

Return of Private Foundation
or Section 4947(a)(1) Nonexempt Charitable Trust
Treated as a Private Foundation

2001

Department of the Treasury
Internal Revenue Service

Note The organization may be able to use a copy of this return to satisfy state reporting requirements

For calendar year 2001, or tax year beginning **JUL 1, 2001** and ending **JUN 30, 2002**

G Check all that apply Initial return Final return Amended return Address change Name change

Use the IRS label Otherwise, print or type See Specific Instructions	Name of organization KIPP FOUNDATION Number and street (or P.O. box number if mail is not delivered to street address) Room/suite 345 SPEAR STREET 510 City or town, state, and ZIP code SAN FRANCISCO, CA 94105-1657	A Employer identification number 94-3362724 B Telephone number (415) 399-1556 C If exemption application is pending check here <input type="checkbox"/> D 1 Foreign organizations check here <input type="checkbox"/> 2 Foreign organizations meeting the 85% test check here and attach computation <input type="checkbox"/> E If private foundation status was terminated under section 507(b)(1)(A) check here <input type="checkbox"/> F If the foundation is in a 60-month termination under section 507(b)(1)(B) check here <input type="checkbox"/>
H Check type of organization <input checked="" type="checkbox"/> Section 501(c)(3) exempt private foundation <input type="checkbox"/> Section 4947(a)(1) nonexempt charitable trust <input type="checkbox"/> Other taxable private foundation		
I Fair market value of all assets at end of year (from Part II, col (c), line 16) ▶ \$ 1,202,251. (Part I, column (d) must be on cash basis)		
J Accounting method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) _____		

Part I Analysis of Revenue and Expenses <i>(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a))</i>	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
1 Contributions, gifts, grants, etc., received <small>Check <input type="checkbox"/> if the foundation is not required to attach Sch B</small>	2,166,814.			
2 Distributions from split-interest trusts				
3 Interest on savings and temporary cash investments	65,436.	65,436.	65,436.	STATEMENT 2
4 Dividends and interest from securities				
5a Gross rents				
b (Net rental income or (loss))				
6a Net gain or (loss) from sale of assets not on line 10	<7,498.>			STATEMENT 1
b Gross sales price for all assets on line 6a	3,997.			
7 Capital gain net income (from Part IV, line 2)		0.		
8 Net short-term capital gain			0.	
9 Income modifications				
10a Gross sales less returns and allowances				
b Less Cost of goods sold				
c Gross profit or (loss)				
11 Other income	316.	316.	316.	STATEMENT 3
12 Total-Add lines 1 through 11	2,225,068.	65,752.	65,752.	
13 Compensation of officers, directors, trustees, etc.	135,329.	0.	0.	135,329.
14 Other employee salaries and wages	2,433,220.	0.	0.	2,433,220.
15 Pension plans, annuities, IRAs, etc.	249,166.	0.	0.	249,166.
16a Legal fees	138,901.	0.	0.	138,901.
b Accounting fees	149,728.	0.	0.	149,728.
c Other professional fees	137,371.	0.	0.	137,371.
17 Interest				
18 Taxes				
19 Depreciation and depletion	34,285.	0.	0.	
20 Occupancy	126,613.	0.	0.	126,613.
21 Travel, conferences, and meetings	906,147.	0.	0.	906,147.
22 Printing and publications	30,491.	0.	0.	30,491.
23 Other expenses	1,707,639.	0.	0.	1,701,241.
24 Total operating and administrative expenses Add lines 13 through 23	6,048,890.	0.	0.	6,008,207.
25 Contributions, gifts, grants paid	643,814.			643,814.
26 Total expenses and disbursements Add lines 24 and 25	6,692,704.	0.	0.	6,652,021.
27 Subtract line 26 from line 12	<4,467,636.>			
a Excess of revenue over expenses and disbursements				
b Net investment income (if negative enter 0-)		65,752.		
c Adjusted net income (if negative enter 0-)			65,752.	

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Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only		Beginning of year		End of year	
		(a) Book Value	(b) Book Value	(c) Fair Market Value	(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1	Cash - non-interest-bearing		46,174.	228,405.	228,405.	
	2	Savings and temporary cash investments		5,198,864.	463,408.	463,408.	
	3	Accounts receivable ▶ 346,547.					
		Less: allowance for doubtful accounts ▶		62,765.	346,547.	346,547.	
	4	Pledges receivable ▶					
		Less: allowance for doubtful accounts ▶					
	5	Grants receivable					
	6	Receivables due from officers, directors, trustees, and other disqualified persons					
	7	Other notes and loans receivable ▶ 5,373.			5,373.	5,373.	
		Less: allowance for doubtful accounts ▶					
	8	Inventories for sale or use					
	9	Prepaid expenses and deferred charges					
	10a	Investments - U.S. and state government obligations					
	b	Investments - corporate stock					
	c	Investments - corporate bonds					
11	Investments - land, buildings, and equipment basis ▶						
	Less: accumulated depreciation ▶						
12	Investments - mortgage loans						
13	Investments - other						
14	Land, buildings, and equipment basis ▶ STMTA 168,095.		37,554.	129,047.	129,047.		
	Less: accumulated depreciation ▶ STMTA 39,048.						
15	Other assets (describe ▶ DEPOSIT)		5,323.	29,471.	29,471.		
16	Total assets (to be completed by all filers)		5,350,680.	1,202,251.	1,202,251.		
Liabilities	17	Accounts payable and accrued expenses		243.	779,997.		
	18	Grants payable					
	19	Deferred revenue					
	20	Loans from officers, directors, trustees, and other disqualified persons					
	21	Mortgages and other notes payable					
	22	Other liabilities (describe ▶)					
23	Total liabilities (add lines 17 through 22)		243.	779,997.			
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31						
	24	Unrestricted		5,350,437.	412,281.		
	25	Temporarily restricted			9,973.		
	26	Permanently restricted					
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 31						
	27	Capital stock, trust principal, or current funds					
	28	Paid-in or capital surplus, or land, bldg., and equipment fund					
29	Retained earnings, accumulated income, endowment, or other funds						
30	Total net assets or fund balances		5,350,437.	422,254.			
31	Total liabilities and net assets/fund balances		5,350,680.	1,202,251.			

Part III Analysis of Changes in Net Assets or Fund Balances

1	Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	5,350,437.
2	Enter amount from Part I, line 27a	2	<4,467,636.>
3	Other increases not included in line 2 (itemize) ▶	3	0.
4	Add lines 1, 2, and 3	4	882,801.
5	Decreases not included in line 2 (itemize) ▶ IRC SECTION 481(A) ADJUSTMENT	5	460,547.
6	Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	422,254.

From 990-PF (2001)

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse or common stock 200 shs MLC Co)	(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a LOSS ON DISPOSAL OF FIXED ASSETS	P		
b			
c			
d			
e			

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a 3,997.	4,279.	15,774.	<7,498.>
b			
c			
d			
e			

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(i) Gains (Col (h) gain minus col (k), but not less than -0-) or Losses (from col (h))
(i) FMV as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col (i) over col (j) if any	
a			<7,498.>
b			
c			
d			
e			

2 Capital gain net income or (net capital loss) (If gain, also enter in Part I, line 7 If loss, enter -0- in Part I, line 7)	2	<7,498.>
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6) If gain, also enter in Part I, line 8, column (c) If (loss), enter -0- in Part I, line 8	3	<7,498.>

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income)

If section 4940(d)(2) applies, leave this part blank

Was the organization liable for the section 4942 tax on the distributable amount of any year in the base period?

Yes No

If "Yes," the organization does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year, see instructions before making any entries

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col (b) divided by col (c))
2000	1,257,111.	5,401,386.	.2327386
1999	143,670.	128,542.	1.1176892
1998			
1997			
1996			

2 Total of line 1, column (d)	2	1.3504278
3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	.6752139
4 Enter the net value of noncharitable-use assets for 2001 from Part X, line 5	4	2,414,735.
5 Multiply line 4 by line 3	5	1,630,463.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	658.
7 Add lines 5 and 6	7	1,631,121.
8 Enter qualifying distributions from Part XII, line 4 If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate See the Part VI instructions	8	6,789,294.

Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a	Exempt operating foundations described in section 4940(d)(2) check here <input type="checkbox"/> and enter "N/A" on line 1 Date of ruling letter _____ (attach copy of ruling letter if necessary-see instructions)		
b	Domestic organizations that meet the section 4940(e) requirements in Part V check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b	1	658.
c	All other domestic organizations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (b)		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	2	0.
3	Add lines 1 and 2	3	658.
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	4	0.
5	Tax based on investment income Subtract line 4 from line 3 If zero or less, enter -0-	5	658.
6	Credits/Payments		
a	2001 estimated tax payments and 2000 overpayment credited to 2001	6a	174.
b	Exempt foreign organizations - tax withheld at source	6b	
c	Tax paid with application for extension of time to file (Form 8868)	6c	2,200.
d	Backup withholding erroneously withheld	6d	
7	Total credits and payments Add lines 6a through 6d	7	2,374.
8	Enter any penalty for underpayment of estimated tax Check here <input checked="" type="checkbox"/> if Form 2220 is attached	8	19.
9	Tax due If the total of lines 5 and 8 is more than line 7 enter amount owed	9	
10	Overpayment If line 7 is more than the total of lines 5 and 8, enter the amount overpaid	10	1,697.
11	Enter the amount of line 10 to be Credited to 2002 estimated tax <input type="checkbox"/> 1,697. <input checked="" type="checkbox"/> Refunded	11	0.

Part VII-A Statements Regarding Activities

	Yes	No
1a		X
1b		X
If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities		
1c		X
d		
e		
2		X
3		X
4a		X
4b	N/A	
5		X
6	X	
7	X	
8a		
CALIFORNIA, NEW YORK, TENNESSEE		
8b	X	
9	X	
10		X
11	X	
Web site address <input type="checkbox"/> HTTP://WWW.KIPP.ORG/		
12		
The books are in care of <input type="checkbox"/> KIPP FOUNDATION Telephone no <input type="checkbox"/> 415-399-1556		
Located at <input type="checkbox"/> 345 SPEAR ST, STE 510, SAN FRANCISCO, CA ZIP+4 <input type="checkbox"/> 94105		
13		
Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the year <input type="checkbox"/> 13 <input type="checkbox"/> N/A		

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies

Table with columns for question descriptions, Yes/No checkboxes, and a grid for Yes/No answers. Includes questions 1a through 6b regarding disqualifying activities, undistributed income, and business holdings.

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account other allowances
SEE STATEMENT 8		135,329.	1,304.	0.

2 Compensation of five highest-paid employees (other than those included on line 1) If none, enter "NONE"

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account other allowances
MATT CANDLER 345 SPEAR STREET, SUITE 510	VP OF OPERATIONS 40	103,869.	3,511.	
LISA DAGGS 345 SPEAR STREET, SUITE 510	CHIEF OF STAFF 40	99,340.	3,974.	
SUSAN WINSTON 345 SPEAR STREET, SUITE 510	40	97,239.	3,716.	
MARK MEDEMA 345 SPEAR STREET, SUITE 510	TRAIL BLAZER 40	86,243.	2,718.	
CHRIS WALSH 345 SPEAR STREET, SUITE 510	TECHNOLOGY DIRECTOR 40	78,685.	1,141.	

Total number of other employees paid over \$50,000 ▶ 16

3 Five highest-paid independent contractors for professional services If none, enter "NONE"

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
YOUR FINANCE SOLUTION 245 COVINGTON ST. OAKLAND, CA 94605	ACCOUNTING SERVICES	133,728.
NANCY EUSKE PO BOX 4736, CARMEL, CA 93921	INSTRUCTIONAL SERVICES FOR FELLOWS	119,125.
VINSON & ELKINS 2300 FIRST CITY TOWER, HOUSTON, TX 77002	LEGAL SERVICES	97,375.
D2F2 FOUNDATION 345 SPEAR ST., SUITE 510, SAN FRANCISCO	PROFESSIONAL SERVICES	90,000.
DAVID LEVIN 164 EAST 33RD ST. #18, NEW YORK, NY 10016	EDUCATIONAL CONSULTING	62,167.

Total number of others receiving over \$50,000 for professional services ▶ 0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.	Expenses
1 SEE STATEMENT B	6,658,419.
2	
3	
4	

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2		Amount
1	N/A	
2		
3	All other program-related investments See instructions	
Total Add lines 1 through 3		0.

Part X Minimum Investment Return (All domestic foundations must complete this part Foreign foundations, see instructions)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc. purposes	
a	Average monthly fair market value of securities	1a
b	Average of monthly cash balances	1b 2,451,508.
c	Fair market value of all other assets	1c
d	Total (add lines 1a, b, and c)	1d 2,451,508.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e 0.
2	Acquisition indebtedness applicable to line 1 assets	2 0.
3	Subtract line 2 from line 1d	3 2,451,508.
4	Cash deemed held for charitable activities Enter 1 1/2% of line 3 (for greater amount, see instructions)	4 36,773.
5	Net value of noncharitable-use assets Subtract line 4 from line 3 Enter here and on Part V, line 4	5 2,414,735.
6	Minimum investment return Enter 5% of line 5	6 120,737.

Part XI Distributable Amount (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here and do not complete this part)

1	Minimum investment return from Part X, line 6	1
2a	Tax on investment income for 2001 from Part VI, line 5	2a
b	Income tax for 2001 (This does not include the tax from Part VI)	2b
c	Add lines 2a and 2b	2c
3	Distributable amount before adjustments Subtract line 2c from line 1	3
4a	Recoveries of amounts treated as qualifying distributions	4a
b	Income distributions from section 4947(a)(2) trusts	4b
c	Add lines 4a and 4b	4c
5	Add lines 3 and 4c	5
6	Deduction from distributable amount (see instructions)	6
7	Distributable amount as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1	7

Part XII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc. purposes	
a	Expenses, contributions, gifts, etc. - total from Part I, column (d) line 26	1a 6,652,021.
b	Program-related investments - Total from Part IX-B	1b 0.
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc. purposes	2 137,273.
3	Amounts set aside for specific charitable projects that satisfy the	
a	Suitability test (prior IRS approval required)	3a
b	Cash distribution test (attach the required schedule)	3b
4	Qualifying distributions Add lines 1a through 3b Enter here and on Part V line 8, and Part XIII, line 4	4 6,789,294.
5	Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b	5 658.
6	Adjusted qualifying distributions Subtract line 5 from line 4	6 6,788,636.

Note The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years

Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2000	(c) 2000	(d) 2001
1 Distributable amount for 2001 from Part XI, line 7				0.
2 Undistributed income if any, as of the end of 2000				
a Enter amount for 2000 only			0.	
b Total for prior years 19__ , 19__ , 19__		0.		
3 Excess distributions carryover if any to 2001				
a From 1996				
b From 1997				
c From 1998				
d From 1999				
e From 2000				
f Total of lines 3a through e	0.			
4 Qualifying distributions for 2001 from Part XII, line 4 ▶ \$ <u>N/A</u>				
a Applied to 2000 but not more than line 2a			0.	
b Applied to undistributed income of prior years (Election required - see instructions)		0.		
c Treated as distributions out of corpus (Election required - see instructions)	0.			
d Applied to 2001 distributable amount				0.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2001 (If an amount appears in column (d) the same amount must be shown in column (a))	0.			0.
6 Enter the net total of each column as indicated below				
a Corpus Add lines 3f, 4c, and 4e. Subtract line 5	0.			
b Prior years' undistributed income Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b Taxable amount - see instructions		0.		
e Undistributed income for 2000 Subtract line 4a from line 2a Taxable amount - see instr			0.	
f Undistributed income for 2001 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2002				0.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3)	0.			
8 Excess distributions carryover from 1996 not applied on line 5 or line 7	0.			
9 Excess distributions carryover to 2002 Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9				
a Excess from 1997				
b Excess from 1998				
c Excess from 1999				
d Excess from 2000				
e Excess from 2001				

Part XIV Private Operating Foundations (see instructions and Part VII A, question 9)

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2001, enter the date of the ruling

b Check box to indicate whether the organization is a private operating foundation described in section 4942(j)(3) or 4942(j)(5)

	Tax year				(e) Total
	(a) 2001	(b) 2000	(c) 1999	(d) 1998	
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed	65,752.	106,939.	0.	0.	172,691.
b 85% of line 2a	55,889.	90,898.	0.	0.	146,787.
c Qualifying distributions from Part XII, line 4 for each year listed	6,789,294.	1,257,111.	143,670.	0.	8,190,075.
d Amounts included in line 2c not used directly for active conduct of exempt activities	0.	0.	0.	0.	0.
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c	6,789,294.	1,257,111.	143,670.	0.	8,190,075.
3 Complete 3a b or c for the alternative test relied upon					
a "Assets" alternative test - enter					
(1) Value of all assets					0.
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					0.
b "Endowment" alternative test - Enter 2/3 of minimum investment return shown in Part X line 6 for each year listed	80,491.	180,046.	845.	0.	261,382.
c "Support" alternative test - enter					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					0.
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					0.
(3) Largest amount of support from an exempt organization					0.
(4) Gross investment income					0.

Part XV Supplementary Information (Complete this part only if the organization had \$5,000 or more in assets at any time during the year-see page 26 of the instructions.)

1 Information Regarding Foundation Managers

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000) (See section 507(d)(2))

SEE STATEMENT 9

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest

NONE

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc , Programs

Check here if the organization only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the organization makes gifts, grants, etc (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

a The name, address, and telephone number of the person to whom applications should be addressed

N/A

b The form in which applications should be submitted and information and materials they should include

N/A

c Any submission deadlines

N/A

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

N/A

Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
<p>a <i>Paid during the year</i></p> <p>KIPP SCHOOLS</p>		501(C)(3)	EDUCATION	643,814.
<p>Total</p>			▶ 3a	643,814.
<p>b <i>Approved for future payment</i></p> <p>NONE</p>				
<p>Total</p>			▶ 3b	0.

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(e) Related or exempt function income
	(a) Business code	(b) Amount	(c) Exclu- sion code	(d) Amount	
1 Program service revenue					
a					
b					
c					
d					
e					
i					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments			14	65,436.	
4 Dividends and interest from securities					
5 Net rental income or (loss) from real estate					
a Debt-financed property					
b Not debt-financed property					
6 Net rental income or (loss) from personal property					
7 Other investment income			01	316.	
8 Gain or (loss) from sales of assets other than inventory			18	<7,498.>	
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue					
a					
b					
c					
d					
e					
12 Subtotal. Add columns (b), (d), and (e)		0.		58,254.	0.
13 Total. Add line 12, columns (b), (d) and (e)				▶ 13 58,254.	

(See worksheet in line 13 instructions to verify calculations)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
	NOT APPLICABLE

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

- 1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code... a Transfers from the reporting organization to a noncharitable exempt organization of (1) Cash (2) Other assets b Other Transactions (1) Sales of assets to a noncharitable exempt organization (2) Purchases of assets from a noncharitable exempt organization (3) Rental of facilities, equipment, or other assets (4) Reimbursement arrangements (5) Loans or loan guarantees (6) Performance of services or membership or fundraising solicitations c Sharing of facilities, equipment, mailing lists, other assets, or paid employees d If the answer to any of the above is "Yes," complete the following schedule...

Table with 2 columns: Yes, No. Rows 1a(1) through 1c. All 'No' boxes are checked with an 'X'.

Table with 4 columns: (a) Line no, (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements. Row 1 contains 'N/A'.

2a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? [] Yes [X] No

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship. Row 1 contains 'N/A'.

Under penalties of perjury, I declare that I have examined this return including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

Signature of officer or trustee: [Signature] 5-14-03. Preparer's signature: Jason N. Macke. Firm's name: HOOD & STRONG LLP, CPAS. Address: 60 SPEAR STREET, SUITE SAN FRANCISCO, CA 94105.

Schedule B
(Form 990, 990-EZ, or
990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Supplementary Information for
line 1 of Form 990, 990-EZ and 990-PF (see instructions)

OMB No 1545-0047

2001

Name of organization

KIPP FOUNDATION

Employer identification number

94-3362724

Organization type (check one)

Filers of

Section

Form 990 or 990 EZ

501(c)() (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990 PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General rule** or a **Special rule** (Note Only a section 501(c)(7), (8), or (10) organization can check box(es) for both the General rule and a Special rule-see instructions)

General Rule-

For organizations filing Form 990, 990-EZ, or 990 PF that received, during the year, \$5,000 or more (in money or property) from any one contributor (Complete Parts I and II)

Special Rules-

For a section 501(c)(3) organization filing Form 990, or Form 990 EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms (Complete Parts I and II)

For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990 EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (Complete Parts I, II, and III)

For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc , purposes, but these contributions did not aggregate to more than \$1,000 (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc , purpose Do not complete any of the Parts unless the General rule applies to this organization because it received nonexclusively religious, charitable, etc , contributions of \$5,000 or more during the year) ▶ \$ _____

Caution Organizations that are not covered by the General rule and/or the Special rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 1 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

Schedule B (Form 990, 990-EZ, or 990-PF) (2001)

Name of organization KIPP FOUNDATION	Employer identification number 94-3362724
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Part I Contributors (See Specific Instructions)

(a) No	(b) Name, address and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	D & DF FOUNDATION 345 SPEAR STREET, SUITE 510 SAN FRANCISCO, CA 94105	\$ 1,500,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
2	NFL CHARITIES 280 PARK AVENUE NEW YORK, NY, 10017	\$ 15,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
3	U.S. DEPARTMENT OF EDUCATION 400 MARYLAND AVENUE SW WASHINGTON D.C., 20202-0498	\$ 649,814.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
(a) No	(b) Name, address and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
(a) No	(b) Name, address and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
(a) No	(b) Name, address and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)

FORM 990-PF GAIN OR (LOSS) FROM SALE OF ASSETS STATEMENT 1

(A) DESCRIPTION OF PROPERTY	MANNER ACQUIRED		DATE ACQUIRED	DATE SOLD
LOSS ON DISPOSAL OF FIXED ASSETS	PURCHASED			
	(B) GROSS SALES PRICE	(C) COST OR OTHER BASIS	(D) EXPENSE OF SALE	(E) DEPREC.
	(F) GAIN OR LOSS			
	3,997.	15,774.	0.	4,279.
				<7,498.>
CAPITAL GAINS DIVIDENDS FROM PART IV				0.
TOTAL TO FORM 990-PF, PART I, LINE 6A				<7,498.>

FORM 990-PF INTEREST ON SAVINGS AND TEMPORARY CASH INVESTMENTS STATEMENT 2

SOURCE	AMOUNT
INTEREST INCOME	65,436.
TOTAL TO FORM 990-PF, PART I, LINE 3, COLUMN A	65,436.

FORM 990-PF OTHER INCOME STATEMENT 3

DESCRIPTION	AMOUNT
MISCELLANEOUS	316.
TOTAL TO FORM 990-PF, PART I, LINE 11, COLUMN A	316.

FORM 990-PF

LEGAL FEES

STATEMENT 4

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
LEGAL	138,901.	0.	0.	138,901.
TO FM 990-PF, PG 1, LN 16A	138,901.	0.	0.	138,901.

FORM 990-PF

ACCOUNTING FEES

STATEMENT 5

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
ACCOUNTING	149,728.	0.	0.	149,728.
TO FORM 990-PF, PG 1, LN 16B	149,728.	0.	0.	149,728.

FORM 990-PF

OTHER PROFESSIONAL FEES

STATEMENT 6

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
OTHER PROFESSIONAL	137,371.	0.	0.	137,371.
TO FORM 990-PF, PG 1, LN 16C	137,371.	0.	0.	137,371.

FORM 990-PF

OTHER EXPENSES

STATEMENT 7

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
HOUSING	180,368.	0.	0.	180,368.
INSTRUCTION	238,398.	0.	0.	238,398.
MATERIALS AND SUPPLIES	8,103.	0.	0.	8,103.
SCHOOL HOSTING	138,636.	0.	0.	138,636.
MISCELLANEOUS	16,675.	0.	0.	10,277.
OPERATIONS CONSULTING	340,500.	0.	0.	340,500.
MARKETING SUPPLIES AND ADVERTISEMENT	108,247.	0.	0.	108,247.

FELLOW RECRUITMENT	26,258.	0.	0.	26,258.
NETWORK AND SCHOOL AWARDS	117,268.	0.	0.	117,268.
NATIONAL PROGRAMS: STUDENT LEADERS	7,027.	0.	0.	7,027.
PAYROLL TAXES	212,752.	0.	0.	212,752.
TELECOMMUNICATIONS	143,766.	0.	0.	143,766.
BANK CHARGES	7,286.	0.	0.	7,286.
COMPUTERS AND SOFTWARE	16,938.	0.	0.	16,938.
DUES AND SUBSCRIPTIONS	5,482.	0.	0.	5,482.
EQUIPMENT RENTAL	4,346.	0.	0.	4,346.
UTILITIES	8,842.	0.	0.	8,842.
INSURANCE	13,792.	0.	0.	13,792.
LICENSES, PERMITS AND FEES	2,464.	0.	0.	2,464.
OFFICE SUPPLIES	41,152.	0.	0.	41,152.
REPAIRS AND MAINTENANCE	3,526.	0.	0.	3,526.
PAYROLL PROCESSING FEES	11,827.	0.	0.	11,827.
POSTAGE AND DELIVERY	32,718.	0.	0.	32,718.
EMPLOYEE EXPENSES	21,268.	0.	0.	21,268.
TO FORM 990-PF, PG 1, LN 23	1,707,639.	0.	0.	1,701,241.

FORM 990-PF PART VIII - LIST OF OFFICERS, DIRECTORS STATEMENT 8
 TRUSTEES AND FOUNDATION MANAGERS

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE		
			BEN PLAN CONTRIB	EXPENSE ACCOUNT	
DONALD G. FISHER 345 SPEAR STREET, SUITE 510 SAN FRANCISCO, CA 94105	DIRECTOR/CHAIRMAN AS NEEDED		0.	0.	0.
DORIS F. FISHER 345 SPEAR STREET, SUITE 510 SAN FRANCISCO, CA 94105	DIRECTOR AS NEEDED		0.	0.	0.
MICHAEL H. FEINBERG 345 SPEAR STREET, SUITE 510 SAN FRANCISCO, CA 94105	CEO/DIRECTOR 55 HOURS	135,329.	1,304.		0.
SCOTT HAMILTON 345 SPEAR STREET, SUITE 510 SAN FRANCISCO, CA 94105	PRESIDENT PART TIME		0.	0.	0.
JANE SPRAY 345 SPEAR STREET, SUITE 510 SAN FRANCISCO, CA 94105	SECRETARY/TREASURER PART TIME		0.	0.	0.

Name

Employer identification number

KIPP FOUNDATION

94-3362724

Note In most cases the corporation does not need to file Form 2220 (See Part I below for exceptions.) The IRS will figure any penalty owed and bill the corporation. If the corporation does not need to file Form 2220, it may still use it to figure the penalty. Enter the amount from line 36 on the estimated tax penalty line of the corporation's income tax return, but do not attach Form 2220.

Part I Reasons For Filing - Check the boxes below that apply to the corporation. If any boxes are checked, the corporation must file Form 2220 even if it does not owe the penalty. If the box on line 1 or line 2 applies, the corporation may be able to lower or eliminate the penalty.

- 1 The corporation is using the annualized income installment method
- 2 The corporation is using the adjusted seasonal installment method
- 3 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax

Note The corporation also must file Form 2220 if it has a suspended research credit allowed for the current year (see the instructions for line 4) or it is an indirectly affected taxpayer (see instructions)

Part II Figuring the Underpayment

4 Total tax (see instructions)		4	658.
5a Personal holding company tax (Schedule PH (Form 1120) line 26) included on line 4		5a	
b Look-back interest included on line 4 under section 460(b)(2) for completed long-term contracts or of section 167(g) for property depreciated under the income forecast method		5b	
c Credit for Federal tax paid on fuels (see instructions)		5c	
d Total Add lines 5a through 5c		5d	
6 Subtract line 5d from line 4. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty.		6	658.
7 Enter the tax shown on the corporation's 2000 income tax return. Caution See instructions before completing this line.		7	
8 Enter the smaller of line 6 or line 7. If the corporation must skip line 7, enter the amount from line 6.		8	658.
9 Installment due dates Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers Use 5th month), 6th, 9th, and 12th months of the corporation's tax year. Exception Enter October 1, 2001, instead of September 15, 2001.			
	(a)	(b)	(c)
	(d)		
9	11/15/01	12/15/01	03/15/02
			06/15/02
10 Required installments If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A line 40. If the box on line 3 (but not 1 or 2) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 8 above in each column.			
10	165.	164.	165.
			164.
11 Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15. Complete lines 12 through 18 of one column before going to the next column.			
11	174.		
12 Enter amount, if any, from line 18 of the preceding column.			
12		9.	
13 Add lines 11 and 12.			
13		9.	
14 Add amounts on lines 16 and 17 of the preceding column.			
14			155.
			320.
15 Subtract line 14 from line 13. If zero or less, enter -0-.			
15	174.	9.	0.
16 If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-.			
16		0.	155.
17 Underpayment If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18.			
17		155.	165.
			164.
18 Overpayment If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next column.			
18	9.		

Complete Part III on page 2 to figure the penalty. If there are no entries on line 17, no penalty is owed.

Part III Figuring the Penalty

	(a)	(b)	(c)	(d)	
19 Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions) (Form 990-PF and Form 990-T filers Use 5th month instead of 3rd month)	19				
20 Number of days from due date of installment on line 9 to the date shown on line 19	20				
21 Number of days on line 20 after 4/15/2001 and before 7/1/2001	21				
22 Underpayment on line 17 x $\frac{\text{Number of days on line 21} \times 8\%}{365}$	22	\$	\$	\$	
23 Number of days on line 20 after 6/30/2001 and before 1/1/2002	23				
24 Underpayment on line 17 x $\frac{\text{Number of days on line 23} \times 7\%}{365}$	24	\$	\$	\$	
25 Number of days on line 20 after 12/31/2001 and before 4/1/2002	25				
26 Underpayment on line 17 x $\frac{\text{Number of days on line 25} \times 6\%}{365}$	26	\$	\$	\$	
27 Number of days on line 20 after 3/31/2002 and before 7/1/2002	27	SEE ATTACHED WORKSHEET			
28 Underpayment on line 17 x $\frac{\text{Number of days on line 27} \times \%}{365}$	28	\$	\$	\$	
29 Number of days on line 20 after 6/30/2002 and before 10/1/2002	29				
30 Underpayment on line 17 x $\frac{\text{Number of days on line 29} \times \%}{365}$	30	\$	\$	\$	
31 Number of days on line 20 after 9/30/2002 and before 1/1/2003	31				
32 Underpayment on line 17 x $\frac{\text{Number of days on line 31} \times \%}{365}$	32	\$	\$	\$	
33 Number of days on line 20 after 12/31/2002 and before 2/16/2003	33				
34 Underpayment on line 17 x $\frac{\text{Number of days on line 33} \times \%}{365}$	34	\$	\$	\$	
35 Add lines 22, 24, 26, 28, 30, 32, and 34	35	\$	\$	\$	
36 Penalty Add columns (a) through (d), of line 35 Enter the total here and on Form 1120, line 33, Form 1120-A, line 29, or the comparable line for other income tax returns	36				\$ 19.

* For underpayments paid after March 31, 2002 For lines 28, 30, 32, and 34, use the penalty interest rate for each calendar quarter which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS Web Site at www.irs.gov. You can also call 1-800-829-1040 to get interest rate information.

JWA

Form 2220 2001

FORM 990-PF
UNDERPAYMENT OF ESTIMATED TAX WORKSHEET

Name(s) KIPP FOUNDATION					Identifying Number 94-3362724
(A) *Date	(B) Amount	(C) Adjusted Balance Due	(D) Number Days Balance Due	(E) Daily Penalty Rate	(F) Penalty
		-0-			
11/15/01	165.	165.			
11/15/01	<174.>	<9.>			
12/15/01	164.	155.	16	.000191781	
12/31/01	0.	155.	74	.000164384	2.
03/15/02	165.	320.	92	.000164384	5.
06/15/02	164.	484.	153	.000164384	12.
Penalty Due (Sum of Column F)					19.

* Date of estimated tax payment, withholding credit date or installment due date

Application for Change in Accounting Method

▶ See page 1 of the instructions for the Automatic Change Procedures

Name of applicant (If a joint return is filed, also give spouse's name) KIPP FOUNDATION	Identification number (See page 3 of the instructions) 94-3362724
Number street and room or suite no. (If a P.O. box, see page 3 of the instructions) 345 SPEAR STREET, SUITE 510	Tax year of change begins (mo., day, yr.) and ends (mo., day, yr.) BEGINS 07/01/01 AND ENDS 06/30/02
City or town, state, and ZIP code SAN FRANCISCO, CA 94105-1657	District director's office having jurisdiction
Name of person to contact (If not the applicant, a power of attorney must be submitted) MICHAEL J. BUERGER	Contact person's telephone number/Fax number (415) 399-1556 / (415) 348-0588
Check the appropriate box to indicate who is filing this form. <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Qualified Personal Service Corporation (Sec. 448(d)(2)) <input checked="" type="checkbox"/> Exempt organization. Enter code section ▶ 501 (c) (3)	Check the appropriate box to indicate the type of accounting method change being requested. (See page 3 of the instructions) <input type="checkbox"/> Partnership <input type="checkbox"/> S Corporation <input type="checkbox"/> Insurance Co. (Sec. 816(a)) <input type="checkbox"/> Insurance Co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶ _____ <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ▶ CASH TO ACCRUAL

Part I Eligibility To Request Change (All applicants complete Parts I through IV) (See page 2 of the instructions)

	Yes	No
1 Is the applicant changing its method of accounting under a revenue procedure or other published guidance that provides for an automatic change? (See page 1 of the instructions) If "Yes," enter the citation of the revenue procedure or other published guidance ▶ <u>REV. PROC. 2002-9</u>	X	
2 Is the applicant changing its method of accounting under sections 263A, 447, 448, 460, or 585(c) for the first tax year the applicant is required to change? If "Yes," the applicant is required to make the change in accounting method under the automatic change procedures set forth in the applicable regulations		X
3a Does the applicant have any Federal income tax returns under examination by the IRS? See section 3.07 of Rev. Proc. 97-27, 1997-1 C.B. 680 If "Yes," complete line 3b		X
b Is the method of accounting the applicant is requesting to change (i) an issue under consideration or (ii) an issue placed in suspense by the examining agent(s)? See sections 3.08(1) and 6.01 of Rev. Proc. 97-27 <u>N/A</u> If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 3c through 3e		
c Indicate the "window period" the applicant is filing under or state if the change is being requested with the consent of the district director ▶ <u>N/A</u> See section 6.01 of Rev. Proc. 97-27		
d Has a copy of this Form 3115 been provided to the examining agent(s) for all examinations that are in process? See section 6.01 of Rev. Proc. 97-27 <u>N/A</u>		
e Enter the name(s) and telephone number(s) of the examining agent(s) ▶ <u>N/A</u> See section 6.01 of Rev. Proc. 97-27		
4a Is the applicant before an appeals office with respect to any Federal income tax return issue? If "Yes," complete line 4b		X
b Is the method of accounting the applicant is requesting to change an issue under consideration by the appeals office? See sections 3.08(2) and 6.02 of Rev. Proc. 97-27 <u>N/A</u> If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 4c and 4d		
c Has a copy of this Form 3115 been provided to the appeals officer? See section 6.02 of Rev. Proc. 97-27 <u>N/A</u>		
d Enter the name and telephone number of the appeals officer ▶ <u>N/A</u> See section 6.02 of Rev. Proc. 97-27		

Signature — All Applicants (See page 3 of the instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying documents, and, to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and such facts are true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

<p><u><i>Scott W. Hamilton</i></u> Applicant <u>8-12-03</u></p> <p>Officer's signature and date</p> <p><u>Scott W. Hamilton, President</u></p> <p>Name and title (print or type)</p> <p><u>Hood & Strong LLP 5/14/03</u></p> <p>Signature(s) of individual or firm preparing the application and date</p>	<p>Parent corporation (if applicable)</p> <p>_____ Parent officer's signature and date</p> <p>_____ Name and title (print or type)</p> <p>_____ Name of firm preparing the application</p>
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Part I Eligibility To Request Change (continued)

	Yes	No
5a Is the applicant before a Federal court with respect to any Federal income tax issue? If "Yes," complete line 5b		X
b Is the method of accounting the applicant is requesting to change an issue under consideration by the Federal court? See sections 3 08(3) and 6 03 of Rev Proc 97-27 N/A If "Yes " the applicant is not eligible to request the change in accounting method If "No," complete line 5c and 5d		
c Has a copy of this Form 3115 been provided to the counsel for the government? See section 6 03 of Rev Proc 97-27 N/A		
d Enter the name and telephone number of the counsel for the government ▶ N/A See section 6 03 of Rev Proc 97-27		
6a Is the applicant a member of an affiliated group filing a consolidated return for the year of change?		X
b If "Yes," attach a statement listing the parent corporation's (1) name, (2) identification number, (3) address, and (4) tax year N/A		X
c Has the applicant ever been a member of a consolidated group other than the current group? If "Yes," complete line 6b for each group of which the applicant was formerly a member N/A		
d If the applicant is (or was formerly) a member of a consolidated group, is any consolidated group under examination, before an appeals office, or before a Federal court for a tax year(s) that the applicant was a member of the group? See sections 3 07(1) and 4 02(5) of Rev Proc 97-27 If "Yes," complete lines 3b through 3e, 4b through 4d, or 5b through 5d (whichever are applicable) N/A		X
7 If the applicant is an entity (including a limited liability company) treated as a partnership or an S corporation for Federal income tax purposes, is the method of accounting the applicant is requesting to change an issue under consideration in an examination of a partner, member, or shareholder's Federal income tax return or an issue under consideration by an appeals office or by a Federal court with respect to a partner, member, or shareholder's Federal income tax return? See sections 3 08 and 4 02(6) of Rev Proc 97-27 N/A If "Yes," the applicant is not eligible to request the change in accounting method		

Part II Description of Change

8 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting Also complete Schedule A on page 4 of the form Present method <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description) Proposed method <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)	X	
9 If the applicant is not changing its overall method of accounting, attach a description of each of the following N/A a The item being changed b The applicant's present method for the item being changed c The applicant's proposed method for the item being changed d The applicant's present overall method of accounting (cash, accrual, or hybrid)		
10 Attach an explanation of the legal basis supporting the proposed method for the item being changed include all authority (statutes, regulations, published rulings, court cases, etc) supporting the proposed method The applicant is encouraged to include a discussion of any authorities that may be contrary to the proposed method STMT A		
11 Attach a description of the applicant's trade or business, including the goods and services it provides and any other types of activities it engages in that generate gross income STATEMENT A		
12 Attach a copy of all documents directly related to the proposed change (See page 3 of the instructions)		
13 Attach a statement of the applicant's reasons for the proposed change STATEMENT A		
14a Attach an explanation of whether the proposed method of accounting will be used for the taxpayer's books and records and financial statements (Insurance companies, see page 3 of the instructions) STATEMENT A b Attach an explanation of whether the proposed method of accounting conforms to generally accepted accounting principles (GAAP) and to the best accounting practice in the applicant's trade or business STATEMENT A		
15a Does the applicant have more than one trade or business as defined in Regulations section 1 446-1(d)? b If "Yes," is each trade or business accounted for separately? N/A If "Yes," for each trade or business, attach a description of the type of business, the overall method of accounting, whether the business has changed any accounting method in the past 4 years, and whether the business is changing any accounting method as part of this application or as a separate application N/A		X
16 If the applicant is a member of an affiliated group filing a consolidated return for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? N/A If "No," attach an explanation		
17 If the applicant is changing to the cash method or to the inventory price index computation (IPIC) method under Regulations section 1 472-8(e)(3), or is changing its method of accounting under sections 263A, 448, or 460, enter the gross receipts for the 4 tax years preceding the year of change (See page 3 of the instructions) N/A 1st preceding year ended mo yr 2nd preceding year ended mo yr 3rd preceding year ended mo yr 4th preceding year ended mo yr \$ \$ \$ \$		

Part II Description of Change (continued)

18 Attach a statement addressing whether the applicant has entered (or is considering entering) into a transaction to which section 381(c)(4) or (c)(5) applies (e.g., a reorganization or merger) during the tax year of change determined without regard to any (potential) closing of the year under section 381(b)(1). Also include in the statement an explanation of any changes in method of accounting that resulted (or will result) from the transaction(s) N/A

Part III Section 481(a) Adjustment

	Yes	No
19 Enter the net section 481(a) adjustment for the year of change. Indicate whether the adjustment is an increase (+) or a decrease (-) in income ▶ \$ <u>(460,547)</u>		
20 Has the section 481(a) adjustment been reduced by a pre-1954 amount?		X
21a If the section 481(a) adjustment is less than \$25,000 (positive or negative), does the applicant elect to take the entire amount of the adjustment into account in the year of change? Rev. Proc. 2002-19, Sec. 2.02	X	
b If "No," (or if the applicant declines to elect to take the entire amount of the adjustment into account in the year of change), enter the applicable period over which the applicant proposes to take the adjustment into account ▶ <u>N/A</u>		
22 Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a controlled group, or other related parties? If "Yes," attach an explanation		X

Part IV Additional Information

	Yes	No
23 Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in accounting method or accounting period in the past 4 years? If "Yes," attach a description of each change and the year of change. If the application was withdrawn, not perfected, or denied, or if a Consent Agreement was sent to the taxpayer but was not signed and returned to the IRS, or if the change was not made, include an explanation		X
24 Does the applicant, its predecessor, or a related party currently have pending any request for a private letter ruling, a request for change in accounting method or accounting period, or a request for technical advice? If "Yes" for each request, indicate the name(s) of the taxpayer, the type of request (private letter ruling, request for change in accounting method or accounting period, or request for technical advice), and the specific issue in the request		X
25 Has the applicant attached Form 2848, Power of Attorney and Declaration of Representative? (See the instructions for line 25 and "Person To Contact" on page 3 of the instructions.)		X
26 Does the applicant request a conference of right at the IRS National Office if the IRS proposes an adverse response?	X	
27 Enter the amount of user fee attached to this application ▶ \$ <u>0</u> (See page 2 of the instructions.)		
28 If the applicant qualifies for a reduced user fee for identical accounting method changes, has the information required by section 15.07 of Rev. Proc. 99-1, 1999-1 IRB 6, been attached? <u>N/A</u>		

Schedule A — Change in Overall Method of Accounting (If Schedule A applies Part I below must be completed)

Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet state the accounting method used when preparing the balance sheet. If books of account are not kept attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g. tax-exempt organization returns) for that period. If the amounts in Part I lines 1a through 1g do not agree with those shown on both the profit and loss statement and the balance sheet explain the differences on a separate sheet **SEE STMT B**

Part I Change in Overall Method (See page 3 of the instructions)

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None". Also attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

SEE STATEMENT C

- a Income accrued but not received
- b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method. (See page 3 of the instructions.)
- c Expenses accrued but not paid
- d Prepaid expense previously deducted
- e Supplies on hand previously deducted
- f Inventory on hand previously deducted. Complete Schedule C, Part II.
- g Other amounts (specify) ▶ _____
- h **Net section 481(a) adjustment** (Add lines 1a–1g.) (See page 3 of the instructions.)

Amount
\$ 755
459,792
\$ 460,547.00

2 Is the applicant also requesting the recurring item exception (section 461(h))? (See page 4 of the instructions.) Yes **No**

Part II Change to the Cash Method (See page 4 of the instructions)

Applicants requesting a change to the cash method must attach the following information: N/A

- 1** A description of the applicant's investment in capital items and leased equipment used in the trade or business, and the relationship between these items and the services performed by the business.
- 2** A description of inventory items (items that produce income when sold) and materials and supplies used in carrying out the business.
- 3** The number of employees, shareholders, partners, associates, etc., and a description of their duties in carrying out the applicant's business.
- 4** A schedule showing the age of receivables for each of the 4 tax years preceding the year of change.
- 5** A schedule showing the applicant's taxable income (loss) for each of the 4 tax years preceding the year of change.
- 6** A profit and loss statement showing the taxable income (loss) based on the cash method for each of the 4 tax years preceding the year of change.

Schedule B — Changes Within the LIFO Inventory Method (See page 4 of the instructions)**Part I** **General LIFO Information** N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method)
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, pooling method authorized under inventory price index computation (IPIC) method, etc.)
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.)
 - d Figuring the cost of goods in the closing inventory over the cost of goods in the opening inventory (e.g., most recent purchases, earliest acquisitions during the year, average cost of purchases during the year, etc.)
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, specify the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, specify the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, the applicant should identify which inventory items are valued under each method.

Part II **Change in Pooling Inventories** N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, the applicant should explain the reasons for the separate facilities, indicate the location of each facility, and provide a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items sold to others and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Part III **Change to Inventory Price Index Computation (IPIC) Method** (See page 4 of the instructions) N/A

If changing to the IPIC method, attach the following items:

- 1 A completed Form 970.
- 2 A statement indicating which indexes, tables, and categories the applicant proposes to use.

Schedule C — Change in the Treatment of Long-Term Contracts, Inventories, or Other Section 263A Assets N/A

Part I Change in Reporting Income From Long-Term Contracts (Complete Part I and Part III below See page 4 of the instructions)

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income from long-term contracts If the applicant is a construction contractor, include a description of its construction activities
- 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1)? (See page 4 of the instructions) Yes No
- b If "Yes," do all the contracts qualify for the exception under section 460(e)? (See page 4 of the instructions) Yes No
If line 2b is "No," attach an explanation
- 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? Yes No
- b If "Yes," explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts
- c If any of the manufacturing goods are sold or distributed without installation, attach an explanation
- 4 If the applicant is requesting to use the percentage of completion method under section 460(b) for reporting its long-term contract income, indicate whether the applicant is electing to determine the completion factor for each long-term contract under the simplified cost-to-cost method (See page 4 of the instructions)
- 5 Does the applicant want to change the accounting method for all long-term contracts that were outstanding at the beginning of the year of change? Yes No
If "No," attach an explanation
- 6 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts

Part II Change in Valuing Inventories (Complete Part III if applicable See page 4 of the instructions) N/A

- 1 Attach a description of the inventory goods being changed
- 2 Attach a description of the inventory goods (if any) NOT being changed
- 3 Is the applicant's present inventory valuation method in compliance with section 263A? (See page 4 of the instructions) Yes No

4a Check the appropriate boxes below that identify the present and proposed inventory identification methods and valuation methods being changed and the present inventory identification methods and valuation methods not being changed

Identification methods

Specific identification

FIFO

LIFO

Valuation methods

Cost

Cost or market, whichever is lower

Retail cost

Retail, lower of cost or market

Other (attach explanation)

Inventory Being Changed		Inventory Not Being Changed
Present method	Proposed method	Present method

- b Enter the value at the end of the tax year preceding the year of change
- 5 Attach the computation used to determine the section 481(a) adjustment If the section 481(a) adjustment is based on more than one component, show the computation for each component
- 6 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (See page 4 of the instructions)
 - a Copies of Form(s) 970 filed to adopt or expand the use of the method
 - b A statement describing how the proposed method is consistent with the requirements of Regulations section 1.472-6

Part III Method of Cost Allocation (See page 4 of the instructions) N/A

Complete this part if the requested change involves either property subject to section 263A or long-term contracts subject to section 460 Check the appropriate boxes in Sections B and C showing which costs, under both the present and proposed methods, are fully included, to the extent required, in the cost of property produced or acquired for resale under section 263A or allocated to long-term contracts under section 460 If a box is not checked, it is assumed that those costs are not fully included to the extent required If a cost is not fully included attach an explanation Mark "N/A" in a box if those costs are not incurred by the applicant with respect to its production, resale, or long-term contract activities

Section A — Allocation and Capitalization Methods (Schedule C, Part III continued) (See page 4 of the instructions)

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to property produced or acquired for resale. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to property produced or acquired for resale. The description must include the following information: N/A

- 1 The method of allocating direct and indirect costs (i.e., specific identification method, burden rate method, standard cost method, or other reasonable allocation method)
- 2 The method of allocating mixed service costs (i.e., direct reallocation method, step-allocation method, simplified service cost method using the labor-based allocation ratio, or the simplified service cost method using the production cost allocation ratio)
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production method with or without the historic absorption ratio election, simplified resale method with or without the historic absorption ratio election including permissible variations, or the U.S. ratio method)

Section B — Direct and Indirect Costs Required To Be Allocated (See Regulations under sections 263A and 451)

N/A		Present method	Proposed method
1	Direct material		
2	Direct labor		
3	Indirect labor		
4	Officers' compensation (not including selling activities)		
5	Pension and other related costs		
6	Employee benefits		
7	Indirect materials and supplies		
8	Purchasing costs		
9	Handling, processing, assembly, and repackaging costs		
10	Offsite storage and warehousing costs		
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12	Depletion		
13	Rent		
14	Taxes other than state, local, and foreign income taxes		
15	Insurance		
16	Utilities		
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18	Engineering and design costs (not including section 174 research and experimental expenses)		
19	Rework labor, scrap, and spoilage		
20	Tools and equipment		
21	Quality control and inspection		
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23	Licensing and franchise costs		
24	Capitalizable service costs (including mixed service costs)		
25	Administrative costs (not including any costs of selling or any return on capital)		
26	Research and experimental expenses attributable to long-term contracts		
27	Interest		
28	Other costs (Attach a list of these costs)		

Section C — Other Costs Not Required To Be Allocated N/A

1	Marketing, selling, advertising, and distribution expenses		
2	Research and experimental expenses not included on line 26 above		
3	Bidding expenses not included on line 22 above		
4	General and administrative costs not included in Section B above		
5	Income taxes		
6	Cost of strikes		
7	Warranty and product liability costs		
8	Section 179 costs		
9	On-site storage		
10	Depreciation, amortization and cost recovery allowance not included on line 11 above		
11	Other costs (Attach a list of these costs)		

Schedule D — Change in Reporting Advance Payments and Depreciation/Amortization

Part I Change in Reporting Advance Payments (See page 4 of the instructions) N/A

- 1 If the applicant is requesting to defer advance payment for services under Rev Proc 71-21, 1971-2 C B 549, attach the following information
 - a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method *Indicate the particular parts of the service agreement that require the taxpayer to perform services*
 - b If any parts or materials are provided, explain how the parts or materials relate to the services provided and provide the cost of such parts or materials as an absolute number and a percentage of the contract price
 - c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement
 - d A description of the method the applicant will use to determine the amount of income earned each year on contingent contracts and why that method clearly reflects income earned and related expenses in each year
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1 451-5, attach the following information
 - a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method *Indicate the particular parts of the agreement that require the applicant to provide goods or items*
 - b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1 451-5(a)(1)(i) or (ii) (including services as an integral part of those activities)

Part II Change in Depreciation or Amortization (See page 4 of the instructions) N/A

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note. *If the property has been disposed of before the beginning of the year of change, a method change is not permitted for that property. See Automatic Change Procedures on page 1 of the instructions for information regarding automatic changes under sections 167, 168, and 197. Also see When Not To File Form 3115 on page 4 of the instructions for information concerning retroactive elections and election revocations.*

- 1 Is depreciation for the property figured under Regulations section 1 167(a)-11 (CLADR)? Yes No
 If "Yes," the only changes permitted are under Regulations section 1 167(a)-11(c)(1)(iii)
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? Yes No
 If "Yes," enter the applicable section ► _____
- 3 Has a depreciation or amortization election been made for the property (e.g., the election under section 168(f)(1))? Yes No
 If "Yes," state the election made ► _____
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b If the property is residential rental property, did the applicant live in the property before renting it? Yes No
- c Is the property public utility property? Yes No
- 5 To the extent not already provided in the applicant's description of its present method, explain how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1 162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.)
- 6 If the property is not currently treated as depreciable or amortizable property, provide the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information under both the present (if applicable) and proposed methods:
 - a The Code section under which the property is depreciated or amortized (e.g., section 168(g))
 - b If the property is depreciated under section 168, identify the applicable asset class in Rev Proc 87-56, 1987-2 C B 674 (if none, state so and explain why). Also provide the facts supporting the asset class under the proposed method.
 - c The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1))
 - d The useful life, recovery period, or amortization period of the property
 - e The applicable convention of the property

Form 3115 Attachment

Part II, Description of Change

KIPP Foundation's (the Foundation) Financial Statements are prepared on the accrual basis. The accounts of the Foundation are maintained in accordance with the generally accepted accounting principles relevant to not-for-profit organizations. In Prior years, KIPP Foundation was on the accrual basis for financial statement reporting, and cash basis for tax purposes. For the fiscal year end June 30, 2002, KIPP Foundation will be on the accrual basis of accounting for both financial statement purposes and tax reporting purposes to better reflect the income and expenses of the Foundation.

The Foundation is a nonprofit corporation, organized under the laws of the State of California in April 2000. The purpose of the Foundation is to provide educationally underserved students with the knowledge, skills, and character needed to succeed in top quality high schools, colleges and the competitive world beyond.

The Foundation as a part of its charitable purpose provides assistance to existing public, charter schools and in the establishment of new schools. The schools are separate entities and operate independently of the Foundation.

KIPP Foundation
EIN 94-3362724
Statement of Financial Position

June 30,

2001

Assets

Current Assets:

Cash	\$ 46,174
Other receivables	4,854
Program loans receivable	62,479
Investments (at market value)	5,198,864

Total current assets	\$ 5,312,371
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Noncurrent Assets:

Furniture and equipment (net of accumulated depreciation of \$9,041)	37,554
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Total noncurrent assets	37,554
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Total assets	\$ 5,349,925
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 142,733
Accrued expenses	197,302
Excise tax payable	120,000

Total liabilities	\$ 460,035
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Net Assets:

Unrestricted net assets	\$ 4,889,890
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Total net assets	\$ 4,889,890
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Total liabilities and net assets	\$ 5,349,925
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KIPP Foundation

EIN. 94-3362724

Statement of Activities

From Inception through June 30, 2001

	Unrestricted	Total
Revenues, Gains and Support.		
Donations	\$ 5,921,814	\$ 5,921,814
Donated services and facilities	1,665,323	1,665,323
Investment income	106,939	106,939
Capital gains, net realized	691,908	691,908
Total revenue, gains and support	8,385,984	8,385,984
Expenses:		
Programs		
School Leadership Program	468,164	468,164
New School Support	513,572	513,572
Other Program Expense	2,017,576	2,017,576
Total program	2,999,312	2,999,312
Support services		
Administration	496,782	496,782
Total support services	496,782	496,782
Total expenses	3,496,094	3,496,094
Change in Net Assets	4,889,890	4,889,890
Net Assets, at inception	0	0
Net Assets, end of year	\$ 4,889,890	\$ 4,889,890

Significant Accounting Policies:

Financial statements are prepared on the accrual basis. The accounts of the Foundation are maintained in accordance with the generally accepted accounting principles in the United States of America relevant to not-for-profit organizations.

Donations are recognized when the donor makes an unconditional promise to give to the Foundation. Donations that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When restrictions expire or are met by the Foundation the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments are recorded at fair market value based on quoted market prices.

Realized gains and losses are calculated on a first-in first-out basis. Investment income, consisting of dividends and interest, is accrued as earned.

Contributed services are recognized for. The services of other volunteers, while often significant in value, are recorded in the financial statements.

The costs of providing the various programs and other activities have been detailed in the statement of functional expense and summarized in the statement of activities. Certain costs have been allocated among the programs and supporting services by the management of the Foundation based upon time and usage studies.

The preparation of financial statements in conformity with generally accepted Accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and *disclosure of contingent assets and liabilities at the date of the financial statements*. Actual results could differ from those estimates.

The Foundation is exempt from federal and state income taxes. However, in accordance with the provisions of the Tax Reform Act of 1969, the Foundation is classified as a private foundation subject to excise tax on net investment income.

KIPP FOUNDATION
EIN 94-3362724
06/30/2002

	Amounts Reported per 6/30/2001 Accrual Basis Financial Statements	Amounts Reported per 6/30/2001 Cash Basis Tax Return	DIFFERENCE
<u>Expenses Accrued but not paid</u>			
Accounts Payable	142,733		
Accrued Expenses	197,302		
Excise Tax Payable	120,000	243	
Total to line 1c	<u>460,035</u>	<u>243</u>	<u>(459,792)</u>
<u>Income Accrued but not received</u>			
Other Receivables	4,854	5,323	(469)
Program Loans Receivable	<u>62,479</u>	<u>62,765</u>	<u>(286)</u>
Total to line 1a	<u>67,333</u>	<u>68,088</u>	<u>(755)</u>
<u>Net Section 481 adjustment (line 1h)</u>			<u>(460,547)</u>

The KIPP Foundation
 Fixed Asset Summary
 6/30/2002

EIN 94-3362724

Description	Balance 6/30/2001	Additions	Deletions	Adjustment	Balance 6/30/2002
Computer Equipment	41,393	74,098	(10,912)		104,579
Office Equipment	5,202	47,154	(4,861)		47,495
Improvement		16,021			16,021
	<u>46,595</u>	<u>137,274</u>	<u>(15,774)</u>	<u>-</u>	<u>168,095</u>

Accumulated Depreciation

Description	Balance 6/30/2001	C/Y Depreciation	Deletions	C/Y Misc Adjust	Balance 6/30/2002
Computer Equipment	8,279	27,438	(3,548)		32,168
Office Equipment	727	6,847	(694)		6,880
					-
					-
					-
	<u>9,006</u>	<u>34,285</u>	<u>(4,243)</u>	<u>-</u>	<u>39,048</u>
NBV	37,589				129,047

SUMMARY OF DIRECT CHARITABLE ACTIVITIES

The KIPP Foundation promotes and enhances effective public education at low income public schools (including, specifically, charter schools) through the development of curriculum, training of school executives, facilitation of the sharing of information by schools and school executives, assistance to others in establishing new schools or converting existing schools, and establishment of a national network of highly effective low income schools, initially at the elementary and middle school level. This is accomplished through three programs:

- (1) **School Leadership Training Program.** A school leadership program consisted of a three-day program at the KIPP Academy in New York (a middle school operated by an independent organization), a five-week Summer Institute of general graduate level business education at the University of California, Berkeley, Haas School of Business, provided principally by faculty members from the Haas School under contract with the KIPP Foundation, and three months of classroom training on site at schools relating specifically to school design, school culture, student/teacher expectations, educational reform history and other education-specific topics for which materials and instruction was provided by the officers of KIPP Foundation and other instructors independently of the Haas School.
- (2) **Fellowships.** Beginning in July 2001, qualified individuals are employed for one year to enable them to attend the leadership program and take the necessary steps to open or convert a school to the KIPP format.
- (3) **School Resources Network.** Kipp Foundation acts as a resource for new and existing public (or public charter) schools that are committed to the same general education principles as KIPP Foundation.

• If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only Part II and check this box **X**

Note Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868

• If you are filing for an **Automatic 3-Month Extension**, complete only Part I (on page 1)

Part II Additional (not automatic) 3-Month Extension of Time - Must file Original and One Copy.	
Type or print	Name of Exempt Organization KIPP FOUNDATION
	Employer identification number 94-3362724
File by the extended due date for filing the return See instructions	Number, street, and room or suite no. If a P O box, see instructions 345 SPEAR STREET, NO. 510
	For IRS use only
	City, town or post office, state, and ZIP code For a foreign address, see instructions SAN FRANCISCO, CA 94105-1657

Check type of return to be filed (File a separate application for each return)

- Form 990
 Form 990 EZ
 Form 990 T (sec 401(a) or 408(a) trust)
 Form 1041-A
 Form 5227
 Form 8870
 Form 990 BL
 Form 990 PF
 Form 990 T (trust other than above)
 Form 4720
 Form 6069

STOP Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868

- If the organization does not have an office or place of business in the United States, check this box **X**
 • If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for

- 4 I request an additional 3-month extension of time until MAY 15, 2003
 5 For calendar year _____, or other tax year beginning JUL 1, 2001 and ending JUN 30, 2002
 6 If this tax year is for less than 12 months, check reason Initial return Final return Change in accounting period

7 State in detail why you need the extension
ADDITIONAL TIME IS NEEDED TO GATHER THE DATA NECESSARY TO FILE A COMPLETE AND ACCURATE RETURN.

- 8a If this application is for Form 990-BL, 990 PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions \$ 2,200.
 b If this application is for Form 990 PF, 990 T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ 2,200.
 c **Balance Due** Subtract line 8b from line 8a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ 0.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form

Signature Kristen Asump Title CPA Date 2/17/03

Notice to Applicant - To Be Completed by the IRS

- We have approved this application Please attach this form to the organization's return
 We have not approved this application However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions) This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return Please attach this form to the organization's return
 We have not approved this application After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file We are not granting the 10-day grace period
 We cannot consider this application because it was filed after the due date of the return for which an extension was requested
 Other _____

Director _____ By _____ Date _____

Alternate Mailing Address - Enter the address if you want the copy of this application for an additional 3 month extension returned to an address different than the one entered above

Type or print	Name HOOD & STRONG LLP, CPAS
	Number and street (include suite, room, or apt no.) Or a P O box number 60 SPEAR STREET, SUITE 400
	City or town, province or state and country (including postal or ZIP code) SAN FRANCISCO, CA 94105

123832 07-16-01

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)

Note Do not complete **Part II** unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Part I Automatic 3-Month Extension of Time - Only submit original (no copies needed)

Note Form 990-T corporations requesting an automatic 6-month extension - check this box and complete Part I only
All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

Type or print	Name of Exempt Organization KIPP FOUNDATION	Employer identification number 94-3362724
File by the due date for filing your return. See instructions	Number, street, and room or suite no. If a P O box, see instructions 345 SPEAR STREET, NO. 510	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions SAN FRANCISCO, CA 94105-1657	

Check type of return to be filed (file a separate application for each return)

- | | | |
|---|--|------------------------------------|
| <input type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input checked="" type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the **whole group**, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover

1 I request an automatic 3-month (6-month, for **990-T corporation**) extension of time until **FEBRUARY 18, 2003** to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ calendar year _____ or
▶ tax year beginning **JUL 1, 2001** and ending **JUN 30, 2002**

2 If this tax year is for less than 12 months, check reason Initial return Final return Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ 2,200.

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ 0.

c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ 2,200.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ *Sheryl D. Washell* Title ▶ CPA Date ▶ 11/14/02
LHA For Paperwork Reduction Act Notice, see instruction Form 8868 (12-2000)