

KnowledgeWorks Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2022 and 2021

KnowledgeWorks Foundation

June 30, 2022 and 2021

Contents

Independent Auditor's Report.....	1
--	----------

Consolidated Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

Supplementary Information

Consolidating Statements of Financial Position Information.....	26
Consolidating Statements of Activities Information	28

Independent Auditor's Report

Board of Directors
KnowledgeWorks Foundation
Cincinnati, Ohio

Opinion

We have audited the consolidated financial statements of KnowledgeWorks Foundation and its subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the KnowledgeWorks Foundation and its subsidiaries as of June 30, 2022 and 2021, and the results of their operations and their 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 "Auditor's Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS,LLP

Cincinnati, Ohio
October 28, 2022

KnowledgeWorks Foundation
Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Cash and cash equivalents	\$ 6,668,007	\$ 5,235,527
Accounts receivable	240,665	302,026
Interest receivable:		
Investments	91,173	2,030
Student loans	878,491	927,231
Grants receivable	1,907,812	3,400,037
Investments, at fair value	108,794,242	126,969,553
Restricted cash and cash equivalents	1,287,033	706,322
Student loans receivable, net	17,364,094	21,350,567
Other assets	251,885	205,740
Right-of-use assets - operating leases	1,240,471	1,335,663
Property and equipment, net	231,332	261,145
	<u>\$ 138,955,205</u>	<u>\$ 160,695,841</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,732,302	\$ 2,752,138
Operating lease liabilities	1,172,581	1,238,260
Interest payable	27,985	16,212
Student loan program residual	7,718,073	8,304,634
Deferred revenue	1,351,149	406,043
Bonds payable, net	10,748,897	14,043,072
Total liabilities	<u>22,750,987</u>	<u>26,760,359</u>

Net Assets

Without donor restrictions	110,137,621	126,330,200
With donor restrictions	6,066,597	7,605,282
Total net assets	<u>116,204,218</u>	<u>133,935,482</u>
	<u>\$ 138,955,205</u>	<u>\$ 160,695,841</u>

KnowledgeWorks Foundation

Consolidated Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses) and Other Support						
Income from investments, net	\$ 3,930,359	\$ 5,665	\$ 3,936,024	\$ 2,315,174	\$ 1,715	\$ 2,316,889
Interest and fees on student loans receivable, net	319,917	-	319,917	372,120	-	372,120
Other revenue	847,561	-	847,561	351,048	-	351,048
Grant revenue	116,430	1,044,224	1,160,654	1,000,000	4,205,276	5,205,276
Contract service revenue	1,827,483	-	1,827,483	1,371,169	-	1,371,169
Unrealized and realized (losses) gains on investment securities, net	(14,446,210)	-	(14,446,210)	25,045,293	-	25,045,293
Net assets released from restrictions	2,588,574	(2,588,574)	-	2,958,989	(2,958,989)	-
Total revenues, gains (losses) and other support	<u>(4,815,886)</u>	<u>(1,538,685)</u>	<u>(6,354,571)</u>	<u>33,413,793</u>	<u>1,248,002</u>	<u>34,661,795</u>
Cost of Debt						
Interest expense	169,366	-	169,366	190,341	-	190,341
Amortization	78,908	-	78,908	65,169	-	65,169
Total cost of debt	<u>248,274</u>	<u>-</u>	<u>248,274</u>	<u>255,510</u>	<u>-</u>	<u>255,510</u>
Net Revenue, Gains (Losses) and Other Support After Cost of Debt	<u>(5,064,160)</u>	<u>(1,538,685)</u>	<u>(6,602,845)</u>	<u>33,158,283</u>	<u>1,248,002</u>	<u>34,406,285</u>
Provision for Student Loan Loss	<u>(20,753)</u>	<u>-</u>	<u>(20,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unrealized Gain (Loss) on Liability for Student Loan Program Residual	<u>586,561</u>	<u>-</u>	<u>586,561</u>	<u>(145,653)</u>	<u>-</u>	<u>(145,653)</u>
Program and Supporting Expenses						
Operating programs	7,022,768	-	7,022,768	6,305,511	-	6,305,511
Student loan programs	170,135	-	170,135	187,013	-	187,013
Other programs	1,269,125	-	1,269,125	609,563	-	609,563
Total program expenses	<u>8,462,028</u>	<u>-</u>	<u>8,462,028</u>	<u>7,102,087</u>	<u>-</u>	<u>7,102,087</u>
General and administrative	<u>3,232,199</u>	<u>-</u>	<u>3,232,199</u>	<u>4,317,799</u>	<u>-</u>	<u>4,317,799</u>
Total program and supporting expenses	<u>11,694,227</u>	<u>-</u>	<u>11,694,227</u>	<u>11,419,886</u>	<u>-</u>	<u>11,419,886</u>
Change in Net Assets	<u>(16,192,579)</u>	<u>(1,538,685)</u>	<u>(17,731,264)</u>	<u>21,592,744</u>	<u>1,248,002</u>	<u>22,840,746</u>
Net Assets, Beginning of Year	<u>126,330,200</u>	<u>7,605,282</u>	<u>133,935,482</u>	<u>104,737,456</u>	<u>6,357,280</u>	<u>111,094,736</u>
Net Assets, End of Year	<u>\$ 110,137,621</u>	<u>\$ 6,066,597</u>	<u>\$ 116,204,218</u>	<u>\$ 126,330,200</u>	<u>\$ 7,605,282</u>	<u>\$ 133,935,482</u>

KnowledgeWorks Foundation

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				General and Administrative	Total
	Operating Programs	Student Loan Programs	Other Programs	Total Program Services		
Salaries and benefits	\$ 3,682,984	\$ -	\$ 1,060,135	\$ 4,743,119	\$ 1,927,854	\$ 6,670,973
Grants made to other entities	1,131,679	-	34,630	1,166,309	-	1,166,309
Professional fees	1,194,829	-	21,934	1,216,763	617,887	1,834,650
Legal expense	-	-	-	-	98,261	98,261
Communications	109,550	-	-	109,550	64,872	174,422
Accounting and auditing fees	3,236	-	-	3,236	128,521	131,757
Travel	246,903	-	15,655	262,558	19,659	282,217
Meetings, conferences and convenings	59,544	-	3,133	62,677	5,405	68,082
Office administration	71,973	-	20,718	92,691	37,673	130,364
Lease expense	104,682	-	30,132	134,814	54,796	189,610
Telephone	43,133	-	11,691	54,824	19,656	74,480
Insurance	59,960	-	17,259	77,219	31,386	108,605
Technology support	33,084	-	9,466	42,550	17,612	60,162
Internet and network	226,235	-	28,393	254,628	48,307	302,935
Equipment leasing	10,480	-	3,017	13,497	5,486	18,983
Office supplies	10,473	-	2,226	12,699	18,205	30,904
Postage and delivery	9,939	-	-	9,939	1,215	11,154
Printing and copying	11,004	-	-	11,004	299	11,303
Depreciation	-	-	-	-	79,831	79,831
Training and developmental materials	5,452	-	3,303	8,755	27,152	35,907
Recruiting	3,037	-	-	3,037	5,869	8,906
Subscriptions	2,179	-	5,341	7,520	6,449	13,969
Dues and memberships	714	-	2,092	2,806	7,087	9,893
Other	1,698	-	-	1,698	8,717	10,415
Loan servicing fees	-	79,346	-	79,346	-	79,346
Trustee and administrative fees	-	90,789	-	90,789	-	90,789
Total expenses included in the statement of activities	<u>\$ 7,022,768</u>	<u>\$ 170,135</u>	<u>\$ 1,269,125</u>	<u>\$ 8,462,028</u>	<u>\$ 3,232,199</u>	<u>\$ 11,694,227</u>

KnowledgeWorks Foundation

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services				General and Administrative	Total
	Operating Programs	Student Loan Programs	Other Programs	Total Program Services		
Salaries and benefits	\$ 3,335,622	\$ -	\$ 480,761	\$ 3,816,383	\$ 3,020,372	\$ 6,836,755
Grants made to other entities	1,089,647	-	48,734	1,138,381	-	1,138,381
Professional fees	1,184,602	-	12,923	1,197,525	418,165	1,615,690
Legal expense	-	-	-	-	256,227	256,227
Communications	108,529	-	-	108,529	43,221	151,750
Accounting and auditing fees	2,486	-	-	2,486	108,976	111,462
Travel	7,997	-	9	8,006	(4,963)	3,043
Meetings, conferences and convenings	65,944	-	2,144	68,088	1,986	70,074
Office administration	140,768	-	20,289	161,057	(10,371)	150,686
Lease Expense	1,400	-	-	1,400	200,034	201,434
Telephone	41,297	-	4,788	46,085	24,963	71,048
Insurance	72,530	-	10,454	82,984	56,479	139,463
Technology support	24,672	-	3,520	28,192	19,018	47,210
Internet and network	158,665	-	11,476	170,141	56,107	226,248
Equipment leasing	9,620	-	1,386	11,006	7,491	18,497
Office supplies	6,030	-	425	6,455	15,789	22,244
Postage and delivery	4,112	-	1,587	5,699	3,456	9,155
Printing and copying	41,393	-	-	41,393	303	41,696
Depreciation	-	-	-	-	80,717	80,717
Training and developmental materials	5,638	-	2,486	8,124	(3,662)	4,462
Recruiting	1,102	-	-	1,102	75	1,177
Subscriptions	1,713	-	6,075	7,788	6,671	14,459
Dues and memberships	607	-	2,238	2,845	14,649	17,494
Other	1,137	-	268	1,405	2,096	3,501
Loan servicing fees	-	89,840	-	89,840	-	89,840
Trustee and administrative fees	-	97,173	-	97,173	-	97,173
Total expenses included in the statement of activities	<u>\$ 6,305,511</u>	<u>\$ 187,013</u>	<u>\$ 609,563</u>	<u>\$ 7,102,087</u>	<u>\$ 4,317,799</u>	<u>\$ 11,419,886</u>

KnowledgeWorks Foundation

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (17,731,264)	\$ 22,840,746
Items not requiring (providing) cash		
Depreciation and amortization	252,963	256,119
Loss on disposal of property and equipment	4,082	136,842
Unrealized and realized losses (gains) on investment securities, net	14,446,210	(25,045,293)
Unrealized (gain) loss on liability for student loan program residual	(586,561)	145,653
Noncash operating lease expense	95,192	103,367
Provision for student loan loss	20,753	-
Changes in assets and liabilities		
Accounts receivable	61,361	(110,498)
Grants receivable	1,492,225	(350,642)
Interest receivable	(40,403)	197,154
Other assets	(46,145)	121,788
Interest payable	11,773	(6,266)
Deferred revenue	945,106	68,262
Accounts payable and accrued expenses	(1,019,836)	(1,832,528)
Operating lease liabilities	(65,679)	30,808
Net cash used in operating activities	<u>(2,160,223)</u>	<u>(3,444,488)</u>
Cash Flows From Investing Activities		
Receipt of principal repayments on the student loans	3,871,496	2,411,887
Purchases of property and equipment	(54,100)	-
Purchases of investments	(27,535,766)	(29,810,771)
Proceeds from maturities and sales of investments	31,264,867	33,037,661
Net cash provided by investing activities	<u>7,546,497</u>	<u>5,638,777</u>
Cash Flows From Financing Activity - principal repayments on bonds payable	<u>(3,373,083)</u>	<u>(2,785,754)</u>
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	2,013,191	(591,465)
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year	<u>5,941,849</u>	<u>6,533,314</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year	<u>\$ 7,955,040</u>	<u>\$ 5,941,849</u>
Supplemental Disclosures of Cash Flows Information		
Interest paid	\$ 181,139	\$ 184,075
Right-of-use assets obtained in exchange for new operating lease liabilities	-	1,207,452

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 1: Nature of Operations and Basis of Presentation

Nature of Operations

KnowledgeWorks Foundation (the “Foundation”) engages in the development and implementation of innovative tools, training and assistance to school leaders, teachers and community stakeholders to ensure that all students are prepared for college, career and civic life (Program Operations). Historically, the Foundation has also engaged in certain student loan activities. During 2013, the Foundation began an initiative to wind down its student loan operations. As of June 30, 2022, the only remaining student loan activities relate to the KW2010 Program. See Notes 4 and 6 for further discussion.

Basis of Presentation

The consolidated financial statements include the accounts of the Foundation and all entities that are controlled by the Foundation and in which the Foundation has an economic interest. These entities include (1) the Foundation, which conducts the Program Operation activities; (2) KWI, which manages the Foundation’s investment portfolio; and (3) KWSL, LLC, which has historically engaged in student loan activities. All intercompany transactions and balances have been eliminated in consolidation.

Program and supporting expenses are classified in four categories in the consolidated statements of activities and the consolidated statements of functional expenses, including operating programs, student loan programs, other programs and general and administrative. Operating programs include work with school districts, educators, policymakers and communities to explore the future of learning, to create policies that promote systems transformation and to deliver innovative personalized learning opportunities for students through competency-based education. Other programs include strategy, thought leadership and grant-making activities.

Note 2: Summary of Significant Accounting Policies

Use of Estimates

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

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking and money market accounts held at financial institutions. At June 30, 2022, the Foundation's cash accounts exceeded federally insured limits by approximately \$3,267,000, however, the Foundation has not experienced any losses in such accounts.

Investments and Investment Return

Investments primarily consisting of equity securities and mutual funds are carried at current fair values based upon quoted market prices. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the consolidated statements of activities in the period in which the securities are sold. Unrealized gains and losses resulting from changes in fair values are recognized in the consolidated statements of activities. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. Income from investments is reported net of related expenses of approximately \$268,000 and \$276,000 for the years ended June 30, 2022 and 2021, respectively. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represent demand deposits and money market funds bearing interest at a variable rate. Such amounts are primarily restricted to paying debt obligations and student loan program expenses.

Accounts Receivable

Accounts receivable consists of fee for contract service revenues receivable. Accounts receivable are stated at the amount of consideration from customers of which the Foundation has an unconditional right to receive. Management believes all receivables are collectible. Management bases this assessment on specific analysis of outstanding balances at year-end, historical collection information and existing economic conditions.

Student Loans Receivable

Student loans are reported in the consolidated statements of financial position at their unpaid principal balances plus unamortized loan acquisition premiums and discounts. Costs related to loan acquisition premiums and discounts are deferred and recognized over the life of the loan as an adjustment to yield using the effective yield method.

Student loan income is recognized on the accrual basis, including adjustments for the amortization of costs of loan origination and purchases.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset, which range from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Deferred Revenue

Deferred revenue consists of consideration received for contract services that have not yet been earned. The majority of contracts have terms ranging from one to four years beyond the planning and start-up period, and revenue is recognized as performance obligations are satisfied.

Student Loan Program Residual

The student loan program residual is recorded at fair value in the accompanying consolidated statements of financial position (see Note 6). Unrealized changes in the fair value of the student loan program residual liability are recorded as unrealized gains or losses in the accompanying consolidated statements of activities for the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grant restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions are subject to donor (or certain grantor) restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When donor restrictions are met or the restrictions expire, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions. Restrictions generally permit the use of some or all of the income earned on the invested assets for specific purposes.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Revenue Recognition

The Foundation recognizes revenue from unconditional grants when such grants are awarded by the donor. Conditional grants depend on the Foundation overcoming a grantor-imposed barrier to be entitled to the funds and are recognized as the Foundation meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. There were no conditional grants awarded to the Foundation as of June 30, 2021. As of June 30, 2022, the Foundation had received conditional promises to give of approximately \$4,072,000 that were deemed conditional and were not recognized in the 2022 consolidated financial statements.

Contract service revenue is recognized as the Foundation satisfies its performance obligations under the contract. Revenue is reported at the amount that reflects the consideration to which the Foundation expects to be entitled to in exchange for providing services.

Grant-Making Activities

Conditional promises to give are recorded as contributions made in the period they become unconditional. As of June 30, 2022, the Foundation had made future conditional promises to give of \$783,000 to two nonprofit organizations over the next two fiscal years, \$592,000 of which is due in fiscal year 2023.

Functional Allocation of Expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among benefited programs and supporting services based on time and effort of Foundation personnel.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

Reclassifications

Certain reclassifications have been made to the 2021 consolidated financial statements to conform to the 2022 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 3: Liquidity and Availability of Resources

Financial assets available for general expenditures without donor or other restrictions limiting their use within one year of June 30 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Financial assets available to meet general expenditures over the next twelve months		
Cash and cash equivalents	\$ 5,909,835	\$ 4,161,299
Accounts receivable	240,665	302,026
Grants receivable	1,657,812	1,945,457
Investments, not restricted by donors, available to meet general expenditures over the next twelve months as approved by the Board of Directors	<u>7,950,000</u>	<u>8,200,000</u>
 Total financial assets available to meet general expenditures over the next twelve months	 <u><u>\$ 15,758,312</u></u>	 <u><u>\$ 14,608,782</u></u>

The Foundation actively monitors its liquidity and structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. General expenditures include operating expenses and other internally funded costs. The Foundation's Board of Directors formally approves amounts to be made available for spending in the next twelve months from net assets without donor restrictions.

Additionally, certain financial assets, including student loans receivable, restricted cash and cash equivalents and interest receivable associated with student loans, are held in trust for the benefit of bondholders (see Note 6). Therefore, these amounts have been excluded from the financial assets available to meet general expenditures over the next twelve months.

The Foundation's goal is generally to maintain financial assets without donor or other restrictions to meet 90 days of operating expenses (approximately \$4 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

KnowledgeWorks Foundation
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 4: Student Loans Receivable

Student loans receivable consist primarily of loans made under the Federal Family Education Loan Program (FFELP) of the Higher Education Act and are carried at their unpaid principal balance, plus unamortized loan acquisition premiums and discounts. The Foundation owns, holds, and administers subsidized Federal Stafford loans, unsubsidized Federal Stafford loans, Federal PLUS loans, and Federal Consolidation Loans.

Whenever the statutory interest rates paid by borrowers on FFELP loans provide less than the prescribed rates of return, as defined by the Higher Education Act, the U.S. Department of Education pays a special allowance payment (SAP), which increases the lender's loan yield by markups over a base rate ranging from 1.74% to 3.50% per annum on loans first disbursed prior to October 1, 2008, and 1.19% to 2.24% on loans disbursed on or after October 1, 2008. Prior to April 1, 2012, the base rate was tied to the bond equivalent rates of the average three-month Financial Commercial Paper rates in effect for each of the days in a quarter. Effective on April 1, 2012, the Foundation made an irrevocable election under an amendment to the Higher Education Act to have the calculation of SAP to be based on the one-month LIBOR rate. For the quarter ended June 30, 2022, the one-month LIBOR rate in effect was 2.09%. In addition, the U.S. Department of Education generally pays the stated interest rate on subsidized Federal Stafford Loans while the borrower is in school, grace, or deferment. For loans first disbursed on or after April 1, 2006, whenever the statutory rate paid by borrowers on FFELP loans provide more than the prescribed rate of return, as defined by the Higher Education Act, the lender must repay to the U.S. Department of Education an amount sufficient to reduce the lender's yield to the prescribed rate of return. Net SAP expense was approximately \$430,000 and \$481,000 during the years ended June 30, 2022 and 2021, respectively, and is included in the consolidated statements of activities as a component of interest and fees on student loans receivable. Accrued SAP was approximately \$79,000 and \$128,000 as of June 30, 2022 and 2021, respectively, and is included in the consolidated statements of financial position as a component of accounts payable and accrued expenses.

Under the Federal Consolidation Loan Program, eligible borrowers are permitted to consolidate many types of eligible federally guaranteed student loans into a single loan that is federally insured. The lender of Federal Consolidation Loans is required to pay the U.S. Department of Education a monthly fee generally equal to 0.0875% (1.05% per annum) of the monthly ending balance of the sum of the principal and accrued interest of Federal Consolidation Loans held. This fee was approximately \$190,000 and \$222,000 during 2022 and 2021, respectively, and is included in the consolidated statements of activities as a reduction of interest and fees on student loans receivable.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

A summary of the student loan receivable portfolio by program as of June 30, 2022 and 2021, is as follows (amounts in thousands):

	2022	2021
Stafford	\$ 913	\$ 1,060
PLUS	198	212
Consolidation	15,446	19,179
GradPLUS	60	59
Net unamortized loan premium	747	841
	<u>747</u>	<u>841</u>
Total student loans receivable	<u>\$ 17,364</u>	<u>\$ 21,351</u>

The following tables provide information regarding the loan status and aging of the student loan receivable portfolio as well as the amount of unguaranteed loans as of June 30, 2022 and 2021 (amounts in thousands):

	2022	%	Unguaranteed Amount
Loans in-school/grace/deferment	\$ 876	5%	\$ 23
Loans in forbearance	921	6%	25
Loans in repayment and percentage of each status			
Loans current	12,951	78%	345
Loans delinquent 31-60 days	588	3%	16
Loans delinquent 61-90 days	95	1%	3
Loans delinquent greater than 90 days	1,186	7%	32
	<u>14,820</u>	<u>89%</u>	<u>396</u>
Total loans in repayment	<u>14,820</u>	<u>89%</u>	<u>396</u>
Total loans	<u>16,617</u>	<u>100%</u>	<u>\$ 444</u>
Unamortized loan premium	<u>747</u>		
Student loans receivable	<u>\$ 17,364</u>		
Percentage of loans in repayment		<u>89%</u>	
Delinquencies as a percentage of loans in repayment		<u>13%</u>	
Loans in forbearance as a percentage of loans in repayment and forbearance		<u>6%</u>	

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

	2021	%	Unguaranteed Amount
Loans in-school/grace/deferment	\$ 1,081	6%	\$ 29
Loans in forbearance	2,277	11%	60
Loans in repayment and percentage of each status			
Loans current	15,407	75%	407
Loans delinquent 31-60 days	655	3%	17
Loans delinquent 61-90 days	57	1%	2
Loans delinquent greater than 90 days	1,033	5%	27
Total loans in repayment	17,152	84%	453
Total loans	20,510	100%	\$ 542
Unamortized loan premium	841		
Student loans receivable	\$ 21,351		
Percentage of loans in repayment		84%	
Delinquencies as a percentage of loans in repayment		10%	
Loans in forbearance as a percentage of loans in repayment and forbearance		12%	

Under FFELP, the principal and accrued interest on student loans are guaranteed against default by the borrower. Loans originated prior to October 1, 1993 are 100% guaranteed. Loans originated between October 1, 1993 and June 30, 2006 are 98% guaranteed. Loans made subsequent to June 30, 2006 are 97% guaranteed. As of June 30, 2022, 67% of the FFELP loans were 97% guaranteed and 33% were 98% guaranteed. FFELP loans are 100% guaranteed against the death, disability, or bankruptcy of the borrower regardless of the date of origination of the loan, provided that the Foundation has not already started the claims process in which case the guarantee rates revert to those described above. The loans are guaranteed by certain guarantee agencies, which have reinsurance contracts with the U.S. Department of Education. At June 30, 2022, the majority of FFELP student loans are guaranteed by Great Lakes Higher Education Guaranty Corporation and American Student Assistance.

As of June 30, 2022, the Foundation had direct servicing agreements with one loan servicing agent, Nelnet Servicing, LLC ("Nelnet"). The Foundation and its servicing agent must comply with certain provisions of the Higher Education Act of 1965 and its regulations and the various guarantee agency regulations to ensure that the guarantees on the student loans remain in effect. Management believes that the Foundation and its servicing agent are in compliance with the applicable regulations at June 30, 2022.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Based upon the performance and aging of the student loan portfolio, the ability of the loan servicing agents and guarantee agencies to meet their contractual obligations, the terms of the servicing guarantee, and reinsurance agreements of such loans and other pertinent factors, management continually evaluates the need for reserves for uncollectible loans and, as adjustments become necessary, they are recorded in the periods in which they become known.

Management believes its probable losses with respect to these guaranteed loans will not be material to the consolidated financial statements, therefore, no allowance is deemed necessary at June 30, 2022 and 2021.

In August 2022, President Joe Biden announced a Student Debt Relief Plan that includes one-time student loan debt relief for certain qualifying borrowers. The Foundation is currently evaluating the effect the announcement will have on the consolidated financial statements.

Note 5: Property and Equipment

Property and equipment as of June 30, 2022 and 2021, are summarized as follows:

	2022	2021
Furniture and fixtures	\$ 234,798	\$ 234,798
Computer hardware and software	133,070	111,022
Equipment	225,102	225,102
Leasehold improvements	4,770	4,770
Total property and equipment	597,740	575,692
Less accumulated depreciation and amortization	(366,408)	(314,547)
Property and equipment, net	<u>\$ 231,332</u>	<u>\$ 261,145</u>

Note 6: Bonds Payable

Debt obligations as of June 30 are summarized as follows (in thousands):

	2022	2021
LIBOR floating rate taxable bonds maturing in fiscal year 2042	\$ 10,854	\$ 14,181
Less deferred financing costs, net of accumulated amortization of \$698 and \$665 at June 30, 2022 and 2021, respectively	(105)	(138)
	<u>\$ 10,749</u>	<u>\$ 14,043</u>

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

All bonds summarized in the table above were issued pursuant to master indentures of trust (the “Indentures”). The Indentures require that a trustee receives the cash flows from the related student loan portfolios and holds those cash flows in trust for the benefit of the bondholders. In addition to these cash flows, the assets pledged to the trustee as collateral for the repayment of the bonds consist of restricted cash and investments. All such assets are included in the accompanying consolidated financial statements. As outlined in the Indentures, the bonds are collateralized by the student loans, the interest income thereon, and restricted cash and cash equivalents. The bondholders have no recourse to any assets of the Foundation that are outside of the Indentures.

On September 16, 2010, the Foundation issued \$83,622,000 of student loan backed bonds maturing February 25, 2042 in a program known as the KW2010 Program. These bonds (the LIBOR floating rate taxable bonds) bear interest at a variable rate equal to the three-month LIBOR plus 0.95% per annum. Interest on the bonds is payable on the 25th of each February, May, August and November. The interest rate of the bonds was 3.56% and 1.10% at June 30, 2022 and 2021, respectively.

On September 30, 2013, the Foundation sold its rights to cash flows from the trust, including rights to both the administration fee and to the residuals, to a third party for \$3 million. As a result of the transaction, the Foundation has retained its roles as beneficial owner of the loans and as legal obligor of the related debt, but effectively has no rights or responsibilities with regard to the future cash flows from either the loans or the related debt. Under this agreement, the Foundation is required to surrender any residual net asset balance that arises from the operation of the KW2010 Program once the provisions of the related indenture have been satisfied. This agreement has been recorded as a derivative liability and is included as the Student Loan Program Residual in the accompanying consolidated statements of financial position as of June 30, 2022 and 2021 of approximately \$7.7 million and \$8.3 million, respectively.

To the extent that the principal balance on the student loan portfolio financed by the variable rate bonds is collected at a more rapid rate than debt service requirements, the Foundation’s practice is to pay down the debt more rapidly. During fiscal years 2022 and 2021, the Foundation made principal payments, net of interest capitalized on student loans, totaling approximately \$3.4 million and \$2.8 million, respectively.

The Foundation is subject to certain restrictive covenants under the Indentures. Among other requirements, the Foundation is required to do all things necessary to perfect its security interest and rights under the guarantee agreements with the guarantee agencies with respect to purchased student loans. As of June 30, 2022 and 2021, management is not aware of any violations of these requirements. The debt obligations are collateralized by certain of the Foundation’s assets, primarily comprised at June 30, 2022 and 2021 of student loans receivable of \$17.4 million and \$21.4 million and of restricted cash and cash equivalents of approximately \$1,287,000 and \$706,000, respectively.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 7: Employee Benefit Plans

The Foundation maintains a 401(k) plan (the “Plan”). The Plan is available to eligible employees, as defined. Employer contributions to the Plan include non-discretionary contributions of 3%, matching contributions of 50% of employee pre-tax deferrals up to a maximum of 4% and discretionary profit-sharing contributions as determined by the Board of Directors. The Foundation’s profit-sharing and 401(k) expense for the years ended June 30, 2022 and 2021, approximated \$250,000 and \$144,000, respectively, included in the accompanying consolidated statements of functional expenses in salaries and benefits.

Note 8: Net Assets With Donor Restrictions

Periodically, the Foundation receives contributions and grants that contain donor-imposed restrictions on the use of the contributed funds. As of June 30, net assets with donor restrictions are restricted for the following programs (in thousands):

	<u>2022</u>	<u>2021</u>
KW in Schools	\$ 3,487	\$ 3,985
Policy & Strategic Foresight	590	1,084
Impact & Improvement	<u>1,990</u>	<u>2,536</u>
	<u>\$ 6,067</u>	<u>\$ 7,605</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows (in thousands):

	<u>2022</u>	<u>2021</u>
KW in Schools	\$ 701	\$ 731
Policy & Strategic Foresight	1,105	896
StrivePartnership	-	78
Impact & Improvement	<u>783</u>	<u>1,254</u>
	<u>\$ 2,589</u>	<u>\$ 2,959</u>

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 9: Leases

Accounting Policies

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation used the readily determinable implicit rate for its building lease, which is 8%. Lease expense is generally recognized on a straight-line basis over the lease term.

Nature of Leases

The Foundation has an operating lease for office space that expires in 2031. This lease contains a renewal option for a five-year period and requires the Foundation to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from a 2 to 3 percent increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Foundation has no material related-party leases. The Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

Total lease cost for the years ended June 30, 2022 and 2021 was \$189,610 and \$201,434, respectively. The remaining lease term at June 30, 2022 and 2021 is approximately 8.8 years and 9.8 years, respectively.

Future minimum lease payments and reconciliation to the consolidated statements of financial position at June 30, 2022, are as follows:

2023	\$ 183,000
2024	186,000
2025	177,000
2026	180,000
2027	182,000
Thereafter	724,000
Total future undiscounted lease payments	1,632,000
Less interest	(459,419)
Lease liabilities	<u>\$ 1,172,581</u>

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Note 10: Revenue From Contracts With Customers

Contract Service Revenue

The Foundation receives fees for service provided to high schools, school districts and communities by providing technical assistance needed to implement new instructional approaches to learning and improve student achievement and opportunity. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. During the years ended June 30, 2022 and 2021, substantially all revenue recognized by the Foundation was for contract services that transfer to the customer over time.

Contract Balances

The following table provides information about the Foundation's receivables and deferred revenue from contracts with customers:

	2022	2021
Receivables, beginning of year	\$ 186,899	\$ 189,281
Receivables, end of year	239,917	186,899
Deferred revenue, beginning of year	\$ 406,043	\$ 337,781
Deferred revenue, end of year	1,351,149	406,043

Note 11: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

		Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Total Fair Value						
June 30, 2022						
Assets						
Investments						
U.S. Equities						
Large cap core stock fund	\$ 18,275,529	\$ 18,275,529	\$ -	\$ -	\$ -	
Large cap growth stock fund	4,807,992	4,807,992	-	-	-	
Large cap value stock fund	4,210,219	4,210,219	-	-	-	
Mid cap core stock fund	966,926	966,926	-	-	-	
Small cap value stock fund	1,121,514	1,121,514	-	-	-	
International Equities						
Developed country funds	18,267,603	18,267,603	-	-	-	
Emerging market fund	8,715,303	8,715,303	-	-	-	
Global equity	746,790	746,790	-	-	-	
Fixed income securities - strategic income fund	16,506,145	16,506,145	-	-	-	
Real assets - commodities, real estate and real return fund	10,638,193	10,638,193	-	-	-	
Hedge funds and private equity						
Diversified strategy	15,288,349	-	-	-	15,288,349	
Distressed debt hedge fund	398,965	-	-	-	398,965	
Private equity funds	8,850,714	-	-	-	8,850,714	
Total investments	\$ 108,794,242	\$ 84,256,214	\$ -	\$ -	\$ 24,538,028	
Liabilities						
Student loan program residual	\$ 7,718,073	\$ -	\$ -	\$ 7,718,073	\$ -	

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Fair Value Measurements Using					
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV ^(A)
Total Fair Value					
June 30, 2021					
Assets					
Investments					
U.S. Equities					
Large cap stock fund	\$ 29,644	\$ 29,644	\$ -	\$ -	\$ -
Large cap core stock fund	24,883,789	24,883,789	-	-	-
Large cap growth stock fund	10,501,958	10,501,958	-	-	-
Large cap value stock fund	4,028,631	4,028,631	-	-	-
Mid cap core stock fund	2,430,701	2,430,701	-	-	-
Small cap value stock fund	1,778,634	1,778,634	-	-	-
Small cap index fund	44,270	44,270	-	-	-
International Equities					
Developed country funds	21,642,763	21,642,763	-	-	-
Emerging market fund	10,371,938	10,371,938	-	-	-
Fixed income securities - strategic income fund	21,933,562	21,933,562	-	-	-
Real assets - commodities, real estate and real return fund	8,047,887	8,047,887	-	-	-
Hedge funds and private equity					
Diversified strategy	15,465,040	-	-	-	15,465,040
Distressed debt hedge fund	595,224	-	-	-	595,224
Private equity funds	5,215,512	-	-	-	5,215,512
Total investments	<u>\$ 126,969,553</u>	<u>\$ 105,693,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,275,776</u>
Liabilities					
Student loan program residual	<u>\$ 8,304,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,304,634</u>	<u>\$ -</u>

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

Common Stocks and Mutual Funds—The Foundation's investments in common stocks and mutual funds are commonly traded in active markets. The fair values of these investments are based on quoted market prices. These investments are classified as Level 1.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Private Investment Funds—The Foundation invests in a variety of private investment funds, including hedge funds and private equity funds. The value of the Foundation’s investments in private investment funds is based upon the per unit value of the fund as reported to the Foundation by the fund manager. Values are also compared to purchases and sales as reported by the fund managers. In accordance with FASB ASU 820, these investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. The fair value of alternative investments that have been estimated using the net asset value per share as a practical expedient consist of the following:

	June 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (A)	\$ 15,687,314	\$ -	Quarterly	65-70 days
Private equity (B)	<u>8,850,714</u>	<u>7,973,608</u>	N/A	N/A
	<u><u>\$ 24,538,028</u></u>	<u><u>\$ 7,973,608</u></u>		

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (A)	\$ 16,060,264	\$ -	Quarterly	65-70 days
Private equity (B)	<u>5,215,512</u>	<u>4,835,098</u>	N/A	N/A
	<u><u>\$ 21,275,776</u></u>	<u><u>\$ 4,835,098</u></u>		

- (A) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Management of the funds has the ability to shift investments among differing investment strategies.
- (B) This category includes investments in private equity funds that invest primarily in corporate finance investments, as well as venture capital investments. There are no redemption features.

Student Loan Program Residual—The fair value of the student loan program residual liability is based on a discounted present value computation. The computation reflects the contractual terms of the KW2010 Program student loans and the related debt and indenture. Significant inputs to this computation consist primarily of the discount rate used to compute the net present value of the residual equity. This discount rate is not observable. The residual liability is classified as Level 3.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2022 and 2021:

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range
Student Loan Residual	\$ 7,718,073	Present value	Constant prepayment rate Discount rate	9.00% 1.95%
	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range
Student Loan Residual	\$ 8,034,634	Present value	Constant prepayment rate Discount rate	8.00% 1.95%

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

Grant Revenue

Approximately 89 and 74 percent of all grant revenue was received from three and five donors in 2022 and 2021, respectively.

Contract Service Revenue

Approximately 64 percent of all contract service revenue was received from three customers in 2022. There were no significant concentrations in 2021.

General Litigation

In the normal course of business, the Foundation may become involved in legal proceedings. The Foundation accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued.

KnowledgeWorks Foundation

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Litigation

The Foundation is a defendant in a lawsuit that asserts the Foundation received redemption payments made by the plaintiff under unjust enrichment, money had and received, mistaken payment, unfair preference under the British Virgin Islands (BVI) Insolvency Act, and undervalue transaction under the BVI Insolvency Act. The plaintiff has claimed actual damages of approximately \$2,248,000. As of June 30, 2022, the Foundation cannot reasonably predict the ultimate resolution or estimate the losses, if any, that will result from the litigation. Events could occur that would change this estimate materially in the near term.

Economic Uncertainties

Economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 13: Subsequent Events

The Foundation has evaluated subsequent events through October 28, 2022, the date the consolidated financial statements were available to be issued, to determine if either recognition or disclosure of significant events or transactions is required.

Supplementary Information

KnowledgeWorks Foundation

Consolidating Statement of Financial Position Information

June 30, 2022

Assets

	KW2010	Student Loan Program Eliminations	Total	Knowledge Works Foundation	Knowledge Works Consolidated
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 6,668,007	\$ 6,668,007
Accounts receivable	-	-	-	240,665	240,665
Interest receivable:					
Investments	-	-	-	91,173	91,173
Student loans	878,491	-	878,491	-	878,491
Grants receivable	-	-	-	1,907,812	1,907,812
Investments, at fair value	-	-	-	108,794,242	108,794,242
Restricted cash and cash equivalents	1,287,033	-	1,287,033	-	1,287,033
Student loans receivable, net	16,252,078	1,112,016	17,364,094	-	17,364,094
Other assets	-	-	-	251,885	251,885
Right-of-use assets - operating leases	-	-	-	1,240,471	1,240,471
Property and equipment, net	-	-	-	231,332	231,332
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 18,417,602</u>	<u>\$ 1,112,016</u>	<u>\$ 19,529,618</u>	<u>\$ 119,425,587</u>	<u>\$ 138,955,205</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 101,673	\$ -	\$ 101,673	\$ 1,630,629	\$ 1,732,302
Operating lease liabilities	-	-	-	1,172,581	1,172,581
Interest payable	27,985	-	27,985	-	27,985
Student loan program residual	-	-	-	7,718,073	7,718,073
Deferred revenue	-	-	-	1,351,149	1,351,149
Bonds payable, net	10,748,897	-	10,748,897	-	10,748,897
Total liabilities	<u>10,878,555</u>	<u>-</u>	<u>10,878,555</u>	<u>11,872,432</u>	<u>22,750,987</u>

Net Assets

Without donor restrictions	7,539,047	1,112,016	8,651,063	101,486,558	110,137,621
With donor restrictions	-	-	-	6,066,597	6,066,597
Total net assets	<u>7,539,047</u>	<u>1,112,016</u>	<u>8,651,063</u>	<u>107,553,155</u>	<u>116,204,218</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 18,417,602</u>	<u>\$ 1,112,016</u>	<u>\$ 19,529,618</u>	<u>\$ 119,425,587</u>	<u>\$ 138,955,205</u>

KnowledgeWorks Foundation

Consolidating Statement of Financial Position Information

June 30, 2021

Assets

	Student Loan Program			Knowledge	Knowledge
	KW2010	Eliminations	Total	Works	Works
				Foundation	Consolidated
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 5,235,527	\$ 5,235,527
Accounts receivable	-	-	-	302,026	302,026
Interest receivable:					
Investments	-	-	-	2,030	2,030
Student loans	927,231	-	927,231	-	927,231
Grants receivable	-	-	-	3,400,037	3,400,037
Investments, at fair value	-	-	-	126,969,553	126,969,553
Restricted cash and cash equivalents	706,322	-	706,322	-	706,322
Student loans receivable, net	19,898,952	1,451,615	21,350,567	-	21,350,567
Other assets	-	-	-	205,740	205,740
Right-of-use assets - operating leases	-	-	-	1,335,663	1,335,663
Property and equipment, net	-	-	-	261,145	261,145
Total assets	<u>\$ 21,532,505</u>	<u>\$ 1,451,615</u>	<u>\$ 22,984,120</u>	<u>\$ 137,711,721</u>	<u>\$ 160,695,841</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 155,475	\$ -	\$ 155,475	\$ 2,596,663	\$ 2,752,138
Operating lease liabilities	-	-	-	1,238,260	1,238,260
Interest payable	16,212	-	16,212	-	16,212
Student loan program residual	-	-	-	8,304,634	8,304,634
Deferred revenue	-	-	-	406,043	406,043
Bonds payable, net	14,043,072	-	14,043,072	-	14,043,072
Total liabilities	<u>14,214,759</u>	<u>-</u>	<u>14,214,759</u>	<u>12,545,600</u>	<u>26,760,359</u>

Net Assets

Without donor restrictions	7,317,746	1,451,615	8,769,361	117,560,839	126,330,200
With donor restrictions	-	-	-	7,605,282	7,605,282
Total net assets	<u>7,317,746</u>	<u>1,451,615</u>	<u>8,769,361</u>	<u>125,166,121</u>	<u>133,935,482</u>
Total liabilities and net assets	<u>\$ 21,532,505</u>	<u>\$ 1,451,615</u>	<u>\$ 22,984,120</u>	<u>\$ 137,711,721</u>	<u>\$ 160,695,841</u>

KnowledgeWorks Foundation

Consolidating Statement of Activities Information

Year Ended June 30, 2022

	Student Loan Program			KnowledgeWorks Foundation		Knowledge Works Consolidated
	Without Donor Restrictions	Eliminations	Total	Without Donor Restrictions	With Donor Restrictions	
KW2010						
Revenues, Gains (Losses) and Other Support						
Income from investments, net	\$ 947	\$ -	\$ 947	\$ 3,929,412	\$ 5,665	\$ 3,936,024
Interest and fees on student loans receivable, net	659,516	(339,599)	319,917	-	-	319,917
Other revenue	-	-	-	847,561	-	847,561
Grant revenue	-	-	-	116,430	1,044,224	1,160,654
Contract service revenue	-	-	-	1,827,483	-	1,827,483
Unrealized and realized loss on investment securities, net	-	-	-	(14,446,210)	-	(14,446,210)
Net assets released from restrictions	-	-	-	2,588,574	(2,588,574)	-
Total revenues, gains (losses) and other support	660,463	(339,599)	320,864	(5,136,750)	(1,538,685)	(6,354,571)
Cost of Debt						
Interest expense	169,366	-	169,366	-	-	169,366
Amortization	78,908	-	78,908	-	-	78,908
Total cost of debt	248,274	-	248,274	-	-	248,274
Net Revenue, Gains (Losses) and Other Support After Cost of Debt	412,189	(339,599)	72,590	(5,136,750)	(1,538,685)	(6,602,845)
Provision for Student Loan Loss	(20,753)	-	(20,753)	-	-	(20,753)
Unrealized Gain on Liability for Student Loan Program Residual	-	-	-	586,561	-	586,561
Program and Supporting Expenses						
Operating programs	-	-	-	7,022,768	-	7,022,768
Student lending programs	170,135	-	170,135	-	-	170,135
Other programs	-	-	-	1,269,125	-	1,269,125
Total program expenses	170,135	-	170,135	8,291,893	-	8,462,028
General and administrative	-	-	-	3,232,199	-	3,232,199
Total program and supporting expenses	170,135	-	170,135	11,524,092	-	11,694,227
Change in Net Assets	221,301	(339,599)	(118,298)	(16,074,281)	(1,538,685)	(17,731,264)
Net Assets, Beginning of Year	7,317,746	1,451,615	8,769,361	117,560,839	7,605,282	133,935,482
Net Assets, End of Year	\$ 7,539,047	\$ 1,112,016	\$ 8,651,063	\$ 101,486,558	\$ 6,066,597	\$ 116,204,218

KnowledgeWorks Foundation

Consolidating Statement of Activities Information

Year Ended June 30, 2021

	Student Loan Program			KnowledgeWorks Foundation		Knowledge Works
	Without Donor Restrictions			Without Donor	With Donor	Works
	KW2010	Eliminations	Total	Restrictions	Restrictions	Consolidated
Revenues, Gains (Losses) and Other Support						
Income from investments, net	\$ 380	\$ -	\$ 380	\$ 2,314,794	\$ 1,715	\$ 2,316,889
Interest and fees on student loans receivable, net	769,184	(397,298)	371,886	234	-	372,120
Other revenue	-	-	-	351,048	-	351,048
Grant revenue	-	-	-	1,000,000	4,205,276	5,205,276
Contract service revenue	-	-	-	1,371,169	-	1,371,169
Unrealized and realized gains on investment securities, net	-	-	-	25,045,293	-	25,045,293
Net assets released from restrictions	-	-	-	2,958,989	(2,958,989)	-
Total revenues, gains (losses) and other support	769,564	(397,298)	372,266	33,041,527	1,248,002	34,661,795
Cost of Debt						
Interest expense	190,341	-	190,341	-	-	190,341
Amortization	65,169	-	65,169	-	-	65,169
Total cost of debt	255,510	-	255,510	-	-	255,510
Net Revenue, Gains (Losses) and Other Support After Cost of Debt	514,054	(397,298)	116,756	33,041,527	1,248,002	34,406,285
Unrealized Loss on Liability for Student Loan Program Residual	-	-	-	(145,653)	-	(145,653)
Program and Supporting Expenses						
Operating programs	-	-	-	6,305,511	-	6,305,511
Student lending programs	187,013	-	187,013	-	-	187,013
Other programs	-	-	-	609,563	-	609,563
Total program expenses	187,013	-	187,013	6,915,074	-	7,102,087
General and administrative	-	-	-	4,317,799	-	4,317,799
Total program and supporting expenses	187,013	-	187,013	11,232,873	-	11,419,886
Change in Net Assets	327,041	(397,298)	(70,257)	21,663,001	1,248,002	22,840,746
Net Assets, Beginning of Year	6,990,705	1,848,913	8,839,618	95,897,838	6,357,280	111,094,736
Net Assets, End of Year	\$ 7,317,746	\$ 1,451,615	\$ 8,769,361	\$ 117,560,839	\$ 7,605,282	\$ 133,935,482