Report of Independent Auditors and
Financial Statements with
Federal Awards Supplementary Information

Playworks Education Energized

June 30, 2017 and 2016

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
Playworks Education Energized

Report on the Financial Statements

We have audited the accompanying financial statements of Playworks Education Energized ("Playworks") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Playworks Education Energized as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of Playworks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Playworks' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Playworks' internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
November 28, 2017

Financial Statements

Playworks Education Energized
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,542,512	$ 4,425,053
Accounts receivable, net of allowance for doubtful accounts of $143,973 and $146,887 in 2017 and 2016, respectively	2,412,803	1,856,858
Grants and pledges receivable	10,447,723	8,739,895
Prepaid expenses and other assets	414,907	680,597
Total current assets	16,817,945	15,702,403
Property and equipment, net	242,910	91,919
Grants and pledges receivable, net of current portion	3,931,982	10,641,520
Other long-term assets	63,004	122,665
TOTAL ASSETS	$ 21,055,841	$ 26,558,507
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 777,332	$ 430,822
Payroll and accrued benefits	2,140,573	1,721,368
Deferred revenue	1,018,228	188,781
Total current liabilities	3,936,133	2,340,971
Deferred rent liability	41,377	29,453
Total liabilities	3,977,510	2,370,424
NET ASSETS		
Unrestricted	1,403,989	3,079,740
Temporarily restricted	15,674,342	21,108,343
Total net assets	17,078,331	24,188,083
TOTAL LIABILITIES AND NET ASSETS	$ 21,055,841	$ 26,558,507

See accompanying notes.

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT						
Contributions	$ 865,863	$ 9,376,070	$ 10,241,933	$ 833,830	$ 25,250,760	$ 26,084,590
Corporate support	1,301,998	2,871,425	4,173,423	1,442,816	1,977,175	3,419,991
Contributions in-kind	461,508	-	461,508	952,696	-	952,696
Net assets released from restriction	17,681,496	(17,681,496)	-	10,549,428	(10,549,428)	-
Total support	20,310,865	(5,434,001)	14,876,864	13,778,770	16,678,507	30,457,277
REVENUE						
Direct service fees	13,566,915	-	13,566,915	13,222,085	-	13,222,085
Government grants	3,536,918	-	3,536,918	3,627,356	-	3,627,356
Training fees	2,301,669	-	2,301,669	1,980,808	-	1,980,808
Special events (net of direct expenses of $906,891 and $695,820 in 2017 and 2016, respectively)	914,779	-	914,779	805,854	-	805,854
Other revenue	431,644	-	431,644	408,142	-	408,142
Total revenue	20,751,925	-	20,751,925	20,044,245	-	20,044,245
Total support and revenue	41,062,790	(5,434,001)	35,628,789	33,823,015	16,678,507	50,501,522
EXPENSES						
Program services:						
Direct services	25,015,777	-	25,015,777	21,469,921	-	21,469,921
Training services	4,717,903	-	4,717,903	1,940,523	-	1,940,523
Total program services	29,733,680	-	29,733,680	23,410,444	-	23,410,444
Support services:						
Management and general	8,043,113	-	8,043,113	4,833,887	-	4,833,887
Fundraising	4,961,748	-	4,961,748	4,979,064	-	4,979,064
Total support services	13,004,861	-	13,004,861	9,812,951	-	9,812,951
Total expenses	42,738,541	-	42,738,541	33,223,395	-	33,223,395
CHANGE IN NET ASSETS	(1,675,751)	(5,434,001)	(7,109,752)	599,620	16,678,507	17,278,127
NET ASSETS, beginning of year	3,079,740	21,108,343	24,188,083	2,480,120	4,429,836	6,909,956
NET ASSETS, end of year	$ 1,403,989	$ 15,674,342	$ 17,078,331	$ 3,079,740	$ 21,108,343	$ 24,188,083

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Supporting Services			
	Direct Services	Training Services	Subtotal	Management General	Fundraising	Subtotal	Total
EXPENSES							
Salaries and wages	$ 18,711,110	$ 2,815,251	$ 21,526,361	$ 3,392,015	$ 3,408,742	$ 6,800,757	$ 28,327,118
Employee benefits	2,516,251	379,151	2,895,402	460,543	459,081	919,624	3,815,026
Payroll tax	1,382,027	208,011	1,590,038	251,109	251,862	502,971	2,093,009
Total salaries and related expenses	22,609,388	3,402,413	26,011,801	4,103,667	4,119,685	8,223,352	34,235,153
Travel and related expenses	278,164	345,103	623,267	250,750	120,267	371,017	994,284
Rent and occupancy, including in-kind	893,393	36,003	929,396	403,609	9,330	412,939	1,342,335
Legal and professional, including in-kind	216,431	726,033	942,464	1,413,151	70,403	1,483,554	2,426,018
Dues, licenses, service fees	68,970	22,795	91,765	443,999	84,432	528,431	620,196
Staff recruitment and training	67,597	3,357	70,954	95,200	39,634	134,834	205,788
Telephone	97,953	12,667	110,620	51,562	24,591	76,153	186,773
School supplies	218,029	66,328	284,357	26,294	16,190	42,484	326,841
Printing and publications	84,379	30,611	114,990	49,340	11,185	60,525	175,515
Insurance	27,288	3,006	30,294	141,478	8,727	150,205	180,499
Marketing and advertising	88,805	21,544	110,349	429,984	11,406	441,390	551,739
Meetings and conferences	127,565	15,197	142,762	279,803	29,249	309,052	451,814
Fundraising events, including in-kind	9,766	-	9,766	24,768	331,735	356,503	366,269
Small equipment and maintenance	37,355	9,580	46,935	156,868	12,709	169,577	216,512
Supplies	49,558	6,280	55,838	33,633	14,597	48,230	104,068
Postage	34,662	8,754	43,416	43,654	10,411	54,065	97,481
Utilities	9,028	211	9,239	20,210	491	20,701	29,940
Government grant commission	27,090	-	27,090	-	-	-	27,090
Allowance for bad debt	43,841	5,250	49,091	-	39,000	39,000	88,091
Total expenses before depreciation and amortization	24,989,262	4,715,132	29,704,394	7,967,970	4,954,042	12,922,012	42,626,406
Depreciation and amortization	26,515	2,771	29,286	75,143	7,706	82,849	112,135
Total functional expenses	$ 25,015,777	$ 4,717,903	$ 29,733,680	$ 8,043,113	$ 4,961,748	$ 13,004,861	$ 42,738,541

See accompanying notes.

	Program Services			Supporting Services			
	Direct Services	Training Services	Subtotal	Management General	Fundraising	Subtotal	Total
EXPENSES							
Salaries and wages	$ 16,012,137	$ 1,130,775	$ 17,142,912	$ 2,310,184	$ 3,498,850	$ 5,809,034	$ 22,951,946
Employee benefits	1,570,203	110,888	1,681,091	226,544	343,109	569,653	2,250,744
Payroll tax	1,198,933	84,669	1,283,602	172,979	261,982	434,961	1,718,563
Total salaries and related expenses	18,781,273	1,326,332	20,107,605	2,709,707	4,103,941	6,813,648	26,921,253
Travel and related expenses	291,050	304,743	595,793	160,460	71,709	232,169	827,962
Rent and occupancy, including in-kind	903,247	83,528	986,775	247,678	41,052	288,730	1,275,505
Legal and professional, including in-kind	167,728	650	168,378	1,131,332	241,898	1,373,230	1,541,608
Dues, licenses, service fees	283,683	26,324	310,007	109,934	111,117	221,051	531,058
Staff recruitment and training	74,709	1,274	75,983	70,887	18,385	89,272	165,255
Telephone	114,100	10,877	124,977	10,779	27,987	38,766	163,743
School supplies	214,035	77,853	291,888	12,954	8,174	21,128	313,016
Printing and publications	57,659	42,665	100,324	9,313	6,836	16,149	116,473
Insurance	118,244	8,895	127,139	20,022	30,110	50,132	177,271
Marketing and advertising	4,674	13,322	17,996	213,833	12,104	225,937	243,933
Meetings and conferences	93,161	8,452	101,613	59,629	24,805	84,434	186,047
Fundraising events, including in-kind	6,491	4,418	10,909	-	172,789	172,789	183,698
Small equipment and maintenance	89,847	8,156	98,003	19,071	23,575	42,646	140,649
Supplies	113,208	7,737	120,945	17,800	11,103	28,903	149,848
Postage	14,669	6,765	21,434	18,360	10,648	29,008	50,442
Utilities	21,564	1,212	22,776	2,720	4,026	6,746	29,522
Government grant commission	25,072	-	25,072	-	-	-	25,072
Allowance for bad debt	-	-	-	-	35,000	35,000	35,000
Total expenses before depreciation and amortization	21,374,414	1,933,203	23,307,617	4,814,479	4,955,259	9,769,738	33,077,355
Depreciation and amortization	95,507	7,320	102,827	19,408	23,805	43,213	146,040
Total functional expenses	$ 21,469,921	$ 1,940,523	$ 23,410,444	$ 4,833,887	$ 4,979,064	$ 9,812,951	$ 33,223,395

Playworks Education Energized
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (7,109,752)	$ 17,278,127
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	112,135	146,040
Allowance for bad debt	88,091	35,000
Discount on pledges receivable	(145,462)	248,480
Changes in assets and liabilities:		
Accounts receivable	(644,036)	(738,594)
Grants and pledges receivable	5,147,172	(14,174,379)
Prepaid expenses and other assets	325,351	(295,969)
Accounts payable and accrued expenses	346,510	38,945
Payroll and employee benefits	419,205	177,499
Deferred revenue	829,447	(286,972)
Other long-term liabilities	11,924	5,661
Net cash provided (used) by operating activities	(619,415)	2,433,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(263,126)	(6,251)
Net cash used by investing activities	(263,126)	(6,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit borrowings	-	-
Repayments of lines of credit borrowings	-	-
Net cash used by financing activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(882,541)	2,427,587
CASH AND CASH EQUIVALENTS, beginning of year	4,425,053	1,997,466
CASH AND CASH EQUIVALENTS, end of year	$ 3,542,512	$ 4,425,053

See accompanying notes.

NOTE 1 – ORGANIZATION

General – Playworks Education Energized ("Playworks") is a nonprofit public benefit corporation founded in 1996 that changes school culture by leveraging the power of safe, fun, and healthy play at school every day. Playworks creates a place for every kid on the playground to feel included, be active, and build valuable social and emotional skills. Playworks partners with schools, districts, and after-school programs to provide a service or mix of services including on-site coaches, professional training for school staff who support recess, and consultative partnerships.

Playworks operates full-time, direct service programs in the following regions: Arizona, Colorado, Georgia, Illinois, Indiana, Louisiana, Maryland, New England, Michigan, Minnesota, New Jersey, New York, North Carolina, Northern California (East Bay, San Francisco, Silicon Valley), Pacific Northwest, Pennsylvania, Southern California, Texas, Utah, Washington D.C., and Wisconsin.

Playworks is primarily funded by direct service fees, contributions, and government contracts.

Playworks partners with elementary schools in one of three-ways: providing a full-time coach on site during recess and throughout the school day through Playworks Coach, partnering with elementary schools by providing an on-site coordinator to teach, model, and empower a sustainable recess program; and by delivering Playworks Pro professional training services to school, district, and youth organization staff. Whether Playworks is engaging with an individual school, district, or outside-of-school program, the approach begins with an assessment of needs as well as resources in order to provide the right mix of Playworks services and offerings.

Playworks Services:

Playworks Coach – Playworks addresses the physical, emotional, and cognitive needs of children by coordinating full-day play and physical activity programming during lunchtime, recess, and after school. At each school Playworks coaches:

- Create a safe, active and inclusive environment on the playground by coordinating a variety of schoolyard sports and games during recess and lunch;
- Work with individual classes and with classroom teachers to introduce games and physical activities into school curriculum;
- Develop and coordinate before or after school physical activity programs;
- Coordinate interscholastic developmental sports leagues such as basketball, volleyball, soccer and others;
- Implement a youth leadership program at each site;
- Employ play as a tool for generating more community and family involvement.

Each Playworks coach works at their school five days a week, throughout the school day and during non-school hours, to lead games and physical activities based on a curriculum that has been tested and refined over a decade of program operations.

Playworks partners with elementary schools by providing an on-site coordinator to teach, model, and empower a sustainable recess program.

Playworks Pro – Playworks Pro provides customized trainings to employees at schools and school districts, after school programs, summer camps, and other youth service organizations. Playworks Pro teaches group management, conflict resolution, games facilitation, and other essential skills that transform playgrounds. Playworks Pro is provided on a fee-for-service basis, customized depending on the number of trainings requested, the number of participants, and the length of each training.

Playworks TeamUp – A fusion of Playworks Coach and Playworks Pro, Playworks TeamUp provides a single site coordinator to four partner schools. The site coordinator spends one week each month at each school leading, supporting, and empowering the recess team—including a lead recess coach—to create a safe, inclusive playground for all students.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and description of net assets – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Playworks reports information regarding its financial position and activities according to the class of net assets:

> *Unrestricted Net Assets* – The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The board designated $1,403,989 and $2,000,000, as of June 30, June 30, 2017 and 2016, respectively, for Playworks' future working capital needs (see Note 14).
>
> *Temporarily Restricted Net Assets* – The portion of net assets whose use by Playworks is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Playworks.
>
> *Permanently Restricted Net Assets* – The portion of net assets whose use by Playworks is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Playworks. As of June 30, 2017 and 2016, Playworks does not have any permanently restricted net assets.

Cash and cash equivalents – Cash and cash equivalents include money market accounts with a maturity of three months or less, and include donor restricted receipts and amounts designated for long-term purposes.

Accounts receivable – Accounts receivable represent amounts due from schools and other youth development organizations and are stated at the amount Playworks expects to collect for contract services. Provisions for losses on receivables are made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when Playworks determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2017 and 2016, Playworks had an allowance for doubtful accounts of $143,973 and $146,887, respectively. Bad debt expense for the years ended June 30, 2017 and 2016, amounted to $88,091 and $35,000, respectively.

Property and equipment – Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $3,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from three to five years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Playworks periodically evaluates the carrying values of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment was recognized for the years ended June 30, 2017 and 2016.

Revenue recognition – Contributions and grants are recognized at their fair value when the donor/grantor makes an unconditional promise to give to Playworks. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Restricted contributions and grants are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Long-term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market rates applicable in the years in which those promises are received. Playworks considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Government grants and revenue are recognized when Playworks incurs expenditures related to the required services. Amounts billed and received in advance are recorded as deferred revenue until the related services are performed.

Direct service fees, which are generated from contracts with school districts, and program fees are recognized at the time the service is performed. Deferred revenue represents amounts paid in advance for school site programs and exchange transactions.

Contributions in-kind – Donated equipment, donated office space, and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which Playworks would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. Playworks also receives donated services that do not require specific expertise but which are nonetheless central to Playworks' operations. These services are not recorded in the financial statements.

Functional expense allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of indirect salary expense allocation is based on individual employee timesheets and/or estimated time spent by function. Management's estimate of other indirect costs is based on salary expense and/or headcount.

Income taxes – Playworks is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes. Accordingly, no provision for income taxes has been made in the accompanying statements. Playworks is, however, subject to federal and state income tax on unrelated business income and no provision for any such taxes is included in the accompanying financial statements. In addition, Playworks qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Playworks follows the guidelines of the Financial Accounting Standards Board ("FASB") ASC Topic 740 for accounting for uncertainty in income taxes. As of June 30, 2017 and 2016, management evaluated Playworks' tax positions and concluded that Playworks had maintained its tax exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Marketing and advertising – Playworks' policy is to expense marketing and advertising costs as the costs are incurred. Marketing and advertising expenses for the years ended June 30, 2017 and 2016, were $551,739 and $243,933, respectively.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements – In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The adoption of ASU 2014-15 is effective for Playworks beginning July 1, 2016. Management has adopted guidance under ASU 2014-15. The adoption of ASU 2014-15 did not have a material impact on Playworks' financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for Playworks beginning July 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-01 on Playworks' financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* ("ASU 2015-14"), which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), which provides narrow-scope improvements and practical expedients to ASU 2014-09. ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 are effective for Playworks beginning July 1, 2018. Management is currently evaluating the impact of the provisions of ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 on Playworks' financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit-Entities* ("ASU 2016-04"), to improve the current net asset classification requirements and the information presented in financial statements and notes about not-for-profit-entities liquidity, financial performance, and cash flows. The adoption of ASU 2016-14 is effective for Playworks beginning July 1, 2018. Management is currently evaluating the impact of the provisions of ASU 2016-14 on Playworks' financial statements.

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of the following at June 30:

	2017	2016
Foundation grants	$ 13,681,262	$ 18,541,368
Individuals	50,016	213,512
Corporate grants	53,750	162,750
Government contracts	594,677	463,785
Total	$ 14,379,705	$ 19,381,415

Contributions receivable as of June 30, 2017, are expected to be received as follows: $10,447,723 within one year and $3,931,982 within two to five years. Contributions receivable as of June 30, 2016, are expected to be received as follows: $8,739,895 within one year and $10,641,520 within two to five years.

Beginning in January 2016, Playworks secured six foundation grants totaling $26,820,000 to support the strategic plan to scale Playworks services in order to reach the organization's aim of ensuring that 3.5 million children in 7,000 elementary schools will experience safe and healthy play every day by December 2020.

To achieve this goal, Playworks plans to expand existing services, develop new services, and build organizational capacity to engage school districts and other youth development organizations in multi-year partnerships that result in their ownership of the Playworks innovation. Therefore, Playworks is investing in and building the infrastructure to support the scaling plan that will ensure our capacity to reach even more children in the long term.

Of the $26,820,000 in grants awarded, $1,590,000 and $22,230,000 (less present value discount) was recognized as revenue in the years ended June 30, 2017 and 2016, respectively. The remaining $3,000,000 is conditional upon milestones (as described above). No conditional grants were received during the year ended June 30, 2017.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment costs consist of the following at June 30:

	2017	2016
Website design	$ 352,423	$ 352,423
Furniture and equipment	560,662	378,736
Tenant improvements	154,284	201,449
Software	268,003	309,043
Construction in progress	81,200	-
	1,416,572	1,241,651
Less: Accumulated depreciation and amortization	(1,173,662)	(1,149,732)
Total property and equipment	$ 242,910	$ 91,919

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was $112,135 and $146,040, respectively.

NOTE 5 – LINES OF CREDIT

In a prior year, Playworks entered into a one-year line of credit agreement with The Jenesis Group allowing for borrowings up to $2,000,000 with an interest rate at 3.02% to be used for cash flow for operations. On December 12, 2016, The Jenesis Group approved a new 12-month line of credit agreement through December 31, 2017, which bears an interest rate of 3.64%. As of June 30, 2017 and 2016, there is no outstanding amount due.

Playworks entered into a $3,000,000 line of credit on March 1, 2012, with Beneficial State Bank. The line of credit is secured by Playworks' equipment, furniture, and accounts. The loan bears interest at 7.50%. On January 18, 2017, Playworks extended the maturity date of the line of credit with Beneficial State Bank to January 20, 2018. As of June 30, 2017 and 2016, there is no outstanding amount due.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, consisted of the following:

	2017	2016
National expansion	$ 12,606,157	$ 20,220,763
Arizona	60,000	80,000
California - Northern	209,705	270,000
Colorado	140,000	4,000
Georgia	30,000	30,000
Indiana	2,500	-
Maryland	60,300	70,000
New England	255,000	215,000
Michigan	257,000	15,000
Minnesota	34,000	10,000
Louisiana	1,500	58,330
North Carolina	20,000	-
New York / New Jersey	25,000	25,000
Pacific Northwest	-	15,000
Pennsylvania	159,180	12,000
Texas	-	33,250
Utah	1,600,000	-
Washington, D.C.	10,000	-
Wisconsin	204,000	50,000
Total	$ 15,674,342	$ 21,108,343

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2017	2016
National expansion	$ 11,393,268	$ 5,007,629
Arizona	214,000	232,500
California - Northern	1,156,045	1,405,000
California - Southern	300,982	115,000
Colorado	334,925	429,005
Georgia	247,000	165,000
Illinois	140,000	139,500
Indiana	67,500	114,000
Maryland	368,500	293,850
New England	821,000	851,300
Michigan	428,000	167,813
Minnesota	142,500	109,000
Louisiana	207,330	142,170
North Carolina	124,000	90,000
New York / New Jersey	92,500	57,750
Pacific Northwest	342,000	411,000
Pennsylvania	209,696	157,259
Texas	133,250	114,625
Utah	632,000	224,500
Washington, D.C.	147,500	245,527
Wisconsin	179,500	77,000
Total	$ 17,681,496	$ 10,549,428

NOTE 8 – CONTRIBUTIONS IN-KIND

The estimated fair value of donated space and expert services are recorded as contributions. The following in-kind contributions were received by Playworks during the years ended June 30:

	2017	2016
Legal and accounting services	$ 81,312	$ 513,916
Office space	172,484	303,409
Auction items	57,814	8,382
Other	149,898	126,989
Total	$ 461,508	$ 952,696

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Operating leases – Playworks entered into several lease agreements for its headquarters and regional offices; in addition, Playworks also maintains lease agreements for office equipment.

Future aggregate lease payments are as follows:

Year Ending June 30,		
2018	$	798,465
2019		593,766
2020		366,968
2021		100,664
2022		26,413
Total future minimum lease payments	$	1,886,276

Rent expense for the years ended June 30, 2017 and 2016 was $1,107,688 and $1,153,698, respectively, and includes $172,484 and $303,409 of donated office space in Oakland, San Francisco, and Wisconsin for the years ended June 30, 2017 and 2016, respectively. Total rent and occupancy expense for the years ended June 30, 2017 and 2016 was $1,342,335 and $1,275,505, respectively.

Contingencies – Grants and contracts awarded to Playworks are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them.

In such cases, Playworks could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period. Playworks would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

NOTE 10 – CONCENTRATIONS OF RISK

Playworks has defined its financial instruments which are potentially subject to credit risk. The financial instruments consist principally of cash and receivables.

Periodically, throughout the year, Playworks has maintained balances in various operating and money market accounts in excess of federally insured limits

Grants and pledges receivable consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. As of June 30, 2017, approximately 70% of grants and pledges receivable were from two organizations and 6% of total support and revenue was from one organization. As of June 30, 2016, approximately 86% of grants and pledges receivable and 40% of total support and revenue were from two organizations.

NOTE 11 – RELATED PARTY TRANSACTIONS

Included among Playworks' Board of Directors and officers are volunteers from the community who provide governance and valuable assistance to Playworks in the development of policies, programs, and in the evaluation of business transactions. Playworks has adopted a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

A board member is a principal at a company that owns the building in which Playworks rents office space in downtown Oakland, California. The term of the lease is for five years ending on December 31, 2019. The rent for each of the years ended June 30, 2017 and 2016 was $228,840.

The same board member also owns the building in which Playworks rents office space in San Francisco, California. The term of the lease is on a month-to-month basis. Rental expense for each of the years ended June 30, 2017 and 2016 was $18,000.

NOTE 12 – RETIREMENT PLAN

Playworks sponsors a defined contribution plan under Internal Revenue Code Section 401(k) (the “Plan”). Under the provisions of the Plan, participating employees may make voluntary contributions through salary deductions up to the maximum amount allowed by law. Playworks is authorized under the Plan to make employer contributions on behalf of its eligible employees. In May 2016, Playworks’ Board of Directors approved an employer match of 3% of employee contributions. The match was implemented on July 1, 2016. During the years ended June 30, 2017 and 2016, Playworks contributed $422,124 and $0, respectively.

NOTE 13 – HEALTH INSURANCE PROGRAM

Playworks sponsors the Comprehensive Preferred Medical and Prescription Drug Benefit Plan (the Plan) with Blue Shield. The Plan is a self-funded employee health benefits plan for eligible employees and their dependents. Blue Shield provides administrative services only under the operating agreement and assumes no liability for funding any benefit payments under the Plan. During the years ended June 30, 2017 and 2016, Playworks incurred $2,220,778 and $1,196,371, respectively, of expenses related to the Plan of which $271,679 and $289,636 was accrued at June 30, 2017 and 2016, respectively.

NOTE 14 – BOARD DESIGNATED NET ASSETS

Playworks' Board of Directors established a Sustainability Fund policy in 2013-14 to support working capital needs. The Board of Directors plans to build the fund over time to a level equivalent to three months' worth of expenses. In a prior year, Playworks received a one-time grant of $3.5 million to establish the fund, of which $1.5 million was used during the current year to pay off a line of credit.

As a result of this designation, as of June 30, 2017 and 2016, Playworks’ Board Designated Sustainability Fund had a balance of $1,403,989 and $2,000,000, respectively.

NOTE 15 – FISCAL SPONSORSHIP

In December 2015, Playworks' Board of Directors authorized management to create a fiscal sponsorship arrangement with Substantial. Substantial became a fiscally sponsored project within Playworks as of January 15, 2016. Substantial is partnering with schools and districts to help re-design the way they recruit, train and support substitute teachers, ensuring the time spent in classroom is engaging for students and rewarding for adults. Playworks accepts restricted contributions for this project and provides all support functions as it launches into a new social enterprise.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Playworks recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing financial statements. Playworks' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date before the financial statements were available to be issued.

Playworks has evaluated subsequent events through November 28, 2017, which is the date the financial statements were available to be issued.

Schedule of Expenditures of Federal Awards

Playworks Education Energized
Schedule of Expenditures of Federal Awards
June 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	CFDA	Pass-Through Entity Identifying Number	Federal Expenditures
Corporation for National Community Services			
AmeriCorps	94.006	14DNHCA001	$ 1,415,509
Corporation for National Community Services			
Pass through Program from the state of California -			
AmeriCorps	94.006	15ACHCA0020004	867,697
Pass through Program from the District of Columbia -			
AmeriCorps	94.006	15ACHDC0010001	113,599
Pass through Program from the state of Maryland -			
AmeriCorps	94.006	13AFHMD0010008	144,703
Pass through Program from the state of Pennsylvania -			
AmeriCorps	94.006	16AFHPA0010003	164,760
Pass through Program from the state of Michigan -			
AmeriCorps	94.006	15AFHMI0010010	132,756
Pass through Program from the state of Louisiana -			
AmeriCorps	94.006	12ACHLA0010003	81,895
Pass through Program from the state of Massachusetts -			
AmeriCorps	94.006	15ACHMA0010005	140,967
Pass through Program from the state of Utah -			
AmeriCorps	94.006	11AFHUT0010009	196,508
Pass through Program from the state of North Carolina -			
AmeriCorps	94.006	12AFHNC0010008	12,937
TOTAL EXPENDITURES FOR CFDA 94.006 AND TOTAL EXPENDITURES FOR FEDERAL AWARDS			$ 3,271,331

See accompanying notes to the schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of presentation – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Playworks under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Playworks, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Playworks.

Summary of significant accounting policies – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Subrecipients – Playworks did not provide any federal awards to subrecipients during the year ended June 30, 2017.

Indirect costs – Playworks has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Playworks Education Energized

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Playworks Education Energized ("Playworks"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Playworks' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Playworks' internal control. Accordingly, we do not express an opinion on the effectiveness of Playworks' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Playworks' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Playworks Education Energized's Response to Finding

Playworks' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
November 28, 2017

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
Playworks Education Energized

Report on Compliance for the Major Federal Program

We have audited Playworks Education Energized's ("Playworks") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the major federal program for the year ended June 30, 2017. Playworks' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Playworks' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Playworks' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Playworks' compliance.

Opinion on the Major Federal Program

In our opinion, Playworks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017*.*

Report on Internal Control Over Compliance

Management of Playworks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Playworks' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Playworks' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
November 28, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
94.006	AmeriCorps	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

Finding 2017-001 – Reconciliation of Grant Revenue – Significant Deficiency

Criteria – Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958-605, *Not-for-Profit: Revenue Recognition*, establishes accounting standards for the recognition and measurement of grant revenue for not-for-profit organizations, including assessment of the collectability of grants receivable.

Condition/Context – Grant revenue, grants receivable, and deferred revenue were not reconciled on a consistent or timely basis, resulting in certain contract balances being recognized as grants receivable and deferred revenue, when neither cash had been received or services had been performed for the grants. The testing of deferred revenue noted seven instances out of a sample of 23 that were improperly grossed up on the balance sheet, valued at $275,625.

In addition to the statement of financial position gross up issues noted above, there were also instances noted in which grants receivable were inappropriately classified as outstanding when amounts had been received, or inappropriately classified as deferred revenue when services had been performed and revenue had been earned. The testing of grants receivable noted one instance out of a sample of seven that was inappropriately recognized as revenue during the fiscal year, valued at $21,000. The testing of deferred revenue noted two instances out of a sample of 23 that were not appropriately recognized as revenue during the fiscal year, valued at $65,000.

Effect – Grant revenue, grants receivable, and deferred revenue were not appropriately recognized in accordance with generally accepted accounting principles during the fiscal year.

Cause – Grant revenue, grants receivable, and deferred revenue were not reconciled on a consistent or timely basis during the fiscal year, due to the implementation of the new accounting systems during the latter part of the fiscal year which led to accounts being reconciled at year end as opposed to on a monthly basis.

Recommendation – We recommend that Playworks' management perform a detailed analysis and reconciliation of grant revenue billed and cash received on a monthly basis to ensure that grant billings are appropriately recorded, and cash receipts are appropriately reconciled and applied to receivables. Additionally, we recommend Playworks perform an analysis of services rendered on their contractual arrangements on a monthly basis to ensure that deferred revenue is properly recorded throughout the year.

Management's response – Management agrees with the recommendation and has started implementing policies and procedures to perform detailed analysis and reconciliation of grant revenue billed and cash received on a monthly basis. Additionally, management has been performing an analysis of services rendered on their contractual arrangements on a monthly basis to ensure that deferred revenue is properly recorded throughout the year. This has been incorporated into Playworks' financial close and reporting processes.

Section III – Federal Award Findings and Questioned Costs

None reported.

Name of Auditee: Playworks Education Energized

Period Covered by the Prior Audit: July 1, 2015 to June 30, 2016

Name of Audit Firm: Moss Adams

There were no findings noted in the prior audit report

PLAYWORKS

National Office
380 Washington Street
Oakland, CA 94607
(510) 893-4180
(510) 893-4378 fax

playworks.org

November 22, 2017

Mary Case, Partner
Moss Adam LLP
101 Second Street, Suite 900
San Francisco, CA 94105

RE: As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we have provided below our response and corrective action plans addressing the findings noted in Playworks Education Energized's Single Audit reporting package for the year ended June 30, 2017.

Dear Mary,

Response and Corrective Action Plan

Finding 2017-001
Reconciliation of Grant Revenue – Significant Deficiency

Response and Corrective Action Plan: Management agrees with the recommendation and, based on the new accounting system implemented in April 2017 has started implementing updated policies and procedures to perform detailed analysis and reconciliation of grant revenue billed and cash received on a monthly basis. Additionally, management has been performing an analysis of services rendered on their contractual arrangements on a monthly basis to ensure that deferred revenue is properly recorded throughout the year. This has been incorporated into the Playworks' financial close and reporting processes.

Anticipated Completion Date: By December 31, 2017.

Responsible Person: Tom Low, Chief Financial Officer

Sincerely,

Thomas E. Low
Chief Financial Officer
(510) 992-6631
tom.low@playworks.org

Kelsey Wicklund, CPA
Controller
(510) 463-4767
Kelsey.Wicklund@playworks.org