

KIPP ADMINISTRATIVE SERVICES CORPORATION

**FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

KIPP ADMINISTRATIVE SERVICES CORPORATION

Contents
June 30, 2025 and 2024

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Independent Auditor's Report

To the Board of Directors of
KIPP Administrative Services Corporation:

Opinion

We have audited the financial statements of KIPP Administrative Services Corporation (a Pennsylvania nonprofit corporation) (the Corporation), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KIPP Administrative Services Corporation as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAPCPAs, Inc.

Westborough, Massachusetts

November 12, 2025

KIPP ADMINISTRATIVE SERVICES CORPORATION

Statements of Financial Position
June 30, 2025 and 2024

Assets	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 2,867,372	\$ 2,313,190
Current portion of grants and pledges receivable	245,628	529,469
Lease receivable	85,917	144,942
Due from related parties	3,222,451	3,448,539
Prepaid expenses	32,788	6,386
 Total current assets	 6,454,156	 6,442,526
 Grants and Pledges Receivable, net	 240,808	 228,595
Property and Equipment, net	-	14,828
Right-of-Use Assets - Operating, net	1,265,617	2,516,186
Right-of-Use Asset - Finance, net	33,821	12,173
 Total assets	 <u>\$ 7,994,402</u>	 <u>\$ 9,214,308</u>
Liabilities and Net Assets		
Current Liabilities:		
Notes payable	\$ -	\$ 9,271
Current portion of operating lease liabilities	1,352,326	1,401,421
Current portion of finance lease liability	7,885	11,724
Due to related parties	-	371,520
Accounts payable	241,267	146,702
Accrued liabilities	57,076	83,182
Conditional advances	546,552	481,099
 Total current liabilities	 2,205,106	 2,504,919
 Operating Lease Liabilities, net of current portion	 -	 1,263,934
Finance Lease Liability, net of current portion	26,398	798
 Total liabilities	 <u>2,231,504</u>	 <u>3,769,651</u>
Net Assets:		
Without donor restrictions	5,220,190	4,392,967
With donor restrictions	542,708	1,051,690
 Total net assets	 <u>5,762,898</u>	 <u>5,444,657</u>
 Total liabilities and net assets	 <u>\$ 7,994,402</u>	 <u>\$ 9,214,308</u>

KIPP ADMINISTRATIVE SERVICES CORPORATION

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues:			
Revenue from services rendered - management services	\$ 9,897,062	\$ -	\$ 9,897,062
Contributions and grants	700,659	1,164,873	1,865,532
Rental income	1,284,975	-	1,284,975
Other revenue	162,591	-	162,591
Net assets released from restrictions	1,673,855	(1,673,855)	-
 Total operating support and revenues	 13,719,142	 (508,982)	 13,210,160
Operating Expenses:			
Program services	8,888,625	-	8,888,625
Management and general	3,525,935	-	3,525,935
Fundraising	477,359	-	477,359
 Total operating expenses	 12,891,919	 -	 12,891,919
Changes in net assets	827,223	(508,982)	318,241
Net Assets:			
Beginning of year	4,392,967	1,051,690	5,444,657
 End of year	 \$ 5,220,190	 \$ 542,708	 \$ 5,762,898

KIPP ADMINISTRATIVE SERVICES CORPORATION

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues:			
Revenue from services rendered - management services	\$ 7,591,378	\$ -	\$ 7,591,378
Contributions and grants	700,465	1,140,511	1,840,976
Rental income	1,284,975	-	1,284,975
Donated services	79,640	-	79,640
Other revenue	45,794	-	45,794
Net assets released from restrictions	<u>1,359,127</u>	<u>(1,359,127)</u>	<u>-</u>
Total operating support and revenues	<u>11,061,379</u>	<u>(218,616)</u>	<u>10,842,763</u>
Expenses:			
Program services	7,515,286	-	7,515,286
Management and general	3,612,338	-	3,612,338
Fundraising	<u>468,387</u>	<u>-</u>	<u>468,387</u>
Total operating expenses	<u>11,596,011</u>	<u>-</u>	<u>11,596,011</u>
Changes in net assets	(534,632)	(218,616)	(753,248)
Net Assets:			
Beginning of year	<u>4,927,599</u>	<u>1,270,306</u>	<u>6,197,905</u>
End of year	<u>\$ 4,392,967</u>	<u>\$ 1,051,690</u>	<u>\$ 5,444,657</u>

KIPP ADMINISTRATIVE SERVICES CORPORATION

Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Changes in net assets	\$ 318,241	\$ (753,248)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,124	34,005
Non-cash lease expense	(62,460)	(58,698)
Change in discount on grants and pledges receivable	(9,714)	(77,616)
Changes in operating assets and liabilities:		
Grants and pledges receivable	281,342	857,406
Lease receivable	59,025	59,025
Due from related parties	226,088	6,168,180
Prepaid expenses	(26,402)	24,113
Due to related parties	(371,520)	(4,131,976)
Accounts payable	94,565	(216,004)
Accrued liabilities	(26,106)	(64,153)
Conditional advances	65,453	409,499
Deferred revenue	-	(30,132)
Net cash provided by operating activities	<u>579,636</u>	<u>2,220,401</u>
Cash Flows from Financing Activities:		
Principal payments on finance lease	(16,183)	(11,221)
Payments on notes payable	<u>(9,271)</u>	<u>(209,839)</u>
Net cash used in financing activities	<u>(25,454)</u>	<u>(221,060)</u>
Net Change in Cash and Cash Equivalents	554,182	1,999,341
Cash and Cash Equivalents:		
Beginning of year	<u>2,313,190</u>	<u>313,849</u>
End of year	<u>\$ 2,867,372</u>	<u>\$ 2,313,190</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 1,779</u>	<u>\$ 740</u>
Right-of-use lease assets - finance exchanged for finance lease liabilities	<u>\$ 37,944</u>	<u>\$ -</u>

KIPP ADMINISTRATIVE SERVICES CORPORATION

Statement of Functional Expenses

For the Year Ended June 30, 2025

(With Summarized Comparative Totals for the Year Ended June 30, 2024)

	2025			2024	
	Management		Fundraising	Total	Total
	Program Services	and General			
Operating Expenses:					
Subawards to related organizations	\$ 4,175,000	\$ -	\$ -	\$ 4,175,000	\$ 1,487,000
Employee wages	2,334,696	1,556,413	194,036	4,085,145	5,290,885
Professional fees and services	782,896	566,957	81,466	1,431,319	931,508
Occupancy	641,954	631,283	105,214	1,378,451	1,341,115
Employee benefits and payroll taxes	533,779	340,446	41,143	915,368	1,252,992
Supplies and materials	217,920	198,728	23,795	440,443	389,150
Training and staff development	41,583	41,583	6,930	90,096	128,491
Insurance	41,195	41,195	6,866	89,256	89,622
Travel expense	21,783	40,885	1,507	64,175	67,463
Accounting and audit services fees	26,823	26,823	4,471	58,117	227,925
Litigation and legal services fees	28,855	25,071	4,179	58,105	137,808
Printing and publications	20,557	11,937	3,599	36,093	68,440
Postage and shipping	10,812	19,692	2,540	33,044	38,642
Depreciation and amortization	7,326	22,576	1,222	31,124	34,005
Bank and other fees	1,525	1,525	254	3,304	4,486
Interest expense	821	821	137	1,779	740
Scholarships and awards	1,100	-	-	1,100	48,147
Miscellaneous expenses	-	-	-	-	57,592
Total operating expenses	\$ 8,888,625	\$ 3,525,935	\$ 477,359	\$ 12,891,919	\$ 11,596,011

KIPP ADMINISTRATIVE SERVICES CORPORATION

Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Operating Expenses:				
Subawards to related organizations	\$ 1,487,000	\$ -	\$ -	\$ 1,487,000
Employee wages	3,422,095	1,686,372	182,418	5,290,885
Professional fees and services	503,805	375,673	52,030	931,508
Occupancy	622,275	616,149	102,691	1,341,115
Employee benefits and payroll taxes	809,560	397,417	46,015	1,252,992
Supplies and materials	210,253	154,256	24,641	389,150
Training and staff development	59,206	59,206	10,079	128,491
Insurance	41,364	41,364	6,894	89,622
Travel expenses	57,454	8,712	1,297	67,463
Accounting and audit services fees	105,196	105,196	17,533	227,925
Litigation and legal services fees	63,603	63,604	10,601	137,808
Printing and publications	22,200	42,540	3,700	68,440
Postage and shipping	17,833	17,845	2,964	38,642
Depreciation and amortization	15,695	15,695	2,615	34,005
Bank and other fees	2,070	2,070	346	4,486
Interest expense	353	353	34	740
Scholarships and awards	48,147	-	-	48,147
Miscellaneous expenses	27,177	25,886	4,529	57,592
 Total operating expenses	 <u>\$ 7,515,286</u>	 <u>\$ 3,612,338</u>	 <u>\$ 468,387</u>	 <u>\$ 11,596,011</u>

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

1. OPERATIONS AND NONPROFIT STATUS

KIPP Administrative Services Corporation (the Corporation or KIPP Admin) is a corporation organized in 2011 under the nonprofit laws of the Commonwealth of Pennsylvania. The Corporation is organized for the purpose of awarding scholarships and grants, including educational improvement grants, to public elementary and secondary schools in Pennsylvania and to provide business and administrative support to KIPP schools in the Philadelphia area. Revenues are primarily derived from contributions, grants, other fundraising revenue, and administrative service fees.

Nonprofit Status

The Corporation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Corporation is also exempt from state income taxes. Donors may deduct contributions made to the Corporation within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Corporation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Fair Value Measurements

The Corporation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Corporation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Corporation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Corporation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, including instruments such as money market funds.

Accounts Receivables and Allowance for Credit Losses

Accounts receivables which are reflected as due from related parties, are presented net of the Corporation's allowance for credit losses as of June 30, 2025, and allowance for doubtful accounts as of June 30, 2024. The Corporation accounts for credit losses under Topic 326 using an expected credit loss impairment mode for financial instruments. The Corporation's expected credit allowance methodology for accounts receivables is developed using historical experience, present economic conditions, and other relevant factors management considers relevant to estimate expected credit losses. Management performs ongoing evaluations of the Corporation's existing and potential customer's creditworthiness. As of June 30, 2025 and 2024, the Corporation determined no allowance for credit losses was necessary.

Grants and Pledges Receivable

Grants and pledges receivable (see Note 3) generally consist of unconditional promises received from donors. Contributions and grants that are expected to be collected within one year are recorded at net realizable value. Contributions and grants to be collected or paid after one year are discounted at the net present value of future cash receipts. Management determines the allowance for uncollectible contributions and grants based on management's estimate of realization of the underlying contributions and grants. Individual contributions or grants are written off when deemed uncollectible. There was no allowance for doubtful accounts as of June 30, 2025 or 2024.

Property and Equipment

All capital assets are capitalized at cost and updated for additions and retirements during the year. The Corporation does not possess any infrastructure. Improvements are capitalized with a value in excess of \$5,000; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not expensed.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Life of lease
Machinery and equipment	3 - 5 years

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Corporation.

Net assets with donor restrictions consist of grants and contributions that are designated by donors for specific purposes or for a specified time. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes, or the time restrictions have lapsed.

Net assets with donor restrictions consist of the following restrictions at June 30:

	2025	2024
Purpose restricted:		
Specific salaries and positions	\$ 250,000	\$ -
Educational programs	59,400	520,683
School support	-	16,321
Total purpose restricted	309,400	537,004
Time restricted	233,308	514,686
	<u>\$ 542,708</u>	<u>\$ 1,051,690</u>

The Corporation reported net assets released from restrictions as follows for the fiscal years ended June 30:

	2025	2024
Purpose restrictions	\$ 1,396,355	\$ 1,094,127
Time restrictions	277,500	265,000
	<u>\$ 1,673,855</u>	<u>\$ 1,359,127</u>

Revenue Recognition

Revenue from Services Rendered - Management Services

The Corporation provides comprehensive educational and operational management services, including, without limitations, human resources, recruiting, operations, finance, technology, instructional support and instructional management services, and personnel to meet its administrative and instruction requirements. For KIPP Philadelphia Schools, the administrative fee is 15% of the revenue as defined in the academic and services agreement (see Note 11). These services are continuously provided over the fiscal year and, therefore, the revenue is recognized over the twelve-month period, which coincides with the Corporation's fiscal year.

In accordance with FASB's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Corporation uses a five-step model for recognizing and measuring revenue from contracts with customers, which includes 1) identifying the contract with the customer, 2) identifying the performance obligation(s) promised within the contract, 3) determining the transaction price (the amount of consideration to which the Corporation expects to be entitled), 4) allocating the transaction price to the performance obligation(s), and 5) recognizing revenue when (or as) the performance obligation(s) are satisfied.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Services Rendered - Management Services (Continued)

The Corporation assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The contract term can differ from the stated term in contracts that include certain termination or renewal rights, depending on whether there are penalties associated with those rights. Customer contracts generally are standardized and non-cancellable for the duration of the stated contract term. Because the Corporation's performance obligations relate to contracts with a duration of less than one year, the Corporation elected to apply the optional exemption provided in Topic 606. Therefore, it is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Fees collected in advance of the services being provided are initially recorded as deferred revenue (contract liabilities) and are recognized as revenue as the services are provided. There was no deferred revenue at June 30, 2025, 2024 or 2023.

Contributions and Grants

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Corporation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Corporation should not consider probability of compliance with the barrier when determining if such awards are conditional. Assets received before the barrier is overcome are accounted for as conditional advances (see Note 8).

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally committed. Grants and contributions with donor restrictions are recorded as net assets with donor restrictions when received or unconditionally committed. Transfers are made to net assets without donor restrictions as costs are incurred, program restrictions have been met, or time restrictions have lapsed. Donor restricted grants and contributions are transferred to net assets without donor restrictions when they are used in accordance with donor restrictions.

Donated Services

From time to time, the Corporation receives donated services. The Corporation recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating corporation or by management.

There were no donated services for the year ended June 30, 2025. During fiscal year 2024, the Corporation received donated consulting services which were utilized in their program. These services were recorded at their estimated fair value on the date of the contribution and are reflected as donated services in the accompanying statements of activities and changes in net assets. The value of these services for fiscal year 2024 was \$79,640 based on information provided by the donating entity, which reflects fair value.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Rental Income

Rental income is accounted for in accordance with ASC Topic 842, *Leases (Topic 842)*, and is recognized over the rental period (see Note 4).

Other Revenue

All other revenue is recorded when it is earned.

Leases

The Corporation determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Corporation determines such assets are leased because the Corporation has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Corporation determines it does not have the right to control and direct the use of the identified asset. The Corporation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Corporation separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office buildings, apartments and vehicles. The Corporation has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

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

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Corporation uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Corporation uses the risk-free rate at lease commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Corporation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Corporation has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term. There were no short-term leases as of June 30, 2025 or 2024.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The Corporation allocates expenses on a functional basis among its program and supporting services. Supporting services are those related to operating and managing the Corporation and its programs on a day-to-day basis. Expenses are composed of the following:

Program Services: Include all activities related to educational programming, including the existence and maintenance of school facilities and operations.

Management and General: Include all activities related to the Corporation's internal management and accounting for program services.

Fundraising: Includes activities related to maintaining contributor information, writing grant proposals, distribution of materials, and other similar projects related to the procurement of funds for the Corporation's programs.

Directly identifiable expenses are charged to programs and supporting activities. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are employee wages, employee benefits and payroll taxes, occupancy, insurance, bank and other fees, professional fees and services, accounting and audit services, supplies and materials, and depreciation and amortization, which are allocated on the basis of estimates of time and effort.

Advertising Expense

The Corporation's policy is to expense advertising costs as incurred. Advertising expenses were \$34,906 and \$48,301 for the years ended June 30, 2025 and 2024, respectively, which are included in printing and publications in the accompanying statements of functional expenses.

Income Taxes

The Corporation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Corporation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements as of June 30, 2025 and 2024. The Corporation's informational returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 12, 2025, which is the date the financial statements were available to be issued. There were no events that met the criteria for subsequent event recognition or disclosure in the financial statements.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

3. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are expected to be received as follows at June 30:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 245,628	\$ 529,469
Due within two to five years	<u>245,000</u>	<u>242,501</u>
	490,628	771,970
Less - discount	(4,192)	(13,906)
Less - current portion	<u>(245,628)</u>	<u>(529,469)</u>
 Grants and pledges receivable, net	 <u>\$ 240,808</u>	 <u>\$ 228,595</u>

The present value discount was calculated using a discount factor, which was 3.79% and 4.33% at June 30, 2025 and 2024, respectively. Approximately 97% and 73% of the Corporation's grants and pledges receivable are due from three donors as of June 30, 2025 and 2024, respectively. Approximately 58% and 65% of the Corporation's grants and contributions were received from three and four donors during the years ended June 30, 2025 and 2024, respectively.

4. LEASE AGREEMENTS

Nature of Leases

Building Leases - Operating Lease

The Corporation leases a building under a lease agreement that expired in August 2025. As of the date of this report, the Corporation is in negotiations to extend the lease with its landlord. The lease agreement includes two renewal options to extend the term for an additional period of five years. The renewal options are not reasonably certain to be exercised and are not included in the measurement of the lease assets and liabilities. Monthly rent payments were \$4,816 and \$4,631 during fiscal years 2025 and 2024, respectively, and increase annually by 4% each September. In addition, the lease agreement called for tenant provided improvements, which amounted to \$73,019. The leasehold improvements were capitalized as part of property and equipment and are being depreciated over the lease term period. As part of the lease agreement, the landlord would finance the cost of the improvements and the Corporation would be required to make monthly payments of \$856 over ninety-six (96) months (see Note 6).

The Corporation leases a second building under a lease agreement with KIPP Philadelphia Charter School (KPCS) that expires in June 2026, with an option to extend the lease through fiscal year 2031. The renewal options are not reasonably certain to be exercised and are not included in the measurement of the lease assets and liabilities. Monthly rent payments were \$112,000 during fiscal years 2025 and 2024, and fluctuate annually as part of the fee schedule.

Equipment Leases - Finance Lease

The Corporation leases copier machines under lease agreements that expired in July 2025. Monthly rent payments were \$977 during fiscal years 2025 and 2024. Interest expense on the lease was \$179 and \$503 for the years ended June 30, 2025 and 2024, respectively, which is included in interest expense in the accompanying statements of functional expenses. During fiscal year 2025, the Corporation leased a copier machine under a lease agreement that expires in October 2029. Monthly rent payments were \$729 during fiscal year 2025. Interest expense on the lease was \$1,460 for the year ended June 30, 2025, which is included in interest expense in the accompanying statements of functional expenses.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

4. LEASE AGREEMENTS (Continued)

Lease Summary

The following summarizes the lease expense for the years ended June 30:

	2025	2024
Operating lease cost, included in occupancy expense	\$ 1,347,509	\$ 1,316,061
Finance lease costs:		
Amortization of lease asset, included in depreciation and amortization expense	16,297	11,238
Interest on financing lease liability, included in interest expense	1,639	503
	<u>1,639</u>	<u>503</u>
Total lease expense	<u><u>\$ 1,365,445</u></u>	<u><u>\$ 1,327,802</u></u>

The following summarizes cash flow information related to leases for the years ended June 30:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,409,969	\$ 1,374,759
Operating cash flows from finance lease	\$ 1,639	\$ 503
Financing cash flows from finance lease	\$ 16,183	\$ 11,221

The future minimum payments by fiscal year for the operating and financing leases as of June 30, 2025, were as follows:

	Financing	Operating
2026	\$ 7,885	\$ 1,352,326
2027	7,352	-
2028	7,825	-
2029	8,328	-
2030	2,893	-
Total future undiscounted lease payments	34,283	1,352,326
Less - current portion	<u>(7,885)</u>	<u>(1,352,326)</u>
Lease liability, net of current portion	<u><u>\$ 26,398</u></u>	<u><u>\$ -</u></u>

The following summarizes the weighted-average remaining lease terms and discount rates of operating leases as of June 30:

	2025	2024
Weighted-Average Remaining Lease Term:		
Building leases	0.2 - 0.9 years	1.2 - 1.9 years
Equipment leases	1.1 - 5 years	2.1 years
Weighted-Average Discount Rate:		
Operating leases	2.85% - 4.56%	2.85% - 4.56%
Finance lease	2.85% - 6.25%	2.85%

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

4. LEASE AGREEMENTS (Continued)

Lessor Agreements

The Corporation has subleased portions of its facilities under non-cancelable operating leases through fiscal year 2026. Rental income relating to these leases totaled \$1,284,975 for the years ended June 30, 2025 and 2024, and is reflected as rental income in the accompanying statements of activities and changes in net assets. Rental income is recorded on a straight-line basis. At June 30, 2025 and 2024, the Corporation has a lease receivable due of \$85,917 and \$144,942, respectively.

Total future minimum rental income by fiscal year to be received under the non-cancelable sublease are \$1,370,892 as of June 30, 2026.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Machinery and equipment	\$ 371,671	\$ 371,671
Leasehold improvements	<u>88,019</u>	<u>88,019</u>
	459,690	459,690
Less - accumulated depreciation	<u>459,690</u>	<u>444,862</u>
	\$ _____ -	\$ 14,828

Depreciation expense was \$14,827 and \$22,767 for the years ended June 30, 2025 and 2024, respectively, and is included in depreciation and amortization in the accompanying statements of functional expenses.

6. NOTES PAYABLE

The Corporation financed leasehold improvements through the landlord and building lease agreement (see Note 4). The loan was payable in monthly installments of \$856 through May 2025 and bore interest at 3%. The note was fully repaid during fiscal year 2025. As of June 30, 2024, the balance of the loan was \$9,271.

7. LOAN GUARANTY

During fiscal year 2016, KPCS (see Note 11) was issued \$15,425,000 and \$370,000 in the form of Revenue Bonds, Series of 2016A and Series 2016B, respectively, for the acquisition and renovation of school facilities and paying the costs of issuing and insuring bonds. The school facilities are located at 2539 N. 16th Street and 24019 W. Westmoreland Street in Philadelphia, Pennsylvania. The Corporation guaranteed the annual interest and principal payments for the revenue bond obligations provided to KPCS, as stated in the Guaranty and Security Agreement dated April 1, 2016, between the Corporation and lender. The outstanding balance at June 30, 2025 and 2024, is \$14,063,162 and \$14,428,193, respectively. KPCS's bonds payable have certain covenants which KPCS was in compliance with as of June 30, 2025.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

8. CONDITIONAL GRANTS

The Corporation received grants and contributions that contained donor-imposed conditions that represent barriers that must be overcome as well as a right of return of the assets transferred. The Corporation recognizes these grants and contributions only when donor-imposed conditions are substantially met. Accordingly, the ending balance of conditional promises to give is not included in the accompanying financial statements. As of June 30, 2025 and 2024, the Corporation received cash of \$546,552 and \$481,099, respectively, related to the conditional promises to give, which is reflected as conditional advances in the accompanying statements of financial position.

The following summarizes conditional promises to give, which are expected to be earned through fiscal year 2027:

Conditional promises to give, June 30, 2023	\$ 763,651
New conditional awards received in fiscal year 2024	572,024
Conditions met and recognized in fiscal year 2024	<u>(435,181)</u>
Conditional promises to give, June 30, 2024	900,494
New conditional awards received in fiscal year 2025	622,949
Conditions met and recognized in fiscal year 2025	<u>(900,494)</u>
Conditional promises to give, June 30, 2025	<u>\$ 622,949</u>

9. CONCENTRATION OF CREDIT RISK

The Corporation maintains its operating cash balances in certain banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. The Corporation has not experienced any losses in such accounts and management believes the Corporation is not exposed to any significant credit risk on its cash balances.

10. RETIREMENT PLANS

Effective July 1, 2013, the Corporation established a defined contribution plan under Section 403(b) of the IRC, which employees of the Corporation can elect to contribute. Employees can contribute up to 5% of their qualified compensation, with the Corporation matching up to 5% of their qualified compensation. For the years ended June 30, 2025 and 2024, the Corporation contributed \$204,587 and \$255,556, respectively, to the Section 403(b) plan, which is included in employee benefits and payroll taxes in the accompanying statements of functional expenses.

11. RELATED PARTY TRANSACTIONS

The Corporation supports KIPP Philadelphia Charter School (KPCS), KIPP DuBois Charter School (KDCS), KIPP West Philadelphia Charter School (KWPSCS), KIPP North Philadelphia Charter School (KNPCS), and KIPP Octavius Catto Elementary Academy (CATTO) (collectively, KIPP Philadelphia Charter Schools). The Corporation and the KIPP Philadelphia Charter Schools are considered related parties as a result of the mission. The KIPP Philadelphia Charter Schools and the Corporation are under common management and common usage of employees.

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

11. RELATED PARTY TRANSACTIONS (Continued)

The Corporation provides administrative management, general, and fundraising services to the KIPP Philadelphia Charter Schools through academic and business service agreements. Administrative fee revenue charged to the KIPP Philadelphia Charter Schools from the Corporation for management, professional, facility, and education services was \$9,897,062 and \$6,681,378 for the years ended June 30, 2025 and 2024, respectively. An additional pandemic support fee was charged to KWPCS, KDCS and KNPCS of \$910,000 for the year ended June 30, 2024, which are included in revenue from services rendered - management services in the accompanying fiscal year 2024 statement of activities and changes in net assets. There were no additional pandemic support fee charged for the year ended June 30, 2025.

The Corporation provides grants and scholarships to the related schools for the purposes such as arts and music instruction, second language instruction, advanced placement courses, expansion, progression through high school, enroll in college, and work towards college graduation. For the years ended June 30, 2025 and 2024, the Corporation provided grants and scholarships to the KIPP Philadelphia Charter Schools in the amounts of \$4,175,000 and \$1,487,000, respectively.

The Corporation leased space at 2539 N. 16th Street in Philadelphia, Pennsylvania, from KPCS and then subleased the space to KNPCS. Rental expense and sublease rental income for the years ended June 30, 2025 and 2024, totaled \$1,284,975. The Corporation has a lease receivable of \$85,917 and \$144,942 as of June 2025 and 2024, respectively, related to this lease (see Note 4).

The lease liability to KPCS at June 30, 2025 and 2024, was \$1,352,326 and \$2,072,485, respectively.

In addition, from time to time, the Corporation will pay for shared costs which are then charged to the Philadelphia charter schools.

Due from related parties consists of the following at June 30:

	2025	2024
CATTO	\$ 3,060,225	\$ 2,491,061
KDCS	92,862	201,118
KPCS	43,798	-
KNPCS	15,310	684,076
KWPCS	<u>10,256</u>	<u>72,284</u>
	<u><u>\$ 3,222,451</u></u>	<u><u>\$ 3,448,539</u></u>

Due to related parties consists of the following at June 30:

	2025	2024
KPCS	<u>\$ -</u>	<u>\$ 371,520</u>

KIPP ADMINISTRATIVE SERVICES CORPORATION

Notes to Financial Statements
June 30, 2025 and 2024

12. LIQUIDITY

The Corporation has a policy to structure its financial assets to be available and liquid as its obligations become due. The financial assets available within one year of the statements of financial position date to meet cash needs are as follows as of June 30:

	2025	2024
Cash and cash equivalents	\$ 2,867,372	\$ 2,313,190
Current portion of grants and pledges receivable	245,628	529,469
Due from related parties	<u>3,222,451</u>	<u>3,448,539</u>
	6,335,451	6,291,198
Less - net assets with donor restrictions, net of non-current portion (see Note 2)	<u>(302,100)</u>	<u>(823,095)</u>
	<u><u>\$ 6,033,351</u></u>	<u><u>\$ 5,468,103</u></u>