




KnowledgeWorks Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2025 and 2024



KnowledgeWorks Foundation
Contents
June 30, 2025 and 2024

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

Independent Auditor's Report

Board of Directors
KnowledgeWorks Foundation
Cincinnati, Ohio

Opinion

We have audited the consolidated financial statements of KnowledgeWorks Foundation and its subsidiary (Foundation), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 consolidated financial position of KnowledgeWorks Foundation and its subsidiary as of June 30, 2025 and 2024, and the changes in their net assets 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 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.

Forvis Mazars, LLP

Cincinnati, Ohio
October 30, 2025

KnowledgeWorks Foundation
Consolidated Statements of Financial Position
June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,051,627 | \$ 2,104,877 |
| Accounts receivable | 130,327 | 374,307 |
| Interest receivable | 60,841 | 79,581 |
| Grants receivable | 426,351 | 746,848 |
| Investments, at fair value | 118,975,257 | 116,990,414 |
| Other assets | 210,721 | 268,756 |
| Right-of-use assets - operating leases | 914,390 | 1,043,858 |
| Property and equipment, net | <u>88,182</u> | <u>158,894</u> |
| Total Assets | <u>\$ 123,857,696</u> | <u>\$ 121,767,535</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 833,840 | \$ 1,026,443 |
| Operating lease liabilities | 907,434 | 1,020,495 |
| Deferred revenue | <u>580,161</u> | <u>2,273,812</u> |
| Total Liabilities | <u>2,321,435</u> | <u>4,320,750</u> |
| Net Assets | | |
| Without donor restrictions | 120,570,142 | 115,857,426 |
| With donor restrictions | <u>966,119</u> | <u>1,589,359</u> |
| Total Net Assets | <u>121,536,261</u> | <u>117,446,785</u> |
| Total Liabilities And Net Assets | <u>\$ 123,857,696</u> | <u>\$ 121,767,535</u> |

KnowledgeWorks Foundation
Consolidated Statements of Activities
Years Ended June 30, 2025 and 2024

| | 2025 | | | 2024 | | |
|---|----------------------------|-------------------------|-----------------------|----------------------------|-------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Gains (Losses) and Other Support | | | | | | |
| Income from investments, net | \$ 2,357,434 | \$ 6,302 | \$ 2,363,736 | \$ 1,954,527 | \$ 35,593 | \$ 1,990,120 |
| Other revenue | - | - | - | 1,092 | - | 1,092 |
| Grant revenue | 25,187 | 521,211 | 546,398 | 1,635,205 | 1,012,871 | 2,648,076 |
| Contract service revenue | 3,074,045 | - | 3,074,045 | 3,538,550 | - | 3,538,550 |
| Unrealized and realized gains on investment securities, net | 11,743,147 | - | 11,743,147 | 11,797,135 | - | 11,797,135 |
| Net assets released from restrictions | 1,150,753 | (1,150,753) | - | 3,036,644 | (3,036,644) | - |
| Total Revenues, Gains (Losses) and Other Support | 18,350,566 | (623,240) | 17,727,326 | 21,963,153 | (1,988,180) | 19,974,973 |
| Program and Supporting Expenses | | | | | | |
| Operating programs | 8,248,932 | - | 8,248,932 | 10,583,334 | - | 10,583,334 |
| Other programs | 1,215,692 | - | 1,215,692 | 1,413,678 | - | 1,413,678 |
| Total Program Expenses | 9,464,624 | - | 9,464,624 | 11,997,012 | - | 11,997,012 |
| General and administrative | 4,173,226 | - | 4,173,226 | 4,005,836 | - | 4,005,836 |
| Total Program And Supporting Expenses | 13,637,850 | - | 13,637,850 | 16,002,848 | - | 16,002,848 |
| Change in Net Assets | 4,712,716 | (623,240) | 4,089,476 | 5,960,305 | (1,988,180) | 3,972,125 |
| Net Assets, Beginning of Year | 115,857,426 | 1,589,359 | 117,446,785 | 109,897,121 | 3,577,539 | 113,474,660 |
| Net Assets, End of Year | \$ 120,570,142 | \$ 966,119 | \$ 121,536,261 | \$ 115,857,426 | \$ 1,589,359 | \$ 117,446,785 |

KnowledgeWorks Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

| | Program Services | | | General and Administrative | Total |
|---|-----------------------|---------------------|------------------------------|----------------------------------|----------------------|
| | Operating Programs | Other Programs | Total Program Services | | |
| Salaries and benefits | \$ 5,264,398 | \$ 1,027,385 | \$ 6,291,783 | \$ 3,428,029 | \$ 9,719,812 |
| Grants made to other entities | 486,500 | 41,640 | 528,140 | - | 528,140 |
| Professional fees | 1,237,033 | 18,342 | 1,255,375 | 120,886 | 1,376,261 |
| Legal expense | - | - | - | 95,911 | 95,911 |
| Communications | 123,147 | - | 123,147 | 54,262 | 177,409 |
| Accounting and auditing fees | 2,733 | - | 2,733 | 88,998 | 91,731 |
| Travel | 433,937 | 38,731 | 472,668 | 28,862 | 501,530 |
| Meetings, conferences and convenings | 169,080 | 11,490 | 180,570 | 10,329 | 190,899 |
| Lease expense | 102,696 | 20,041 | 122,737 | 66,872 | 189,609 |
| Utilities & maintenance | 59,445 | 11,604 | 71,049 | 28,846 | 99,895 |
| Telephone | - | - | - | 621 | 621 |
| Insurance | 58,623 | 11,441 | 70,064 | 34,602 | 104,666 |
| Technology support | 4,244 | 830 | 5,074 | 2,518 | 7,592 |
| Internet and network | 261,688 | 26,091 | 287,779 | 69,137 | 356,916 |
| Equipment leasing | 9,634 | 1,883 | 11,517 | 5,706 | 17,223 |
| Office supplies | 2,848 | 557 | 3,405 | 5,906 | 9,311 |
| Postage and delivery | 7,705 | - | 7,705 | 2,688 | 10,393 |
| Printing and copying | 13,223 | - | 13,223 | 1,908 | 15,131 |
| Depreciation | - | - | - | 82,526 | 82,526 |
| Training and developmental materials | 3,420 | 205 | 3,625 | 22,772 | 26,397 |
| Recruiting | 474 | 125 | 599 | - | 599 |
| Subscriptions | 2,612 | 3,975 | 6,587 | 6,102 | 12,689 |
| Dues and memberships | 3,426 | 1,232 | 4,658 | 6,193 | 10,851 |
| Other | 2,066 | 120 | 2,186 | 9,552 | 11,738 |
| Total expenses included in the statement of activities | \$ 8,248,932 | \$ 1,215,692 | \$ 9,464,624 | \$ 4,173,226 | \$ 13,637,850 |

KnowledgeWorks Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

| | Program Services | | | General and Administrative | Total |
|---|-----------------------|---------------------|------------------------------|----------------------------------|----------------------|
| | Operating Programs | Other Programs | Total Program Services | | |
| Salaries and benefits | \$ 5,293,869 | \$ 1,195,066 | \$ 6,488,935 | \$ 3,008,975 | \$ 9,497,910 |
| Grants made to other entities | 725,308 | 43,169 | 768,477 | - | 768,477 |
| Professional fees | 2,613,394 | 19,494 | 2,632,888 | 244,158 | 2,877,046 |
| Legal expense | - | - | - | 24,984 | 24,984 |
| Communications | 57,683 | - | 57,683 | 85,805 | 143,488 |
| Accounting and auditing fees | 4,484 | - | 4,484 | 92,889 | 97,373 |
| Travel | 886,767 | 43,512 | 930,279 | 73,577 | 1,003,856 |
| Meetings, conferences and convenings | 380,654 | 12,209 | 392,863 | 30,937 | 423,800 |
| Office administration | 74,603 | 16,843 | 91,446 | 42,407 | 133,853 |
| Lease expense | 105,684 | 23,858 | 129,542 | 60,068 | 189,610 |
| Telephone | - | - | - | 609 | 609 |
| Insurance | 60,278 | 13,607 | 73,885 | 34,263 | 108,148 |
| Technology support | 39,954 | 9,018 | 48,972 | 22,703 | 71,675 |
| Internet and network | 269,205 | 26,212 | 295,417 | 61,383 | 356,800 |
| Equipment leasing | 10,452 | 2,359 | 12,811 | 6,093 | 18,904 |
| Office supplies | 6,174 | 478 | 6,652 | 12,786 | 19,438 |
| Postage and delivery | 10,264 | - | 10,264 | 2,038 | 12,302 |
| Printing and copying | 19,180 | - | 19,180 | 299 | 19,479 |
| Depreciation | - | - | - | 90,848 | 90,848 |
| Training and developmental materials | 16,820 | 1,055 | 17,875 | 61,788 | 79,663 |
| Recruiting | 25 | - | 25 | 315 | 340 |
| Subscriptions | 1,967 | 3,701 | 5,668 | 6,050 | 11,718 |
| Dues and memberships | 1,474 | 3,097 | 4,571 | 6,323 | 10,894 |
| Other | 5,095 | - | 5,095 | 36,538 | 41,633 |
| Total expenses included in the statement of activities | <u>\$ 10,583,334</u> | <u>\$ 1,413,678</u> | <u>\$ 11,997,012</u> | <u>\$ 4,005,836</u> | <u>\$ 16,002,848</u> |

KnowledgeWorks Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 4,089,476 | \$ 3,972,125 |
| Items not requiring (providing) cash | | |
| Depreciation and amortization | 82,526 | 90,848 |
| Loss (gain) on disposal of property and equipment | 477 | (5,228) |
| Unrealized and realized gains on investment securities, net | (11,743,147) | (11,797,135) |
| Noncash operating lease expense | 129,468 | 126,219 |
| Changes in assets and liabilities | | |
| Accounts receivable | 243,980 | (148,809) |
| Grants receivable | 320,497 | 173,405 |
| Interest receivable | 18,740 | 14,489 |
| Other assets | 58,035 | 66,362 |
| Deferred revenue | (1,693,651) | (1,349,553) |
| Accounts payable and accrued expenses | (192,603) | (248,427) |
| Operating lease liabilities | (113,061) | (106,395) |
| Net Cash Used In Operating Activities | <u>(8,799,263)</u> | <u>(9,212,099)</u> |
| Cash Flows From Investing Activities | | |
| Purchases of property and equipment | (12,291) | (60,574) |
| Purchases of investments | (26,864,563) | (23,495,627) |
| Proceeds from maturities and sales of investments | 36,622,867 | 27,773,955 |
| Net Cash Provided By Investing Activities | <u>9,746,013</u> | <u>4,217,754</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 946,750 | (4,994,345) |
| Cash and Cash Equivalents, Beginning of Year | <u>2,104,877</u> | <u>7,099,222</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 3,051,627</u> | <u>\$ 2,104,877</u> |
| Supplemental Disclosures of Cash Flows Information | | |
| Right-of-use assets obtained in exchange for new operating lease liabilities | \$ - | \$ 49,311 |

Note 1. Nature of Operations and Basis of Presentation

Nature of Operations

KnowledgeWorks Foundation (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).

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; and (2) KWI, which manages the Foundation's investment portfolio. All intercompany transactions and balances have been eliminated in consolidation.

Program and supporting expenses are classified in three categories in the consolidated statements of activities and the consolidated statements of functional expenses, including operating 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking and money market accounts held at financial institutions. At June 30, 2025, the Foundation's cash accounts exceeded federally insured limits by approximately \$2,846,000, 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 \$299,000 and \$274,000 for the years ended June 30, 2025 and 2024, 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.

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, adjusted for current conditions and reasonable and supportable forecasts.

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, 2025 and 2024.

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.

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.

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. As of June 30, 2024, the Foundation had received conditional promises to give of approximately \$1,379,000 that were not yet recognized in the consolidated financial statements. There were no significant conditional promises to give that had been received and not yet recognized as of June 30, 2025.

KnowledgeWorks Foundation
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024, the Foundation had made future conditional promises to give of approximately \$50,000 and \$204,500 to one and five nonprofit organizations over the next fiscal year, respectively.

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.

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>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Financial assets available to meet general expenditures over the next twelve months | | |
| Cash and cash equivalents | \$ 3,051,627 | \$ 2,104,877 |
| Accounts receivable | 130,327 | 374,307 |
| Grants receivable | 260,300 | 596,848 |
| Investments, not restricted by donors, available to meet general expenditures over the next twelve months as approved by the Board of Directors | <u>8,926,000</u> | <u>9,269,077</u> |
| Total financial assets available to meet general expenditures over the next twelve months | <u>\$ 12,368,254</u> | <u>\$ 12,345,109</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.

KnowledgeWorks Foundation
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

The Foundation's goal is generally to maintain financial assets without donor or other restrictions to meet 90 days of operating expenses (approximately \$3.1 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$10,000,000, which it could draw upon (see Note 5).

Note 4. Property and Equipment

Property and equipment as of June 30, 2025 and 2024, are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|--|------------------|-------------------|
| Furniture and fixtures | \$ 234,798 | \$ 234,798 |
| Computer hardware and software | 129,012 | 144,967 |
| Equipment | 211,303 | 211,303 |
| Leasehold improvements | <u>4,770</u> | <u>4,770</u> |
| Total property and equipment | 579,883 | 595,838 |
| Less accumulated depreciation and amortization | <u>(491,701)</u> | <u>(436,944)</u> |
| Property and equipment, net | <u>\$ 88,182</u> | <u>\$ 158,894</u> |

Note 5. Line of Credit

The Foundation has a \$10,000,000 margin line of credit with a bank that is terminable by either party at any time, subject to the terms of the note. No amounts were borrowed against this line at June 30, 2025 and 2024. The line is collateralized by the Foundation's investments held by the bank. Interest is payable monthly and varies with the Secured Overnight Financing Rate (SOFR) plus 1.2%.

Note 6. Employee Benefit Plan

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, 2025 and 2024, approximated \$363,000 and \$376,000, respectively, and is included in the accompanying consolidated statements of functional expenses in salaries and benefits.

KnowledgeWorks Foundation
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 7. 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:

| | <u>2025</u> | <u>2024</u> |
|------------------------------|-------------------|---------------------|
| KW in Schools | \$ 456,362 | \$ 383,090 |
| Policy & Strategic Foresight | 375,027 | 1,206,269 |
| Impact & Improvement | 134,730 | - |
| | <u>\$ 966,119</u> | <u>\$ 1,589,359</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:

| | <u>2025</u> | <u>2024</u> |
|------------------------------|---------------------|---------------------|
| KW in Schools | \$ 577,878 | \$ 851,269 |
| Policy & Strategic Foresight | 557,875 | 1,307,672 |
| Impact & Improvement | 15,000 | 877,703 |
| | <u>\$ 1,150,753</u> | <u>\$ 3,036,644</u> |

Note 8. 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 commencement, 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 a lease for office space that expires in 2031 and equipment leases that expire in various years through 2029. The office space 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 for the office space 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.

KnowledgeWorks Foundation
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Quantitative Disclosures

Total lease cost for the years ended June 30, 2025 and 2024 was approximately \$190,000. The remaining lease term at June 30, 2025 and 2024 is approximately 5.8 years and 6.8 years, respectively.

Future minimum lease payments and reconciliation to the consolidated statements of financial position at June 30, 2025, are as follows:

| | | |
|--|----|-----------------------|
| 2026 | \$ | 192,322 |
| 2027 | | 195,807 |
| 2028 | | 197,513 |
| 2029 | | 201,293 |
| 2030 | | 195,968 |
| Thereafter | | <u>150,129</u> |
| Total future undiscounted lease payments | | 1,133,032 |
| Less interest | | <u>(225,598)</u> |
| Lease liabilities | \$ | <u><u>907,434</u></u> |

Note 9. 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, 2025 and 2024, substantially all contract service 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:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|--------------|--------------|
| Receivables, beginning of year | \$ 374,307 | \$ 223,583 |
| Receivables, end of year | 130,327 | 374,307 |
| Deferred revenue, beginning of year | \$ 2,273,812 | \$ 3,623,365 |
| Deferred revenue, end of year | 580,161 | 2,273,812 |

Note 10. 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

Recurring Measurements

The following tables present the fair value measurements of assets 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, 2025 and 2024:

| | Total Fair Value | Fair Value Measurements Using | | | Investments Measured at NAV ^(A) |
|--|------------------------|---|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| June 30, 2025 | | | | | |
| Assets | | | | | |
| Investments | | | | | |
| U.S. Equities | | | | | |
| Large cap core stock fund | \$ 36,980,099 | \$ 36,980,099 | \$ - | \$ - | \$ - |
| Large cap growth stock fund | 2,626,910 | 2,626,910 | - | - | - |
| Small cap value stock fund | 777,389 | 777,389 | - | - | - |
| International Equities | | | | | |
| Developed country funds | 16,919,610 | 16,919,610 | - | - | - |
| Emerging market fund | 6,409,463 | 6,409,463 | - | - | - |
| Fixed income securities - strategic income fund | 15,690,020 | 15,690,020 | - | - | - |
| Real assets - commodities, real estate and real return fund | 10,290,266 | 10,290,266 | - | - | - |
| Hedge funds and private equity | | | | | |
| Diversified strategy | 12,866,591 | - | - | - | 12,866,591 |
| Distressed debt hedge fund | 359,479 | - | - | - | 359,479 |
| Private equity funds | 16,055,430 | - | - | - | 16,055,430 |
| Total investments | <u>\$ 118,975,257</u> | <u>\$ 89,693,757</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29,281,500</u> |

KnowledgeWorks Foundation
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

| | Fair Value Measurements Using | | | | Investments Measured at NAV ^(A) |
|---|-------------------------------|--|---|---|--|
| | Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| June 30, 2024 | | | | | |
| Assets | | | | | |
| Investments | | | | | |
| U.S. Equities | | | | | |
| Large cap core stock fund | \$ 33,301,308 | \$ 33,301,308 | \$ - | \$ - | \$ - |
| Large cap growth stock fund | 3,960,802 | 3,960,802 | - | - | - |
| Mid cap core stock fund | 1,261,984 | 1,261,984 | - | - | - |
| Small cap value stock fund | 1,141,131 | 1,141,131 | - | - | - |
| International Equities | | | | | |
| Developed country funds | 15,047,731 | 15,047,731 | - | - | - |
| Emerging market fund | 5,408,190 | 5,408,190 | - | - | - |
| Global equity | 649,217 | 649,217 | - | - | - |
| Fixed income securities - strategic income fund | 19,389,051 | 19,389,051 | - | - | - |
| Real assets - commodities, real estate and real return fund | 9,865,131 | 9,865,131 | - | - | - |
| Hedge funds and private equity | | | | | |
| Diversified strategy | 12,339,118 | - | - | - | 12,339,118 |
| Distressed debt hedge fund | 311,547 | - | - | - | 311,547 |
| Private equity funds | 14,315,204 | - | - | - | 14,315,204 |
| Total investments | \$ 116,990,414 | \$ 90,024,545 | \$ - | \$ - | \$ 26,965,869 |

(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 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 pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2025.

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, 2025 and 2024

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, 2025 | | | |
|--------------------|----------------------|-----------------------------|-----------------------------|---------------------------------|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Hedge funds (A) | \$ 13,226,070 | \$ - | Quarterly | 65-70 days |
| Private equity (B) | 16,055,430 | 14,573,779 | N/A | N/A |
| | <u>\$ 29,281,500</u> | <u>\$ 14,573,779</u> | | |

| | June 30, 2024 | | | |
|--------------------|----------------------|-----------------------------|-----------------------------|---------------------------------|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Hedge funds (A) | \$ 12,650,665 | \$ - | Quarterly | 65-70 days |
| Private equity (B) | 14,315,204 | 8,810,216 | N/A | N/A |
| | <u>\$ 26,965,869</u> | <u>\$ 8,810,216</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.

Note 11. 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 77 and 90 percent of all grant revenue was received from two and three donors in 2025 and 2024, respectively.

Contract Service Revenue

Approximately 70 and 62 percent of all contract service revenue was received from three and two customers in 2025 and 2024, respectively.

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.

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, 2025, 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.

Note 12. Subsequent Events

The Foundation has evaluated subsequent events through October 30, 2025, 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.