KnowledgeWorks Foundation

Consolidated Financial Statements and Supplemental Schedules as of and for the Years Ended June 30, 2016 and 2015, and Independent Auditors' Report

KNOWLEDGEWORKS FOUNDATION

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Deloitte & Touche LLP
250 East 5th Street
Suite 1900
Cincinnati, OH 45202-5109
USA

Tel:+1 513 784 7100
Fax:+1 513 784 7204
www.deloitte.com

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, 2016 and 2015, 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, 2016 and 2015, 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 25, 2016

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	$ 7,678,793	$ 9,253,150
ACCOUNTS RECEIVABLE	586,529	751,336
INTEREST RECEIVABLE:		
Investments	7,975	12,289
Student loans	1,371,527	1,274,042
GRANTS RECEIVABLE	1,048,020	3,005,662
INVESTMENTS—At fair value	114,247,896	128,150,694
RESTRICTED CASH AND CASH EQUIVALENTS	1,329,421	1,631,804
STUDENT LOANS RECEIVABLE	44,534,913	51,496,437
DEFERRED FINANCING COSTS—Net	365,167	432,193
OTHER	359,452	270,299
PROPERTY AND EQUIPMENT—Net	763,202	896,261
TOTAL	$ 172,292,895	$ 197,174,167
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 5,117,994	$ 4,107,320
INTEREST PAYABLE	63,189	55,603
STUDENT LOAN PROGRAM RESIDUAL	5,009,519	3,498,576
DEFERRED REVENUE	178,142	373,449
BONDS PAYABLE	37,605,912	44,508,356
Total liabilities	47,974,756	52,543,304
COMMITMENTS AND CONTINGENCIES (Note 9)		
UNRESTRICTED NET ASSETS	119,880,207	138,989,593
TEMPORARILY RESTRICTED NET ASSETS	4,437,932	5,641,270
Total net assets	124,318,139	144,630,863
TOTAL	$ 172,292,895	$ 197,174,167

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES:						
Income from investments—net	$ 1,269,548	$	$ 1,269,548	$ 1,364,001	$	$ 1,364,001
Interest and fees on student loans receivable—net	832,396		832,396	931,032		931,032
Other revenue	218,048		218,048	224,311		224,311
Grant revenue	186,551	3,754,826	3,941,377	227,970	5,489,339	5,717,309
Contract service revenue	3,098,102		3,098,102	2,346,170		2,346,170
Unrealized and realized gains (losses) on investment securities—net	(8,464,659)		(8,464,659)	(4,349,135)		(4,349,135)
Net assets released from restriction	4,958,164	(4,958,164)		3,906,326	(3,906,326)	
Total revenues	2,098,150	(1,203,338)	894,812	4,650,675	1,583,013	6,233,688
COST OF DEBT:						
Interest expense	592,458		592,458	590,958		590,958
Amortization	163,735		163,735	257,190		257,190
Total cost of debt	756,193		756,193	848,148		848,148
NET REVENUE AFTER COST OF DEBT	1,341,957	(1,203,338)	138,619	3,802,527	1,583,013	5,385,540
PROVISION FOR STUDENT LOAN LOSS	(53,673)		(53,673)	(38,858)		(38,858)
UNREALIZED LOSS ON LIABILITY FOR STUDENT LOAN PROGRAM RESIDUAL	(1,510,943)		(1,510,943)	(294,248)		(294,248)
PROGRAM AND SUPPORTING EXPENSES:						
Operating programs	10,183,028		10,183,028	8,228,696		8,228,696
Student loan programs	482,901		482,901	388,376		388,376
Other programs	2,834,947		2,834,947	2,447,104		2,447,104
General and administrative	5,385,851		5,385,851	5,394,093		5,394,093
Total program and supporting expenses	18,886,727		18,886,727	16,458,269		16,458,269
INCREASE (DECREASE) IN NET ASSETS—From continuing operations	(19,109,386)	(1,203,338)	(20,312,724)	(12,988,848)	1,583,013	(11,405,835)
DISCONTINUED OPERATIONS						
Decrease in net assets from NTN operations				(1,430,123)	(191,565)	(1,621,688)
Decrease in net assets from NTN divestiture				(529,625)	(206,078)	(735,703)
DECREASE IN NET ASSETS—From discontinued operations				(1,959,748)	(397,643)	(2,357,391)
INCREASE (DECREASE) IN NET ASSETS	(19,109,386)	(1,203,338)	(20,312,724)	(14,948,596)	1,185,370	(13,763,226)
NET ASSETS—Beginning of year	138,989,593	5,641,270	144,630,863	153,938,189	4,455,900	158,394,089
NET ASSETS—End of year	$ 119,880,207	$ 4,437,932	$ 124,318,139	$ 138,989,593	$ 5,641,270	$ 144,630,863

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	$ 4,400,560	$	$1,330,369	$ 5,730,929	$3,376,042	$ 9,106,971
Grants made to other entities	1,616,834	156,500	294,859	2,068,193		2,068,193
Professional fees	1,951,699		705,942	2,657,641	166,135	2,823,776
Legal expense	39,072	51		39,123	212,165	251,288
Communications	74,698		2,407	77,105	56,448	133,553
Accounting/auditing fees	957	23,176		24,133	178,436	202,569
Travel	1,163,983		292,473	1,456,456	138,844	1,595,300
Meetings, conferences and convenings	533,886		61,960	595,846	53,815	649,661
Office administration	101,300		3,030	104,330	297,415	401,745
Telephone	52,574		9,795	62,369	25,239	87,608
Insurance					159,271	159,271
Technology support	180		94	274	126,455	126,729
Internet and network	59,408		1,017	60,425	187,182	247,607
Equipment leasing	9,800			9,800	34,576	44,376
Office supplies	7,186		3,354	10,540	39,491	50,031
Postage and delivery	6,056		16,473	22,529	1,083	23,612
Printing and copying	7,661		76,366	84,027	132	84,159
Depreciation	16,224			16,224	203,996	220,220
Training and development materials	118,804		3,025	121,829	44,645	166,474
Recruiting	12,403			12,403	14,225	26,628
Subscriptions	2,502		1,345	3,847	27,321	31,168
Dues and memberships	2,219		31,556	33,775	14,278	48,053
Other	5,022		882	5,904	28,657	34,561
Loan servicing fees		107,809		107,809		107,809
Trustee and admin fees		195,365		195,365		195,365
Total program and supporting expenses	$ 10,183,028	$482,901	$2,834,947	$13,500,876	$5,385,851	$18,886,727

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Operating Programs	Student Loan Programs	Other Programs	Total Program Expenses	General and Administrative	Total Program and Supporting Expenses
Salaries and benefits	$4,047,382	$	$1,088,258	$ 5,135,640	$ 3,424,720	$ 8,560,360
Grants made to other entities	633,661	129,145	295,730	1,058,536		1,058,536
Professional fees	1,678,493		744,337	2,422,830	254,299	2,677,129
Legal expense	34,305	3,836		38,141	119,210	157,351
Communications	63,176		323	63,499	36,922	100,421
Accounting/auditing fees	1,157	29,504		30,661	190,875	221,536
Travel	918,447		205,851	1,124,298	152,298	1,276,596
Meetings, conferences and convenings	491,277		66,470	557,747	32,581	590,328
Office administration	100,800			100,800	288,232	389,032
Telephone	51,776		8,290	60,066	31,099	91,165
Insurance					124,231	124,231
Technology support	100			100	124,280	124,380
Internet and network	64,226		563	64,789	217,442	282,231
Equipment leasing	8,400			8,400	38,604	47,004
Office supplies	20,429		5,156	25,585	44,606	70,191
Postage and delivery	12,490		3,889	16,379	2,347	18,726
Printing and copying	10,723		2,481	13,204	728	13,932
Depreciation	13,490			13,490	202,070	215,560
Training and development materials	63,171		3,849	67,020	15,456	82,476
Recruiting	3,880			3,880	2,319	6,199
Subscriptions	2,592		1,361	3,953	36,788	40,741
Dues and memberships	4,746		20,432	25,178	22,609	47,787
Other	3,975		114	4,089	32,377	36,466
Loan servicing fees		114,891		114,891		114,891
Trustee and admin fees		111,000		111,000		111,000
Total program and supporting expenses	$8,228,696	$388,376	$2,447,104	$11,064,176	$ 5,394,093	$16,458,269

See notes to consolidated financial statements.

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (20,312,724)	$ (13,763,226)
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation and amortization	617,562	740,459
Unrealized and realized losses on investment securities—net	8,464,659	4,349,135
Provision for student loan loss	53,673	38,858
Unrealized loss on liability for student loan program residual	1,510,943	294,248
Change in operating assets and liabilities:		
Accounts receivable	164,807	(220,903)
Grants receivable	1,957,642	(1,240,471)
Interest receivable	(93,171)	(119,474)
Other assets	(89,153)	103,615
Interest payable	7,586	(4,207)
Deferred revenue	(195,307)	(19,356)
Accounts payable and accrued expenses	1,010,674	(1,252,295)
Net cash flows used in continuing operating activities	(6,902,809)	(11,093,617)
Net cash flows used in discontinued operating activities		(168,444)
Cash flows used in operating activities	(6,902,809)	(11,262,061)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal repayments on student loans	6,674,244	6,604,119
Purchases of fixed assets	(87,161)	(78,816)
Purchases of investments	(27,955,282)	(29,252,011)
Proceeds from maturities and sales of investments	33,393,421	39,033,090
Investments in restricted cash and cash equivalents	(8,916,429)	(9,250,958)
Withdrawals of restricted cash and cash equivalents	9,218,812	9,621,529
Net cash flows provided by continuing investing activities	12,327,605	16,676,953
Net cash flows provided by discontinued investing activities		266,555
Net cash flows provided by investing activities	12,327,605	16,943,508
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments on bonds payable	(6,999,153)	(7,129,067)
Net cash flows used in continuing financing activities	(6,999,153)	(7,129,067)
Net cash flows used by discontinued financing activities		
Net cash flows used in financing activities	(6,999,153)	(7,129,067)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,574,357)	(1,447,620)
CASH AND CASH EQUIVALENTS—Beginning of year	9,253,150	10,700,770
CASH AND CASH EQUIVALENTS—End of year	$ 7,678,793	$ 9,253,150
SUPPLEMENTAL DISCLOSURE—Interest paid:		
Continuing operations	$ 584,872	$ 595,165

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, 2016, 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 September 30, 2014, the Foundation spun off New Technology Networks, LLC (NTN) by transferring the assets, liabilities and operations of NTN to a controlled non-profit organization and then surrendering control of this non-profit organization to a newly-formed independent board. The accounts of NTN are included in the accompanying financial statements for all periods prior to the NTN divestiture. The activities of NTN have been presented as discontinued operations in the accompanying consolidated financial statements. 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, StriveTogether, 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 $537,000 and $535,000 for the years ended June 30, 2016 and 2015, 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 consists 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, 2016 and 2015) 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 Financing Costs—Financing costs, comprised of underwriting fees, legal expenses, and other costs related to debt financings, have been deferred and are being amortized over the life of the related debt using a method which approximates the level-yield method.

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, 2016 and 2015.

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 are 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, 2016, the Foundation had made a future conditional promise to give $924,000 to five non-profit organizations over the next two fiscal years.

NTN Divestiture—The divestiture of NTN was accounted for as a spinoff. As such, the assets and liabilities of NTN were removed from the financial statements on September 30, 2014, and the net carrying value of such assets and liabilities ($0.7 million) was recorded as a reduction of net assets in the accompanying statement of activities for the year ended June 30, 2015.

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—Effective July 1, 2014 the Foundation elected to early adopt the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-07, Fair Value Measurement (Topic 820), *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which requires retrospective treatment to all periods presented. Under the new accounting standard, certain investments for which fair value is measured using net asset value per share as a practical expedient, are no longer categorized within the fair value hierarchy.

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.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material 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 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 been operated consistent with the requirement to retain its tax-exempt status. 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, 2013.

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, 2016 and 2015. 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 September 30, 2014, the Foundation spun off NTN by transferring the assets, liabilities and operations of NTN to a controlled non-profit organization and then surrendering control of this non-profit organization to a newly-formed independent board. As such, activities of NTN for the year ended June 30, 2015 have been recorded in the statements of activities as discontinued operations.

The following table provides a summary of NTN's revenues and expenses from discontinued operations reflected in the statements of activities for the year ended 2015 (amounts in thousands).

Revenue	$ 4,206
Expenses	5,827
Net deficiency of revenue over expense	(1,621)
Transfer of net assets	(736)
Decrease in net assets	$ (2,357)

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, 2016, the one month LIBOR rate in effect was 0.47%. 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 $911,000 and $1.1 million during the years ended June 30, 2016 and 2015, 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 $205,000 and $261,000 as of June 30, 2016 and 2015, 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 $457,000 and $518,000 during 2016 and 2015, 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):

	2016	**2015**
Stafford	$ 2,361	$ 2,981
PLUS	706	977
Consolidation	39,861	45,698
Net unamortized loan premium	1,607	1,840
Total student loans receivable	$ 44,535	$ 51,496

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, 2016 (amounts in thousands):

	2016	%	Unguaranteed Amount
Loans in-school/grace/deferment	$ 2,550		$ 62
Loans in forbearance	3,236		79
Loans in repayment and percentage of each status:			
Loans current	33,116	89 %	810
Loans delinquent 31–60 days	1,475	4	36
Loans delinquent 61–90 days	589	2	15
Loans delinquent greater than 90 days	1,962	5	48
Total loans in repayment	37,142	100 %	909
Total loans	42,928		$ 1,050
Unamortized loan premium	1,607		
Student loans receivable	$ 44,535		
Percentage of loans in repayment		87 %	
Delinquencies as a percentage of loans in repayment		11 %	
Loans in forbearance as a percentage of loans in repayment and forbearance		8 %	

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, 2016, 55% of the FFELP loans were 97% guaranteed and 45% 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, 2016, the majority of FFELP student loans are guaranteed by The Pennsylvania Higher Education Assistance Authority, 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, and ACS, Inc. ACS, Inc. services approximately 23% and Great Lakes services approximately 77% of the Foundation's loan portfolio as of June 30, 2016. 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, 2016.

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, 2016 and 2015, respectively.

5. PROPERTY AND EQUIPMENT

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

	2016	2015
Furniture and fixtures	$ 434,193	$ 434,193
Computer hardware and software	1,189,851	1,148,252
Equipment	1,355,947	1,310,387
Leasehold improvements	1,328,338	1,328,338
Total property and equipment	4,308,329	4,221,170
Less accumulated depreciation and amortization	(3,545,127)	(3,324,909)
Property and equipment—net	$ 763,202	$ 896,261

6. BONDS PAYABLE

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

2016	Interest Rate at June 30	Total Outstanding
LIBOR floating rate taxable bonds maturing in fiscal year 2042	1.61 %	$ 37,606

2015	Interest Rate at June 30	Total Outstanding
LIBOR floating rate taxable bonds maturing in fiscal year 2042	1.23 %	$ 44,508

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 statements of financial position as of June 30, 2016 and 2015 of approximately $5 million and $3.5 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 2016 and 2015, the Foundation made principal payments totaling $7 million and $7.1 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, 2016 and 2015, 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, 2016 and 2015 of student loans receivable of $44.5 million and $51.5 million and of restricted cash and cash equivalents of approximately $1.3 million and $1.6 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, 2016 and 2015.

	2016	2015
Investments:		
Quoted prices in active markets for identical assets (Level 1):		
U.S. equities:		
Large cap stock fund	$ 244,377	$
Mid cap core stock fund	4,655,145	4,450,503
Mid cap value stock fund	4,427,072	4,173,201
International equities:		
Developed country funds	15,899,216	17,418,960
Emerging market fund	2,716,613	6,153,951
Fixed income securities—		
Strategic income fund	6,647,856	6,121,869
Real assets—		
Commodities and real return fund	2,808,391	5,263,800
Emerging markets—		
Emerging market local currency fund		5,274,681
	37,398,670	48,856,965
Private investment funds measured at net asset value:		
U.S. equities—		
Large cap value stock fund	21,905,602	22,831,078
International equities:		
Developed countries	3,960,865	4,109,969
Emerging market fund	3,412,132	6,330,670
Real assets—		
Real estate	3,647,912	
Global asset allocation—		
Opportunistic fund	7,365,877	10,649,805
Emerging markets—		
Emerging market blended debt	5,693,310	
Hedge funds and private equity:		
Capital appreciation	4,073,349	4,700,000
Distressed debt hedge fund	6,593,790	6,553,619
Long/short hedge funds	4,258,008	6,988,328
Multi-strategy hedge fund	8,507,063	9,306,473
Fund of funds	6,895,004	7,065,783
Private equity funds	536,314	758,004
	76,849,226	79,293,729
	$ 114,247,896	$ 128,150,694
Liabilities:		
Significant other unobservable inputs (Level 3)—		
Student loan program residual	$ 5,009,519	$ 3,498,576

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	**2016**	**2015**
Beginning balance	$3,498,576	$3,204,328
Unrealized losses in operations	1,510,943	294,248
Ending balance	$5,009,519	$3,498,576

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, 2016 and 2015, approximated $732,000 and $658,000, 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 2017 and December 2021. Rent expense of continuing operations for the office space and equipment operating leases amounted to approximately $372,000 and $361,000 for the fiscal years ended June 30, 2016 and 2015, respectively.

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

Years Ending June 30	
2017	$402
2018	396
2019	401
2020	413
2021	413
Thereafter	206

The Foundation has entered into two investment subscription agreements totaling $7 million. As of June 30, 2016, the Foundation has funded approximately $4.5 million of these investments. The remaining $2.5 million 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 contained donor imposed restrictions on the use of the contributed funds. As of June 30, 2016 and 2015, the Foundation had temporarily restricted net assets totaling $4.4 million and $5.6 million, respectively, restricted for various programs (in thousands):

	2016	2015
KW in Schools	$ 82	$
Policy & Strategic Foresight	83	57
StriveTogether	2,389	5,584
StrivePartnership	1,884	
Total temporarily restricted net assets	$ 4,438	$ 5,641

11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 25, 2016, 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, 2016 AND 2015

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	$ 6,732,821	$ 7,678,793
ACCOUNTS RECEIVABLE—Net		18,000			18,000	568,529	586,529
INTEREST RECEIVABLE:							
Investments						7,975	7,975
Student loans	1,371,527				1,371,527		1,371,527
GRANTS RECEIVABLE						1,048,020	1,048,020
INVESTMENTS—At fair value						114,247,896	114,247,896
RESTRICTED CASH AND CASH EQUIVALENTS	1,329,421				1,329,421		1,329,421
STUDENT LOANS RECEIVABLE	40,322,292			4,212,621	44,534,913		44,534,913
DEFERRED FINANCING COSTS—Net	365,167				365,167		365,167
OTHER						359,452	359,452
PROPERTY AND EQUIPMENT—Net						763,202	763,202
TOTAL	$43,388,407	$23,000	$ 940,972	$4,212,621	$48,565,000	$ 123,727,895	$ 172,292,895
LIABILITIES AND NET ASSETS							
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 256,479	$	$	$	$ 256,479	$ 4,861,515	$ 5,117,994
INTEREST PAYABLE	63,189				63,189		63,189
STUDENT LOAN PROGRAM RESIDUAL						5,009,519	5,009,519
DEFERRED REVENUE						178,142	178,142
BONDS PAYABLE	37,605,912				37,605,912		37,605,912
Total liabilities	37,925,580				37,925,580	10,049,176	47,974,756
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	$43,388,407	$23,000	$ 940,972	$4,212,621	$48,565,000	$ 123,727,895	$ 172,292,895

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JUNE 30, 2015

	Student Loan Programs					Knowledge Works	Knowledge Works
	KW2010	KWSL	KFO	Eliminations	Total	Foundation	Consolidated
ASSETS							
CASH AND CASH EQUIVALENTS	$	$35,000	$1,097,472	$	$ 1,132,472	$ 8,120,678	$ 9,253,150
ACCOUNTS RECEIVABLE—Net		18,182			18,182	733,154	751,336
INTEREST RECEIVABLE:							
Investments						12,289	12,289
Student loans	1,274,042				1,274,042		1,274,042
GRANTS RECEIVABLE						3,005,662	3,005,662
INVESTMENTS—At fair value						128,150,694	128,150,694
RESTRICTED CASH AND CASH EQUIVALENTS	1,631,804				1,631,804		1,631,804
STUDENT LOANS RECEIVABLE	46,441,858			5,054,579	51,496,437		51,496,437
DEFERRED FINANCING COSTS—Net	432,193				432,193		432,193
OTHER						270,299	270,299
PROPERTY AND EQUIPMENT—Net						896,261	896,261
TOTAL	$49,779,897	$53,182	$1,097,472	$5,054,579	$55,985,130	$ 141,189,037	$ 197,174,167
LIABILITIES AND NET ASSETS							
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 319,308	$	$	$	$ 319,308	$ 3,788,012	$ 4,107,320
INTEREST PAYABLE	55,603				55,603		55,603
STUDENT LOAN PROGRAM RESIDUAL						3,498,576	3,498,576
DEFERRED REVENUE						373,449	373,449
BONDS PAYABLE	44,508,356				44,508,356		44,508,356
Total liabilities	44,883,267				44,883,267	7,660,037	52,543,304
COMMITMENTS AND CONTINGENCIES							
UNRESTRICTED NET ASSETS	4,896,630	53,182	1,097,472	5,054,579	11,101,863	127,887,730	138,989,593
TEMPORARILY RESTRICTED NET ASSETS						5,641,270	5,641,270
Total net assets	4,896,630	53,182	1,097,472	5,054,579	11,101,863	133,529,000	144,630,863
TOTAL	$49,779,897	$53,182	$1,097,472	$5,054,579	$55,985,130	$ 141,189,037	$ 197,174,167

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						186,551	3,754,826	3,941,377
Contract service revenue						3,098,102		3,098,102
Unrealized and realized losses on investment securities—net						(8,464,659)		(8,464,659)
Net assets released from restriction						4,958,164	(4,958,164)	
Total revenues (expenses)	1,679,237	214,960		(841,958)	1,052,239	1,045,911	(1,203,338)	894,812
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	1,045,911	(1,203,338)	138,619
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						10,183,028		10,183,028
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	18,403,826		18,886,727
TRANSFER OF NET ASSETS		(221,915)			(221,915)	221,915		
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

KNOWLEDGEWORKS FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

	Student Loan Programs—Unrestricted					KnowledgeWorks Foundation		Knowledge Works
	KW2010	KWSL	KFO	Eliminations	Total	Unrestricted	Temporarily Restricted	Consolidated
REVENUES (EXPENSES):								
Income from investments—net	$ 316	$	$	$	$ 316	$ 1,363,685	$	$ 1,364,001
Interest and fees on student loans receivable—net	1,875,186	20,711		(964,865)	931,032			931,032
Other revenue		224,311			224,311			224,311
Grant revenue						227,970	5,489,339	5,717,309
Contract service revenue						2,346,170		2,346,170
Unrealized and realized losses on investment securities—net						(4,349,135)		(4,349,135)
Net assets released from restriction						3,906,326	(3,906,326)	
Total revenues (expenses)	1,875,502	245,022		(964,865)	1,155,659	3,495,016	1,583,013	6,233,688
COST OF DEBT:								
Interest expense	590,958				590,958			590,958
Amortization	257,190				257,190			257,190
Total cost of debt	848,148				848,148			848,148
NET REVENUE (EXPENSE) AFTER COST OF DEBT	1,027,354	245,022		(964,865)	307,511	3,495,016	1,583,013	5,385,540
PROVISION FOR STUDENT LOAN LOSS	(38,858)				(38,858)			(38,858)
UNREALIZED LOSS ON LIABILITY FOR STUDENT LOAN PROGRAM RESIDUAL						(294,248)		(294,248)
PROGRAM AND SUPPORTING EXPENSES:								
Operating programs						8,228,696		8,228,696
Student loan programs	225,891	33,340	129,145		388,376			388,376
Other programs						2,447,104		2,447,104
General and administrative						5,394,093		5,394,093
Total program and supporting expenses	225,891	33,340	129,145		388,376	16,069,893		16,458,269
TRANSFER OF NET ASSETS		(257,514)			(257,514)	257,514		
INCREASE (DECREASE) IN NET ASSETS—From continuing operations	762,605	(45,832)	(129,145)	(964,865)	(377,237)	(12,611,611)	1,583,013	(11,405,835)
DISCONTINUED OPERATIONS:								
Increase (decrease) in net assets from NTN operations						(1,430,123)	(191,565)	(1,621,688)
Decrease in net assets from NTN divestiture						(529,625)	(206,078)	(735,703)
INCREASE (DECREASE) IN NET ASSETS—From discontinued operations						(1,959,748)	(397,643)	(2,357,391)
INCREASE (DECREASE) IN NET ASSETS	762,605	(45,832)	(129,145)	(964,865)	(377,237)	(14,571,359)	1,185,370	(13,763,226)
NET ASSETS—Beginning of year	4,134,025	99,014	1,226,617	6,019,444	11,479,100	142,459,089	4,455,900	158,394,089
NET ASSETS—End 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