KnowledgeWorks Foundation

Consolidated Financial Statements and Supplemental Schedules as of and for the Years Ended June 30, 2017 and 2016, and Independent Auditors' Report

KNOWLEDGEWORKS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KnowledgeWorks Foundation:

We have audited the accompanying consolidated financial statements of KnowledgeWorks Foundation and its subsidiaries (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KnowledgeWorks Foundation and its subsidiaries as of June 30, 2017 and 2016, 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.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Foundation's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

October 27, 2017

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CASH AND CASH EQUIVALENTS	$ 5,710,165	$ 5,494,302
ACCOUNTS RECEIVABLE	74,480	431,619
INTEREST RECEIVABLE:		
Investments	5,799	7,975
Student loans	1,352,960	1,371,527
GRANTS RECEIVABLE	847,880	188,020
INVESTMENTS—At fair value	118,555,422	114,247,896
RESTRICTED CASH AND CASH EQUIVALENTS	1,144,773	1,329,421
ASSETS OF DISCONTINUED OPERATIONS		3,248,960
STUDENT LOANS RECEIVABLE	38,577,719	44,534,913
OTHER	416,321	324,233
PROPERTY AND EQUIPMENT—Net	592,744	748,862
TOTAL	$ 167,278,263	$ 171,927,728
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 5,013,334	$ 4,804,504
INTEREST PAYABLE	70,637	63,189
LIABILITIES OF DISCONTINUED OPERATIONS		339,825
STUDENT LOAN PROGRAM RESIDUAL	5,659,213	5,009,519
DEFERRED REVENUE	525,268	151,807
BONDS PAYABLE, net	31,383,834	37,240,745
Total liabilities	42,652,286	47,609,589
COMMITMENTS AND CONTINGENCIES (Note 9)		
UNRESTRICTED NET ASSETS	122,070,812	119,880,207
TEMPORARILY RESTRICTED NET ASSETS	2,555,165	4,437,932
Total net assets	124,625,977	124,318,139
TOTAL	$ 167,278,263	$ 171,927,728

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES:						
Income from investments—net	$ 1,196,013	$	$ 1,196,013	$ 1,269,548	$	$ 1,269,548
Interest and fees on student loans receivable—net	839,129		839,129	832,396		832,396
Other revenue	220,322		220,322	218,048		218,048
Grant revenue	22,823	2,682,178	2,705,001	171,873	871,127	1,043,000
Contract service revenue	1,523,036		1,523,036	2,120,678		2,120,678
Unrealized and realized gains (losses) on investment securities—net	14,029,451		14,029,451	(8,464,659)		(8,464,659)
Net assets released from restriction	2,176,147	(2,176,147)		1,058,672	(1,058,672)	
Total revenues	20,006,921	506,031	20,512,952	(2,793,444)	(187,545)	(2,980,989)
COST OF DEBT:						
Interest expense	669,597		669,597	592,458		592,458
Amortization	140,295		140,295	163,735		163,735
Total cost of debt	809,892		809,892	756,193		756,193
NET REVENUE AFTER COST OF DEBT	19,197,029	506,031	19,703,060	(3,549,637)	(187,545)	(3,737,182)
PROVISION FOR STUDENT LOAN LOSS	(33,708)		(33,708)	(53,673)		(53,673)
UNREALIZED LOSS ON LIABILITY FOR STUDENT LOAN PROGRAM RESIDUAL	(649,694)		(649,694)	(1,510,943)		(1,510,943)
PROGRAM AND SUPPORTING EXPENSES:						
Operating programs	5,199,690		5,199,690	5,314,393		5,314,393
Student loan programs	707,277		707,277	482,901		482,901
Other programs	3,366,316		3,366,316	2,834,947		2,834,947
General and administrative	4,527,674		4,527,674	5,385,851		5,385,851
Total program and supporting expenses	13,800,957		13,800,957	14,018,092		14,018,092
INCREASE (DECREASE) IN NET ASSETS—From continuing operations	4,712,670	506,031	5,218,701	(19,132,345)	(187,545)	(19,319,890)
DISCONTINUED OPERATIONS:						
Increase (decrease) in net assets from StriveTogether LLC operations	(2,409,338)	4,233,528	1,824,190	22,959	(1,015,793)	(992,834)
Net gain on contribution of StriveTogether, LLC	364,947		364,947			
Contribution of StriveTogether, LLC to StriveTogether Inc.	(477,674)	(6,622,326)	(7,100,000)			
(DECREASE) INCREASE IN NET ASSETS—From discontinued operations	(2,522,065)	(2,388,798)	(4,910,863)	22,959	(1,015,793)	(992,834)
INCREASE (DECREASE) IN NET ASSETS	2,190,605	(1,882,767)	307,838	(19,109,386)	(1,203,338)	(20,312,724)
NET ASSETS—Beginning of year	119,880,207	4,437,932	124,318,139	138,989,593	5,641,270	144,630,863
NET ASSETS—End of year	$ 122,070,812	$ 2,555,165	$ 124,625,977	$ 119,880,207	$ 4,437,932	$ 124,318,139

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Operating Programs	Student Loan Programs	Other Programs	Total Program Expenses	General and Administrative	Total Program and Supporting Expenses
Salaries and benefits	$ 2,370,970	$	$1,236,502	$ 3,607,472	$2,624,734	$ 6,232,206
Grants made to other entities	348,633	450,650	545,439	1,344,722		1,344,722
Professional fees	1,393,389		1,177,989	2,571,378	193,172	2,764,550
Legal expense	4,558		723	5,281	194,630	199,911
Communications	74,013		201	74,214	51,811	126,025
Accounting/auditing fees	289	23,180		23,469	171,033	194,502
Travel	571,180		280,979	852,159	133,221	985,380
Meetings, conferences and convenings	215,473		69,481	284,954	46,838	331,792
Office administration	73,900		4,378	78,278	286,967	365,245
Telephone	27,925		11,474	39,399	23,981	63,380
Insurance					150,885	150,885
Technology support	340		1,192	1,532	117,846	119,378
Internet and network	15,314		1,523	16,837	145,738	162,575
Equipment leasing	7,700			7,700	26,023	33,723
Office supplies	8,331		4,078	12,409	39,043	51,452
Postage and delivery	6,724		9,147	15,871	4,450	20,321
Printing and copying	1,682		12,340	14,022	159	14,181
Depreciation	8,503			8,503	201,233	209,736
Training and development materials	63,426		5,936	69,362	29,842	99,204
Recruiting	460			460	21,815	22,275
Subscriptions	1,068		1,131	2,199	9,212	11,411
Dues and memberships	4,031		2,306	6,337	12,101	18,438
Other	1,781		1,497	3,278	42,940	46,218
Loan servicing fees		97,431		97,431		97,431
Trustee and admin fees		136,016		136,016		136,016
Total program and supporting expenses	$ 5,199,690	$707,277	$3,366,316	$ 9,273,283	$4,527,674	$13,800,957

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Operating Programs	Student Loan Programs	Other Programs	Total Program Expenses	General and Administrative	Total Program and Supporting Expenses
Salaries and benefits	$2,277,263	$	$1,330,369	$ 3,607,632	$ 3,376,042	$ 6,983,674
Grants made to other entities	606,334	156,500	294,859	1,057,693		1,057,693
Professional fees	1,323,794		705,942	2,029,736	166,135	2,195,871
Legal expense	31,629	51		31,680	212,165	243,845
Communications	74,668		2,407	77,075	56,448	133,523
Accounting/auditing fees	596	23,176		23,772	178,436	202,208
Travel	568,045		292,473	860,518	138,844	999,362
Meetings, conferences and convenings	200,136		61,960	262,096	53,815	315,911
Office administration	52,400		3,030	55,430	297,415	352,845
Telephone	25,007		9,795	34,802	25,239	60,041
Insurance				-	159,271	159,271
Technology support	180		94	274	126,455	126,729
Internet and network	5,534		1,017	6,551	187,182	193,733
Equipment leasing	4,800			4,800	34,576	39,376
Office supplies	3,923		3,354	7,277	39,491	46,768
Postage and delivery	3,254		16,473	19,727	1,083	20,810
Printing and copying	7,554		76,366	83,920	132	84,052
Depreciation	6,362			6,362	203,996	210,358
Training and development materials	105,673		3,025	108,698	44,645	153,343
Recruiting	12,000			12,000	14,225	26,225
Subscriptions	1,034		1,345	2,379	27,321	29,700
Dues and memberships	1,820		31,556	33,376	14,278	47,654
Other	2,387		882	3,269	28,657	31,926
Loan servicing fees		107,809		107,809		107,809
Trustee and admin fees		195,365		195,365		195,365
Total program and supporting expenses	$5,314,393	$482,901	$2,834,947	$ 8,632,241	$ 5,385,851	$14,018,092

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from continuing operations	$ 5,218,701	$ (19,319,890)
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation and amortization	552,400	604,655
Unrealized and realized (gains) losses on investment securities—net	(14,029,451)	8,464,659
Provision for student loan loss	33,708	53,673
Unrealized loss on liability for student loan program residual	649,694	1,510,943
Change in operating assets and liabilities:		
Accounts receivable	357,139	17,206
Grants receivable	(659,860)	19,255
Interest receivable	20,743	(93,171)
Other assets	(92,088)	(70,039)
Interest payable	7,448	7,586
Deferred revenue	373,461	(97,387)
Accounts payable and accrued expenses	208,830	988,460
Net cash flows used in continuing operating activities	(7,359,275)	(7,914,050)
Net cash flows (used in) provided by discontinued operating activities	(2,008,668)	1,796,004
Cash flows used in operating activities	(9,367,943)	(6,118,046)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal repayments on student loans	5,721,117	6,674,244
Purchases of fixed assets	(53,618)	(80,090)
Purchases of investments	(39,303,445)	(27,955,282)
Proceeds from maturities and sales of investments	49,025,370	33,393,421
Investments in restricted cash and cash equivalents	(7,730,484)	(8,916,429)
Withdrawals of restricted cash and cash equivalents	7,915,132	9,218,812
Net cash flows provided by continuing investing activities	15,574,072	12,334,676
Net cash flows provided by (used in) discontinued investing activities	6,940	(7,071)
Net cash flows provided by investing activities	15,581,012	12,327,605
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on bonds payable	(5,997,206)	(6,999,153)
Net cash flows used in continuing financing activities	(5,997,206)	(6,999,153)
Net cash flows used by discontinued financing activities		
Net cash flows used in financing activities	(5,997,206)	(6,999,153)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,863	(789,594)
CASH AND CASH EQUIVALENTS—Beginning of year	5,494,302	6,283,896
CASH AND CASH EQUIVALENTS—End of year	$ 5,710,165	$ 5,494,302
SUPPLEMENTAL DISCLOSURE—Interest paid:		
Continuing operations	$ 662,149	$ 584,872

See notes to consolidated financial statements.

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, 2017, the only remaining student loan activities relate to the KW2010 Program. See Note 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; EdWorks, LLC; StriveTogether, LLC and StrivePartnership, LLC, which conduct the Foundation's Program Operation activities; (2) KWI, which manages the Foundation's investment portfolio; and (3) KWSL, LLC; and KnowledgeFunding Ohio, Inc. (KFO), which have historically engaged in student loan activities. All intercompany transactions and balances have been eliminated.

Effective March 31, 2017, the Foundation contributed StriveTogether, LLC (ST) to StriveTogether, Inc., an independent non-profit organization. The assets and liabilities relating to ST have been classified as assets and liabilities of discontinued operations in the accompanying consolidated statements of financial position, while the activities of ST have been presented as discontinued operations in the accompanying consolidated statements of activities and cash flows. See Note 3 for further discussion.

Program and supporting expenses are classified in four categories in the consolidated statements of activities and the consolidated statements of functional expense, including operating programs, student loan programs, other programs and general and administrative. Operating programs include the school and community activities relating to EdWorks, LLC and StrivePartnership, LLC. Other programs include national and local policy efforts, thought leadership and strategy and grant-making activities.

2. SUMMARY OF ACCOUNTING POLICIES

Cash and Cash Equivalents—Cash and cash equivalents consist of cash in checking and money market accounts. The Foundation maintains cash balances at financial institutions with strong credit ratings. At times, cash and money market balances may be in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts.

Investments—Investments primarily consisting of equity securities and mutual funds are carried at current fair values based upon quoted market prices. Investments also include certain nonregistered funds which are carried at current fair value based on information provided by the fund managers. Unrealized gains and losses resulting from changes in fair values are recognized in the consolidated statements of activities. 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. Income from investments is reported net of related expenses of $679,000 and $537,000 for the years ended June 30, 2017 and 2016, respectively.

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 consist of fee for contract service revenues receivable. Management believes all receivables are collectible. Management bases this assessment on specific analysis of outstanding balances at year-end.

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.

Probable losses on student loans receivable can result from deficient servicing, risk sharing on defaults, and on uninsured loans. The allowance for loan losses (an insignificant amount as of June 30, 2017 and 2016) is based upon the Foundation's ongoing evaluation of the loan portfolios, past and anticipated loss experience, and the amount and quality of the loans. The allowance is maintained at a level that the Foundation believes is adequate to absorb probable losses, but the evaluation is inherently subjective and the required allowance may significantly change in the future.

Deferred Revenue—Deferred revenue consists of amounts collected on fee 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 services are performed.

Student Loan Program Residual—The student loan program residual is recorded at fair value in the accompanying consolidated statements of financial position. Unrealized changes in the fair value of the student loan program residual liability are recorded as unrealized losses in the accompanying consolidated statements of activities for the years ended June 30, 2017 and 2016.

Unrestricted Net Assets—Unrestricted net assets are free from donor imposed restrictions. These funds are maintained and distributed at the discretion of the Board of Directors of the Foundation.

Temporarily Restricted Net Assets—Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. These funds include amounts temporarily restricted by donors for certain operating purposes.

Depreciation and Amortization—Depreciation of property and equipment is provided over the estimated useful lives of the respective assets, which range from three to seven years, on a straight-line basis.

Use of Estimates in Financial Statements—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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—The Foundation recognizes revenue from grants when such grants are awarded by the donor. 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. Fee for contract service revenues is recognized as services are performed.

Grant-Making Activities—Conditional promises to give are recorded as contributions made in the period that they become unconditional. As of June 30, 2017, the Foundation had made a future conditional promise to give $400,659 to one non-profit organization over the next fiscal year.

Functional Expenses—Costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses; accordingly, certain costs have been allocated among benefited programs and supporting services.

Recent Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 is the result of a convergence project between the FASB and International Accounting Standards Board ("IASB") in an effort to create consistent standards in financial accounting. ASU 2014-09 is applicable to any entity who enters into contracts to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless they fall within the scope of other standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled to in exchange for these goods or services. ASU 2014-09 is effective for the year ending June 30, 2020 with early adoption permitted under specific circumstances. Management is in the process of evaluating the impact on the consolidated financial statements.

Effective July 1, 2015, the Foundation elected to early adopt the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities,* which requires retrospective treatment to all periods presented. Under the new accounting standard, the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public businesses was eliminated.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The Foundation adopted ASU 2015-03 during the fiscal year ended June 30, 2017 and applied such adoption retrospectively to the consolidated financial position as of June 30, 2016.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which represents a wholesale change to lease accounting. The standard introduces a lessee model that brings most leases on the balance sheet as well as aligning certain underlying principles of the new lessor model with those in Accounting Standards Codification ("ASC") 606. The new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Lessees and lessors are required to use a modified retrospective transition method for existing leases. Management is in the process of evaluating the impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entitles (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Adoption of FASB ASU 2016-14 will result in significant changes to financial reporting and disclosures for not-for-profit entities. FASB believes the update will improve not-for-profit entities' financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard is effective for annual financial staements issued for fiscal years beginning after December 15, 2017. Management is in the process of evaluating the impact on the consolidated financial statements.

Tax Status—The Foundation and subsidiaries have been recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) by the Internal Revenue Service (IRS) and favorable determination letters have been obtained. The Foundation has also been recognized as a public charity as defined in Section 509(a) of the IRC by the IRS. Any income not substantially related to the Foundation's exempt purpose may be considered unrelated business taxable income under Section 511 of the IRC and, as such, subject to tax at normal corporate rates. Management believes that the Foundation has operated consistent with the requirement to retain its tax-exempt status. As of June 30, 2017, a provision of $9,000 for income taxes is reflected in the consolidated financial statements in accounts payable and accrued expenses. As of June 30, 2016, no provision for income taxes is reflected in the consolidated financial statements. The Foundation believes it is no longer subject to examination by Federal and State taxing authorities for years prior to June 30, 2014.

The Foundation has analyzed tax positions taken for filing with the IRS and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial position, statement of activities, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2017 and 2016. In the event interest and penalties accrued on unrecognized tax benefits, the Foundation would recognize such amounts as a component of income tax expense.

3. DISCONTINUED OPERATIONS

On March 31, 2017, the Foundation contributed ST to StriveTogether Inc. As such, the financial position and the activities of ST have been presented as discontinued operations in the accompanying consolidated financial statements.

The following table provides a summary of ST's assets and liabilities classified as assets and liabilities of discontinued operations presented in the statement of financial position as of June 30, 2016 (amounts in thousands).

		2016
Assets of discontinued operations		
Cash and cash equivalents	$	2,185
Accounts receivable		155
Grants receivable		860
Other assets		35
Property and equipment, net		14
Total assets of discontinued operations	$	3,249
Liabilities of discontinued operations		
Accounts payable and accrued expenses	$	314
Deferred revenue		26
Total liabilities of discontinued operations	$	340

The following table provides a summary of ST's revenues and expenses from discontinued operations presented in the consolidated statements of activities for the years ended June 30, 2017 and 2016 (amounts in thousands).

		2017		2016
Revenue	$	7,282	$	3,876
Expenses		5,458		4,869
Net surplus (deficiency) of revenues over expenses		1,824		(993)
Gain on contribution of ST		365		
Contribution of net assets to StriveTogether Inc.		(7,100)		
Decrease in net assets	$	(4,911)	$	(993)

4. STUDENT LOANS RECEIVABLE

Student loans receivable consist primarily of loans made under the 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, 2017, the one month LIBOR rate in effect was 1.22%. 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 of continuing operations was approximately $438,000 and $911,000 during the years ended June 30, 2017 and 2016, 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 $136,000 and $205,000 as of June 30, 2017 and 2016, 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 $428,000 and $457,000 during 2017 and 2016, respectively, and is included in the consolidated statements of activities as a component of interest and fees on student loans receivable.

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

	2017	**2016**
Stafford	$ 2,030	$ 2,361
PLUS	572	706
Consolidation	34,571	39,861
Net unamortized loan premium	1,405	1,607
Total student loans receivable	$ 38,578	$ 44,535

The following table provides 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, 2017 (amounts in thousands):

	2017	%	Unguaranteed Amount
Loans in-school/grace/deferment	$ 2,009		$ 52
Loans in forbearance	3,328		85
Loans in repayment and percentage of each status:			
Loans current	28,638	90 %	736
Loans delinquent 31–60 days	902	3	23
Loans delinquent 61–90 days	694	2	18
Loans delinquent greater than 90 days	1,602	5	41
Total loans in repayment	31,836	100 %	818
Total loans	37,173		$ 955
Unamortized loan premium	1,405		
Student loans receivable	$ 38,578		
Percentage of loans in repayment		86 %	
Delinquencies as a percentage of loans in repayment		10 %	
Loans in forbearance as a percentage of loans in repayment and forbearance		9 %	

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, 2017, 57% of the FFELP loans were 97% guaranteed and 43% 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, 2017, the majority of FFELP student loans are guaranteed by Great Lakes Higher Education Guaranty Corporation and American Student Assistance.

The Foundation has entered into direct servicing agreements with two loan servicing agents, including Great Lakes Educational Loan Services Inc. (“Great Lakes”), and Conduent Education Services, LLC (“Conduent Education”). Great Lakes services approximately 78% and Conduent Education services approximately 22% of the Foundation’s loan portfolio as of June 30, 2017. The Foundation and its servicers 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 servicers are in compliance with the applicable regulations at June 30, 2017.

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, and that allowances are adequate, but not excessive, to absorb estimated credit losses associated with the loan portfolio at June 30, 2017 and 2016, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 are summarized as follows:

	2017	2016
Furniture and fixtures	$ 434,193	$ 434,193
Computer hardware and software	235,191	1,144,528
Equipment	778,971	1,355,947
Leasehold improvements	1,328,338	1,328,338
Total property and equipment	2,776,693	4,263,006
Less accumulated depreciation and amortization	(2,183,949)	(3,514,144)
Property and equipment—net	$ 592,744	$ 748,862

6. BONDS PAYABLE

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

2017	Interest Rate at June 30	Total Outstanding
LIBOR floating rate taxable bonds maturing in fiscal year 2042	2.14 %	$ 31,692
Less deferred financing costs, net $494 of accumulated amortization		(308)
Total bonds payable, net		$ 31,384

2016	Interest Rate at June 30	Total Outstanding
LIBOR floating rate taxable bonds maturing in fiscal year 2042	1.61 %	$ 37,606
Less deferred financing costs, net $436 of accumulated amortization		(365)
Total bonds payable, net		$ 37,241

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.

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, 2017 and 2016 of approximately $5.7 million and $5 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 2017 and 2016, the Foundation made principal payments totaling approximately $6 million and $7 million, respectively.

The Foundation is subject to certain restrictive covenants under the indentures of trust related to the bonds. 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, 2017 and 2016, management believes the Foundation is in compliance with these requirements. The debt obligations are collateralized by certain of the Foundation’s assets, primarily comprised at June 30, 2017 and 2016 of student loans receivable of $38.6 million and $44.5 million and of restricted cash and cash equivalents of approximately $1.1 million and $1.3 million, respectively.

The respective bond indentures established the following special trust accounts for each bond series, unless otherwise indicated:

Loan Accounts—The loan accounts are used to account for the proceeds of bond issues not required to be deposited in the debt service reserve accounts. Generally, amounts in the loan accounts may be expended (a) to finance eligible student loans (as defined in the indenture of trust), (b) to pay bond issue costs, and (c) to make deposits to the revenue accounts for the purpose of paying principal and/or interest on the bonds.

Revenue Accounts—The revenue accounts are used to account for all revenues received into the student loan trust accounts. Generally, amounts in the revenue accounts are used (a) to make principal and/or interest payments on the bonds, (b) to fund debt service reserve accounts, (c) to pay estimated program expenses to the operating account, and (d) to reimburse the issuers of insurance guaranteeing the bonds for amounts borrowed under the terms of the policies. Excess amounts in the revenue account may be transferred to the loan accounts or to optional redemption accounts.

Operating Accounts—Amounts deposited in operating accounts are used to pay reasonable and necessary program expenses for the bond issues.

Rebate Accounts—Amounts deposited in the rebate accounts are used to pay the U.S. Treasury amounts required by Section 148 of the IRC.

Debt Service Reserve Accounts—The debt service reserve accounts are used by the trustee to pay principal, interest, and any premiums on the bonds when the funds in the loan and/or operating accounts are insufficient.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for fair value measurements. Fair values are generally based upon quoted market prices, where available. In the event that market prices or quotes are not available, fair value is based upon market data and may involve the use of industry experts. Fair value measurements are grouped into a three-level valuation hierarchy. The valuation hierarchy is based on the transparency of inputs to the valuation of the financial instruments as of the valuation date. The three levels are defined as follows:

Level 1—Inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs are unobservable and considered significant to the fair value measurement.

A financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used, as well as the general classification of such instruments pursuant to the hierarchy.

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.

Private Investment Funds—The Foundation invests in a variety of private investment funds, including common trust funds, 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 have not been classified in the fair value hierarchy since such investments are reported at net asset value.

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.

The following table sets forth by level within the fair value hierarchy a summary of the Foundation's investments and student loan program residual measured at fair value at June 30, 2017 and 2016.

	2017	2016
Investments:		
Quoted prices in active markets for identical assets (Level 1):		
U.S. equities:		
Large cap stock fund	$ 158,148	$ 244,377
Mid cap core stock fund	5,820,699	4,655,145
Mid cap value stock fund		4,427,072
Small cap index fund	5,703,672	
International equities:		
Developed country funds	5,888,494	15,899,216
Emerging market fund	3,185,159	2,716,613
Fixed income securities—Strategic income fund	6,159,539	6,647,856
Real assets—Commodities and real return fund	1,690,920	2,808,391
Blended index fund	5,127,858	
	33,734,489	37,398,670
Private investment funds measured at net asset value:		
U.S. equities—Large cap value stock fund	17,811,987	21,905,602
International equities:		
Developed countries	4,524,072	3,960,865
Emerging market fund	6,860,632	3,412,132
Global equities	8,163,096	
Real assets—Real Estate	6,419,282	3,647,912
Global asset allocation	5,440,347	7,365,877
Emerging markets—Emerging market blended debt	5,822,749	5,693,310
Hedge funds and private equity:		
Capital appreciation	5,464,784	4,073,349
Distressed debt hedge fund	4,911,478	6,593,790
Long/short hedge funds	4,092,187	4,258,008
Multi-strategy hedge fund	4,534,845	8,507,063
Global macro strategy	5,313,456	
Distressed European securities	2,690,688	
Fund of funds	2,469,844	6,895,004
Private equity funds	301,486	536,314
	84,820,933	76,849,226
	$118,555,422	$114,247,896
Liabilities:		
Significant other unobservable inputs (Level 3)—		
Student loan program residual	$ 5,659,213	$ 5,009,519

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3), as of June 30:

Student Loan Program Residual	2017	2016
Beginning balance	$5,009,519	$3,498,576
Unrealized losses in operations	649,694	1,510,943
Ending balance	$5,659,213	$5,009,519

There were no financial assets or liabilities transferred into or out of the Level 3 category for any of the periods presented.

8. 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 of continuing operations for the years ended June 30, 2017 and 2016, approximated $423,000 and $547,000, respectively, included in the accompanying consolidated statements of functional expenses in salaries and benefits.

9. COMMITMENTS AND CONTINGENCIES

The Foundation leases office space and certain equipment under operating lease agreements, which expire between June 2018 and December 2021. Rent expense of continuing operations for the office space and equipment operating leases amounted to approximately $326,000 and $327,000 for the fiscal years ended June 30, 2017 and 2016, respectively.

The future minimum lease payments under such leases are as follows (in thousands):

Years Ending June 30	
2018	$417
2019	429
2020	416
2021	413
2022	206

The Foundation has entered into an investment subscription agreement totaling $1 million. As of June 30, 2017, the Foundation has funded approximately $950,000 of this investment. The remaining $50,000 will be recorded as additional investment securities when funded.

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. Management believes, after conversation with counsel, that no matters currently pending would have a material impact on the Foundation's consolidated financial position, activities or liquidity.

10. TEMPORARILY RESTRICTED NET ASSETS

Periodically the Foundation receives contributions and grants that contain donor imposed restrictions on the use of the contributed funds. As of June 30, 2017 and 2016, the Foundation had temporarily restricted net assets totaling $2.6 million and $4.4 million, respectively, restricted for various programs (in thousands):

	2017	2016
KW in Schools	$ 173	$ 82
Policy & Strategic Foresight	433	83
StriveTogether		2,389
StrivePartnership	1,949	1,884
Total temporarily restricted net assets	$ 2,555	$ 4,438

11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October __, 2017, 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.

* * * * * *

SUPPLEMENTAL SCHEDULES AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JUNE 30, 2017

	Student Loan Programs					Knowledge Works	Knowledge Works
	KW2010	KWSL	KFO	Eliminations	Total	Foundation	Consolidated
ASSETS							
CASH AND CASH EQUIVALENTS	$	$	$ 490,322	$	$ 490,322	$ 5,219,843	$ 5,710,165
ACCOUNTS RECEIVABLE—Net		36,829			36,829	37,651	74,480
INTEREST RECEIVABLE:							
Investments						5,799	5,799
Student loans	1,352,960				1,352,960		1,352,960
GRANTS RECEIVABLE						847,880	847,880
INVESTMENTS—At fair value						118,555,422	118,555,422
RESTRICTED CASH AND CASH EQUIVALENTS	1,144,773				1,144,773		1,144,773
STUDENT LOANS RECEIVABLE	35,094,488			3,483,231	38,577,719		38,577,719
OTHER						416,321	416,321
PROPERTY AND EQUIPMENT—Net						592,744	592,744
TOTAL	$37,592,221	$36,829	$ 490,322	$3,483,231	$41,602,603	$ 125,675,660	$ 167,278,263
LIABILITIES AND NET ASSETS							
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 181,019	$	$	$	$ 181,019	$ 4,832,315	$ 5,013,334
INTEREST PAYABLE	70,637				70,637		70,637
STUDENT LOAN PROGRAM RESIDUAL						5,659,213	5,659,213
DEFERRED REVENUE						525,268	525,268
BONDS PAYABLE	31,383,834				31,383,834		31,383,834
Total liabilities	31,635,490				31,635,490	11,016,796	42,652,286
COMMITMENTS AND CONTINGENCIES							
UNRESTRICTED NET ASSETS	5,956,731	36,829	490,322	3,483,231	9,967,113	112,103,699	122,070,812
TEMPORARILY RESTRICTED NET ASSETS						2,555,165	2,555,165
Total net assets	5,956,731	36,829	490,322	3,483,231	9,967,113	114,658,864	124,625,977
TOTAL	$37,592,221	$36,829	$ 490,322	$3,483,231	$41,602,603	$ 125,675,660	$ 167,278,263

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JUNE 30, 2016

	Student Loan Programs					Knowledge Works	Knowledge Works
	KW2010	KWSL	KFO	Eliminations	Total	Foundation	Consolidated
ASSETS							
CASH AND CASH EQUIVALENTS	$	$ 5,000	$ 940,972	$	$ 945,972	$ 4,548,330	$ 5,494,302
ACCOUNTS RECEIVABLE—Net		18,000			18,000	413,619	431,619
INTEREST RECEIVABLE:							
Investments						7,975	7,975
Student loans	1,371,527				1,371,527		1,371,527
GRANTS RECEIVABLE						188,020	188,020
INVESTMENTS—At fair value						114,247,896	114,247,896
RESTRICTED CASH AND CASH EQUIVALENTS	1,329,421				1,329,421		1,329,421
ASSETS OF DISCONTINUED OPERATIONS						3,248,960	3,248,960
STUDENT LOANS RECEIVABLE	40,322,292			4,212,621	44,534,913		44,534,913
OTHER						324,233	324,233
PROPERTY AND EQUIPMENT—Net						748,862	748,862
TOTAL	$43,023,240	$23,000	$ 940,972	$4,212,621	$48,199,833	$ 123,727,895	$ 171,927,728
LIABILITIES AND NET ASSETS							
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 256,479	$	$	$	$ 256,479	$ 4,548,025	$ 4,804,504
INTEREST PAYABLE	63,189				63,189		63,189
LIABILITIES OF DISCONTINUED OPERATIONS						339,825	339,825
STUDENT LOAN PROGRAM RESIDUAL						5,009,519	5,009,519
DEFERRED REVENUE						151,807	151,807
BONDS PAYABLE	37,240,745				37,240,745		37,240,745
Total liabilities	37,560,413				37,560,413	10,049,176	47,609,589
COMMITMENTS AND CONTINGENCIES							
UNRESTRICTED NET ASSETS	5,462,827	23,000	940,972	4,212,621	10,639,420	109,240,787	119,880,207
TEMPORARILY RESTRICTED NET ASSETS						4,437,932	4,437,932
Total net assets	5,462,827	23,000	940,972	4,212,621	10,639,420	113,678,719	124,318,139
TOTAL	$43,023,240	$23,000	$ 940,972	$4,212,621	$48,199,833	$ 123,727,895	$ 171,927,728

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	Student Loan Programs—Unrestricted					KnowledgeWorks Foundation		Knowledge Works
	KW2010	KWSL	KFO	Eliminations	Total	Unrestricted	Temporarily Restricted	Knowledge Works Consolidated
REVENUES (EXPENSES):								
Income from investments—net	$ 5,547	$	$	$	$ 5,547	$ 1,190,466	$	$ 1,196,013
Interest and fees on student loans receivable—net	1,565,404	3,115		(729,390)	839,129			839,129
Other revenue		220,322			220,322			220,322
Grant revenue						22,823	2,682,178	2,705,001
Contract service revenue						1,523,036		1,523,036
Unrealized and realized gaines on investment securities—net						14,029,451		14,029,451
Net assets released from restriction						2,176,147	(2,176,147)	
Total revenues (expenses)	1,570,951	223,437		(729,390)	1,064,998	18,941,923	506,031	20,512,952
COST OF DEBT:								
Interest expense	669,597				669,597			669,597
Amortization	140,295				140,295			140,295
Total cost of debt	809,892				809,892			809,892
NET REVENUE (EXPENSE) AFTER COST OF DEBT	761,059	223,437		(729,390)	255,106	18,941,923	506,031	19,703,060
PROVISION FOR STUDENT LOAN LOSS	(33,708)				(33,708)			(33,708)
UNREALIZED LOSS ON LIABILITY FOR STUDENT LOAN PROGRAM RESIDUAL						(649,694)		(649,694)
PROGRAM AND SUPPORTING EXPENSES:								
Operating programs						5,199,690		5,199,690
Student loan programs	233,447	23,180	450,650		707,277			707,277
Other programs						3,366,316		3,366,316
General and administrative						4,527,674		4,527,674
Total program and supporting expenses	233,447	23,180	450,650		707,277	13,093,680		13,800,957
TRANSFER OF NET ASSETS		(186,428)			(186,428)	186,428		
INCREASE (DECREASE) IN NET ASSETS—From continuing operations	493,904	13,829	(450,650)	(729,390)	(672,307)	5,384,977	506,031	5,218,701
DISCONTINUED OPERATIONS:								
Increase (decrease) in net assets from StriveTogether LLC operations						(2,409,338)	4,233,528	1,824,190
Contribution of StriveTogether LLC to StriveTogether Inc.						(477,674)	(6,622,326)	(7,100,000)
Net gain on contribution of StriveTogether LLC						364,947		364,947
DECREASE IN NET ASSETS—From discontinued operations						(2,522,065)	(2,388,798)	(4,910,863)
INCREASE (DECREASE) IN NET ASSETS	493,904	13,829	(450,650)	(729,390)	(672,307)	2,862,912	(1,882,767)	307,838
NET ASSETS—Beginning of year	5,462,827	23,000	940,972	4,212,621	10,639,420	109,240,787	4,437,932	124,318,139
NET ASSETS—End of year	$ 5,956,731	$ 36,829	$ 490,322	$ 3,483,231	$ 9,967,113	$ 112,103,699	$ 2,555,165	$ 124,625,977

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

	Student Loan Programs—Unrestricted					KnowledgeWorks Foundation		Knowledge Works
	KW2010	KWSL	KFO	Eliminations	Total	Unrestricted	Temporarily Restricted	Consolidated
REVENUES (EXPENSES):								
Income from investments—net	$ 1,795	$	$	$	$ 1,795	$ 1,267,753	$	$ 1,269,548
Interest and fees on student loans receivable—net	1,677,442	(3,088)		(841,958)	832,396			832,396
Other revenue		218,048			218,048			218,048
Grant revenue						171,873	871,127	1,043,000
Contract service revenue						2,120,678		2,120,678
Unrealized and realized losses on investment securities—net						(8,464,659)		(8,464,659)
Net assets released from restriction						1,058,672	(1,058,672)	
Total revenues (expenses)	1,679,237	214,960		(841,958)	1,052,239	(3,845,683)	(187,545)	(2,980,989)
COST OF DEBT:								
Interest expense	592,458				592,458			592,458
Amortization	163,735				163,735			163,735
Total cost of debt	756,193				756,193			756,193
NET REVENUE (EXPENSE) AFTER COST OF DEBT	923,044	214,960		(841,958)	296,046	(3,845,683)	(187,545)	(3,737,182)
PROVISION FOR STUDENT LOAN LOSS	(53,673)				(53,673)			(53,673)
UNREALIZED LOSS ON LIABILITY FOR STUDENT LOAN PROGRAM RESIDUAL						(1,510,943)		(1,510,943)
PROGRAM AND SUPPORTING EXPENSES:								
Operating programs						5,314,393		5,314,393
Student loan programs	303,174	23,227	156,500		482,901			482,901
Other programs						2,834,947		2,834,947
General and administrative						5,385,851		5,385,851
Total program and supporting expenses	303,174	23,227	156,500		482,901	13,535,191		14,018,092
TRANSFER OF NET ASSETS		(221,915)			(221,915)	221,915		
INCREASE (DECREASE) IN NET ASSETS—From continuing operations	566,197	(30,182)	(156,500)	(841,958)	(462,443)	(18,669,902)	(187,545)	(19,319,890)
DISCONTINUED OPERATIONS:								
Increase (decrease) in net assets from ST operations						22,959	(1,015,793)	(992,834)
INCREASE (DECREASE) IN NET ASSETS—From discontinued operations						22,959	(1,015,793)	(992,834)
INCREASE (DECREASE) IN NET ASSETS	566,197	(30,182)	(156,500)	(841,958)	(462,443)	(18,646,943)	(1,203,338)	(20,312,724)
NET ASSETS—Beginning of year	4,896,630	53,182	1,097,472	5,054,579	11,101,863	127,887,730	5,641,270	144,630,863
NET ASSETS—End of year	$ 5,462,827	$ 23,000	$ 940,972	$ 4,212,621	$ 10,639,420	$ 109,240,787	$ 4,437,932	$ 124,318,139