	<b>-</b>	<b>10,391,162</b>
<b>Total expenses</b>	<b>108,526,565</b>	<b>-</b>	<b>108,526,565</b>
<b>Change in Net Assets</b>	<b>(5,152,923)</b>	<b>(20,885,039)</b>	<b>(26,037,962)</b>
<b>Net Assets, beginning of year</b>	<b>48,524,869</b>	<b>67,683,951</b>	<b>116,208,820</b>
<b>Net Assets, end of year</b>	<b>\$ 43,371,946</b>	<b>\$ 46,798,912</b>	<b>\$ 90,170,858</b>

See accompanying notes to the financial statements.

# KIPP Foundation

## Statement of Functional Expenses

For the Year Ended June 30, 2024

	Program Services						Support Services		2024 Total
	Network Growth & Sustainability	Academics & Culture	Research, Design & Innovation	Policy & Public Affairs	Network Talent & Leadership Development	KIPP Forward	Administration	Fundraising	
Grants	\$ 20,985,224	\$ 10,784,407	\$ 2,236,725	\$ 1,500,858	\$ 650,000	\$ 778,343	\$ -	\$ -	\$ 36,935,557
Salaries and related employee expenses	7,800,834	7,319,988	3,866,013	3,241,183	3,582,916	1,839,410	5,845,750	2,107,323	35,603,417
Professional fees	5,094,733	3,743,979	835,345	473,256	677,342	277,875	483,963	287,845	11,874,338
Travel	204,301	750,490	1,083,694	333,703	225,417	25,505	219,369	83,957	2,926,436
Training and event production	55,404	627,211	730,120	267,187	53,676	7,201	33,637	5,754	1,780,190
Office expenses	295,264	91,748	116,906	214,350	30,853	47,702	666,191	22,386	1,485,400
Occupancy	12,621	8,359	5,710	4,491	3,244	2,371	894,431	1,871	933,098
Information technology	255,566	16,270	134,501	37,792	37,795	6,509	384,458	29,969	902,860
Depreciation	108,884	113,989	76,560	61,248	44,234	32,326	88,469	25,520	551,230
Advertising and promotion	2,144	51,701	38,981	419,864	692	40	10,283	12,121	535,826
Insurance	40,306	42,195	28,340	22,672	16,375	11,965	32,748	9,447	204,048
Other	-	2,003	445	3,779	23	-	89,669	2,623	98,542
	\$ 34,855,281	\$ 23,552,340	\$ 9,153,340	\$ 6,580,383	\$ 5,322,567	\$ 3,029,247	\$ 8,748,968	\$ 2,588,816	\$ 93,830,942

Included in professional fees above is \$4,123,917 in contributed services (see Note 2).

See accompanying notes to the financial statements.



# KIPP Foundation

## Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services						Support Services		2023 Total
	Network Growth & Sustainability	Academics & Culture	Policy & Public Affairs	KIPP Forward	Research, Design & Innovation	Network Talent & Leadership Development	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	\$ 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
Professional fees	6,732,565	3,364,819	780,315	786,873	450,116	862,052	645,824	329,729	13,952,293
Travel	239,338	552,490	1,020,684	189,688	836,843	362,109	148,528	15,815	3,365,495
Training and event production	123,090	389,725	861,112	90,455	776,169	536,922	17,197	15,190	2,809,860
Office expenses	412,532	213,045	236,881	202,228	140,574	70,138	632,153	33,095	1,940,646
Occupancy	205,554	166,875	129,791	83,438	129,830	43,704	158,661	37,083	954,936
Advertising and promotion	6,768	29,434	825,850	2,586	32,185	27,773	9,029	13,831	947,456
Information technology	233,198	29,762	53,329	14,348	56,987	34,619	206,714	15,781	644,738
Depreciation	108,300	95,092	73,961	47,547	73,961	34,339	84,527	21,132	538,859
Insurance	33,430	29,354	22,830	14,676	22,831	10,600	26,092	6,523	166,336
Other	-	2,608	-	-	208	325	27,043	2,807	32,991
	\$ 47,749,693	\$ 15,277,736	\$ 10,874,873	\$ 9,149,425	\$ 8,085,831	\$ 6,997,845	\$ 7,273,266	\$ 3,117,896	\$ 108,526,565

Included in professional fees above is \$4,466,921 in contributed services (see Note 2).

See accompanying notes to the financial statements.

# KIPP Foundation

## Statement of Cash Flows

<i>For the Year Ended June 30,</i>	2024	2023
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 23,119,555	\$ (26,037,962)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	551,230	538,859
Loss on disposal of assets	11,413	20,998
Amortization of right-of-use leased assets	379,241	768,665
Change in discount on contributions receivable	2,196,509	(68,406)
Realized and unrealized (gain) loss on investments	(1,312,722)	493,714
Decrease (increase) in operating assets:		
Receivables	(1,041,256)	(45,449)
Government grants receivable	(806,725)	(350,252)
Contributions receivable	(36,562,805)	11,502,430
Deposits, prepaids and other assets	(473,626)	709,051
(Decrease) increase in operating liabilities:		
Accounts payable	2,814,161	278,097
Accrued expenses	(2,260,569)	2,112,733
Lease obligations	(130,808)	(964,273)
Government grants accrued expenses	984,287	513,702
<b>Net cash used by operating activities</b>	<b>(12,532,115)</b>	<b>(10,528,093)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(61,049,455)	(11,803,802)
Proceeds from the sale of investments	75,944,278	12,410,553
Advances on notes receivables	(2,545,000)	-
Collections on notes receivable	1,283,334	883,333
Collections on investment contracts	3,750,000	-
Purchases of furniture and equipment	(298,670)	(297,366)
Interest earned on KCEP investment	384,409	228,841
<b>Net cash provided by investing activities</b>	<b>17,468,896</b>	<b>1,421,559</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>4,936,781</b>	<b>(9,106,534)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>8,147,226</b>	<b>17,253,760</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 13,084,007</b>	<b>\$ 8,147,226</b>
<b>Supplementary Disclosure of Non-Cash Activities:</b>		
Operating right-of-use lease assets financed by lease liabilities	\$ -	\$ 3,660,939
<b>Supplementary Disclosure of Cash Activities:</b>		
Cash paid under operating right-of-use leases	\$ 824,148	\$ 1,005,865

See accompanying notes to the financial statements.

# KIPP Foundation

## Notes to the Financial Statements

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### **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 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 & 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.

#### *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;

# KIPP Foundation

## Notes to the Financial Statements

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- 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.

### *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 & Regions to build and sustain healthy talent ecosystems to 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.

### *KIPP forward:*

The Foundation supports KIPP Schools & 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:

- 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.

# KIPP Foundation

## Notes to the Financial Statements

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### **Note 2 - Significant Accounting Policies:**

#### 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.

#### 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, 2024 and 2023.

#### 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.

#### Receivables

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

Management estimates the credit loss allowance balance by performing an analysis and determining the probability of default using relevant available internal and external information, considering past and current conditions, and the likelihood of future changes in the overall economic environment. An allowance for expected credit losses of \$86,488 and \$0 was recorded as of at June 30, 2024 and 2023 respectively. The change allowance for credit losses is comprised of an increase to the provision for credit losses of \$86,488. There were no write offs or recoveries recorded during the year.

# KIPP Foundation

## Notes to the Financial Statements

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### 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, 2024 and 2023.

### 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).

### 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 an allowance for expected credit losses that reflects management's best estimate of the amounts that will not be collected, if any. Management estimates the credit loss allowance balance by performing an aging analysis and determining the probability of default using relevant available internal and external information, considering past and current condition, and the likelihood of future changes in the overall economic environment. Management deemed the balances fully collectible at June 30, 2024 and 2023.

### 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

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### 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 Right of Use (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.

### 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.

### 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

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*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 generally 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, 2024 and 2023.

*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, 2024 and 2023 the Foundation recorded no unearned network support service income.

### Contributed Services

The Foundation receives donations of professional services from third-parties. 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 \$4.1 million consisted of legal services of \$1.2 million and consulting services of \$2.9 million provided for the year ended June 30, 2024. 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. 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

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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:

	2024	2023
Network growth & sustainability	\$ 4,123,917	\$ 4,466,921
<b>Total Contributed services</b>	<b>\$ 4,123,917</b>	<b>\$ 4,466,921</b>

### 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.

### 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 year ended June 30, 2024, contributions receivable from three donors/foundations accounted for approximately 87% of total contributions receivable. During the year ended June 30, 2023, contributions receivable from two donors/foundations accounted for approximately 82% of total contributions receivable.

During the years ended June 30, 2024, and 2023, contributions from three donors/foundations accounted for approximately 64% and 48% of total contributions revenue, respectively.

# KIPP Foundation

## Notes to the Financial Statements

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### 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.

### 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.

### Reclassifications

Certain reclassifications have been made to the 2023 financial statements in order to conform to the 2024 presentation. These reclassifications had no impact on net assets or the change in net assets.

### Subsequent Events

The Foundation evaluated subsequent events from June 30, 2024 through February 6, 2025, 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, 2024 and 2023, 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:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 13,084,007	\$ 8,147,226
Receivables, net	7,482,054	6,527,286
Government grants receivable	7,521,078	6,714,353
Contributions receivable, net - current portion	23,740,351	6,027,547
Investment contracts	-	3,750,000
Investments	58,470,864	72,052,965
Notes receivable - current portion	2,450,000	983,334
Other assets - current portion	1,642,797	1,151,232
<b>Total financial assets</b>	<b>114,391,151</b>	<b>105,353,943</b>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	62,059,984	46,798,912
Government advance - KCEP	8,347,233	7,962,824
Investment contracts - KCEP portion	-	3,375,000
Board-designated net assets	3,680,589	3,680,589
<b>Add net assets with restrictions to be met in less than a year</b>	<b>(17,371,007)</b>	<b>(8,145,345)</b>
<b>Total amounts not available to be used within one year</b>	<b>56,716,799</b>	<b>53,671,980</b>
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 57,674,352</b>	<b>\$ 51,681,963</b>

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

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### Note 4 - Contributions Receivable:

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

	2024	2023
Within one year	\$ 23,740,351	\$ 6,027,547
In one to five years	22,500,000	3,650,000
<hr/>		
Total	46,240,351	9,677,547
Less: Discount	(2,212,752)	(102,732)
<hr/>		
Contributions receivable, net	\$ 44,027,599	\$ 9,574,815

The Foundation has approximately \$48.9 million and \$27.3 million in conditional contributions receivable (not including federal grants) at June 30, 2024 and 2023, respectively. The contributions are conditional upon attaining certain program achievements and other barriers and therefore have not been recorded at year end. Approximately 84% of total conditional contributions receivable at June 30, 2024 were due from three donors/foundations. Approximately 59% of total conditional contributions receivable at June 30, 2023 was due from one donor/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 1% per annum plus the six-month Treasury rate, to be reset annually. The principal balance on this contract had been paid in full at June 30, 2024 and was approximately \$3.8 million at June 30, 2023.

# 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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 9,221,513	\$ -	\$ -	\$ 9,221,513
Equity securities and funds	3,652,373	-	-	3,652,373
Fixed income:				
U.S. Treasuries	-	24,483,951	-	24,483,951
U.S. corporate bonds	-	15,909,520	-	15,909,520
International bonds	-	5,203,507	-	5,203,507
Investments	\$ 12,873,886	\$ 45,596,978	\$ -	\$ 58,470,864

The table below presents the Foundation's investments measured at fair value on a recurring basis at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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

### 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 \$0.3 million and \$0.5 million at June 30, 2024 and June 30, 2023, respectively.

# KIPP Foundation

## Notes to the Financial Statements

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### *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 \$4.3 million and \$2.9 million at June 30, 2024 and June 30, 2023, respectively.

Future principal payments on all notes are due as follows:

Years Ending June 30,	
2025	\$ 2,450,000
2026	300,000
2027	100,000
2028	850,000
2029	845,000
Thereafter	100,000
<hr/>	
Total	\$ 4,645,000

### **Note 8 - Furniture and Equipment:**

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

	2024	2023
Computer equipment	\$ 631,702	\$ 643,870
Computer software	5,499,414	5,315,022
Office furniture	357,951	542,611
Leasehold improvements	1,496,797	1,384,455
<hr/>		
Total	7,985,864	7,885,958
Accumulated depreciation	(6,914,279)	(6,550,400)
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Furniture and equipment, net	\$ 1,071,585	\$ 1,335,558

# 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 of High Quality Charter Schools	Charter School Program Replication & Expansion of High Quality Charter Schools			
<b>Grant Awarded</b>	Spring 2024	Spring 2023	Spring 2019			
<b>Span of Grant</b>	5 years	5 years	6 years			
<b>No Cost Extension Approved</b>	Not Applicable	Not Applicable	Yes 3/30/2024- 3/29/2025			
<b>Amount of Total Grant</b>	\$12.5 million	\$9.2 million	\$97.1 million			
<b>Total Authorized</b>	\$10.3 million	\$8.9 million	\$97.1 million			
<b>Conditional Amount</b>	\$12.5 million	\$8.2 million	\$33.8 million			
	Fiscal Year		Fiscal Year		Fiscal Year	
	2024	2023	2024	2023	2024	2023
<b>Total Expenditures including Pass-through Grants (in millions)</b>	\$ -	\$ -	\$1.0	\$ -	\$17.8	\$18.1
<b>Pass-through Grants Portion (in millions)</b>	\$ -	\$ -	\$0.9	\$ -	\$16.0	\$16.0

# KIPP Foundation

## Notes to the Financial Statements

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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 October 2030. Rent expense totaled approximately \$1 million for the years ended June 30, 2024 and 2023.

As of June 30, 2024, the Foundation had right-to-use leased assets of \$2.5 million and lease obligations related to its operating leases of \$3.5 million. The weighted average remaining lease term as of June 30, 2024 was 5.25 years. The weighted average discount rate as of June 30, 2024 was 2.90%



# KIPP Foundation

## Notes to the Financial Statements

Maturities of the lease obligations are as follows:

Year Ending June 30,	
2025	\$ 778,146
2026	644,766
2027	660,283
2028	675,228
2029	690,435
Thereafter	296,656
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	3,745,514
Less imputed discount	(282,130)
	<hr/>
Total present value of right-of-use lease liabilities	\$ 3,463,384

The Foundation subleases its office facilities in San Francisco under an operating lease expiring in February 2025. The total future minimum sublease income under this non-cancelable sublease as of June 30, 2024 is \$105,792. Sublease income received from this property was \$26,448 for the year ended June 30, 2024.

### 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, 2024, was \$2.5 million, of which \$0.25 million would be from unrestricted funds and \$2.25 million from KCEP funds. At June 30, 2023 the maximum amount of future payments was \$6.2 million of which \$0.6 million would be from unrestricted funds and \$5.6 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, 2024 and 2023. There were no payouts related to the guarantees during June 30, 2024 and 2023.

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.

# KIPP Foundation

## Notes to the Financial Statements

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The Foundation has entered into certain agreements totaling approximately \$5.2 million for leadership and training meetings and events, professional services, fees and subscriptions, which are to be held or completed during the next 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 \$933 thousand and \$1.1 million for the years ended June 30, 2024 and 2023, 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, 2024 and 2023.

### **Note 12 - Related Party Transactions:**

For the year ending June 30, 2024, the Foundation received contributions totaling \$46.9 million from related parties (Board members, their family, foundations and companies at which they sit on the board), of which \$36.5 million was from two related parties. The Foundation incurred \$5.2 million for services provided by related parties for the year ended June 30, 2024. There were contributions receivable totaling \$28 million from related parties, of which \$22 million was from two related parties at June 30, 2024. Some Board members sit on the boards of a KIPP Region & School, from which the Foundation recorded license, program, and service fees of \$1.2 million for the year ended June 30, 2024. The amount receivable relating to these fees was \$1.1 million at June 30, 2024.

For the year ending June 30, 2023, the Foundation received contributions totaling \$36.2 million from related parties, of which \$35.9 million was from five related parties. The Foundation incurred \$2.7 million 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. Some 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.

# KIPP Foundation

## Notes to the Financial Statements

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### Note 13 - Net Assets With Donor Restrictions:

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

	2024	2023
KIPP Forward	\$ 10,553,063	\$ 15,525,419
Network Growth & Sustainability	3,202,046	4,470,340
Academics & Culture	398,823	882,866
Network Talent & Leadership Development	100,000	-
Time restrictions	47,806,052	25,920,287
	<hr/>	<hr/>
	\$ 62,059,984	\$ 46,798,912

### 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:

	2024	2023
Government Grants - school-designated grants (Note 9)	\$ 16,945,001	\$ 17,349,045
Government Grants (Note 9)	1,868,925	2,454,698
Network Growth & Sustainability	1,270,000	10,815,027
KIPP Forward	8,302,892	14,281,350
Network Talent & Leadership Development	100,000	1,100,000
Academics & Culture	594,054	1,159,431
Research, Design & Innovation	-	-
Time Restrictions	13,750,000	14,750,000
	<hr/>	<hr/>
	\$ 42,830,872	\$ 61,909,551