PLAYWORKS

EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

***

FINANCIAL STATEMENTS
INCLUDING SUPPLEMENTARY INFORMATION
ON FEDERAL FINANCIAL AWARDS

Years Ended June 30, 2014 and 2013

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

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FINANCIAL SECTION

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Maragoni
Frank A. Minuti, Jr.

FOUNDERS
Alexander W. Berger (1916-2005)
Griffith R. Lewis (1930-2012)

BERGER LEWIS
ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moors
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Playworks Education Energized
(A Nonprofit Public Benefit Corporation)
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Playworks Education Energized, (formerly "Sports4Kids"), ("Playworks" or the "Organization"), (a nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 audit 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 Organization'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, 2014 and 2013, 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

Supplementary Information

Our audit was 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 5, 2014, on our consideration of Playworks Education Energized's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Education Energized's internal control over financial reporting and compliance.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 5, 2014

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,581,508	$ 878,508
Accounts Receivable, Less Allowance for Doubtful Accounts of $122,746 and $158,387 in 2014 and 2013, Respectively	1,027,312	1,104,537
Grants Receivable, Current Portion (See Note 5)	5,232,967	5,482,747
Pledges Receivable	53,721	385,361
Prepaid Expenses	416,324	254,660
Total Current Assets	8,311,832	8,105,813
PROPERTY AND EQUIPMENT, NET	400,354	180,445
OTHER ASSETS:		
Grants Receivable, Net of Current Portion (See Note 5)	962,075	1,945,867
Deposits	70,462	63,491
Website Development Costs	-	80,921
Intangible Assets	5,761	1,624
Total Other Assets	1,038,298	2,091,903
TOTAL ASSETS	$ 9,750,484	$ 10,378,161

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES:		
Accounts Payable	$ 189,113	$ 178,651
Accrued Liabilities	1,451,555	1,162,952
Deferred Revenue	661,393	559,941
Total Current Liabilities	2,302,061	1,901,544
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Lines of Credit	1,500,000	3,800,000
Other Long-Term Liabilities	40,251	70,200
Total Long-Term Liabilities, Net of Current Portion	1,540,251	3,870,200
Total Liabilities	3,842,312	5,771,744
NET ASSETS:		
Unrestricted Net Assets (Deficit) (See Note 17)	1,913,560	(355,266)
Temporarily Restricted Net Assets (See Note 8)	3,994,612	4,961,683
Total Net Assets	5,908,172	4,606,417
TOTAL LIABILITIES AND NET ASSETS	$ 9,750,484	$ 10,378,161

The Accompanying Notes are an Integral Part of these Financial Statements.

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:				
Support:				
Foundation Grants (See Note 2)	$ 1,037,287	$ 10,522,703	$ 11,559,990	$ 4,092,994
Corporate Support	1,156,027	3,166,761	4,322,788	2,997,242
Individual Contributions	697,715	457,474	1,155,189	3,220,000
Events, Net of Donor Benefit	916,346	-	916,346	677,150
Contributions In-Kind	357,045	-	357,045	1,617,076
Total Support	4,164,420	14,146,938	18,311,358	12,604,462
Revenue:				
Direct Service Fees	10,072,243	-	10,072,243	8,903,905
Government Grants	1,481,196	-	1,481,196	2,215,188
Training Fees	1,347,677	-	1,347,677	932,266
Other Revenue	266,924	-	266,924	251,381
Investments Income	101	-	101	138
Loss on Disposal of Equipment	-	-	-	(203)
Total Revenue	13,168,141	-	13,168,141	12,302,675
Total Support and Revenue	17,332,561	14,146,938	31,479,499	24,907,137
Net Assets Released from Restrictions	15,114,009	(15,114,009)	-	-
Total Support, Revenue and Net Assets Released from Restrictions	32,446,570	(967,071)	31,479,499	24,907,137
EXPENSES:				
Program Services:				
Direct Services	22,555,279	-	22,555,279	22,210,898
Training Services	1,769,180	-	1,769,180	1,845,721
Total Program Services	24,324,459	-	24,324,459	24,056,619
Supporting Services:				
Management and General	2,655,941	-	2,655,941	3,148,111
Fundraising	3,197,344	-	3,197,344	2,702,456
Total Supporting Services	5,853,285	-	5,853,285	5,850,567
Total Expenses	30,177,744	-	30,177,744	29,907,186
CHANGE IN NET ASSETS (See Note 2)	2,268,826	(967,071)	1,301,755	(5,000,049)
NET ASSETS (DEFICIT), Beginning of Year	(355,266)	4,961,683	4,606,417	9,606,466
NET ASSETS, End of Year (See Note 17)	$ 1,913,560	$ 3,994,612	$ 5,908,172	$ 4,606,417

The Accompanying Notes are an Integral Part of these Financial Statements.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	TOTAL
SUPPORT AND REVENUE:			
Support:			
Foundation Grants (See Note 2)	$ 750	$ 4,092,244	$ 4,092,994
Corporate Support	1,358,142	1,639,100	2,997,242
Individual Contributions	3,220,000	-	3,220,000
Events, Net of Donor Benefit	677,150	-	677,150
Contributions In-Kind	1,617,076	-	1,617,076
Total Support	6,873,118	5,731,344	12,604,462
Revenue:			
Direct Service Fees	8,903,905	-	8,903,905
Government Grants	2,215,188	-	2,215,188
Training Fees	932,266	-	932,266
Other Revenue	251,381	-	251,381
Investments Income	138	-	138
Loss on Disposal of Equipment	(203)	-	(203)
Total Revenue	12,302,675	-	12,302,675
Total Support and Revenue	19,175,793	5,731,344	24,907,137
Net Assets Released from Restrictions	10,787,809	(10,787,809)	-
Total Support, Revenue and Net Assets Released from Restrictions	29,963,602	(5,056,465)	24,907,137
EXPENSES:			
Program Services:			
Direct Services	22,210,898	-	22,210,898
Training Services	1,845,721	-	1,845,721
Total Program Services	24,056,619	-	24,056,619
Supporting Services:			
Management and General	3,148,111	-	3,148,111
Fundraising	2,702,456	-	2,702,456
Total Supporting Services	5,850,567	-	5,850,567
Total Expenses	29,907,186	-	29,907,186
CHANGE IN NET ASSETS (See Note 2)	56,416	(5,056,465)	(5,000,049)
NET ASSETS (DEFICIT), Beginning of Year	(411,682)	10,018,148	9,606,466
NET ASSETS (DEFICIT), End of Year (See Note 17)	$ (355,266)	$ 4,961,683	$ 4,606,417

The Accompanying Notes are an Integral Part of these Financial Statements.

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014 with Comparative Totals for the Year Ended June 30, 2013

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL	
	Direct Services	Training Services	Total	Management and General	Fundraising	Total	2014	2013
EXPENSES:								
Salaries and Wages	$ 16,712,722	$ 1,028,494	$ 17,741,216	$ 999,683	$ 2,031,959	$ 3,031,642	$ 20,772,858	$ 19,745,859
Employee Benefits	1,846,294	113,620	1,959,914	110,438	224,475	334,913	2,294,827	2,122,781
Payroll Tax	1,507,838	92,792	1,600,630	90,193	183,325	273,518	1,874,148	1,686,563
Total Salaries and Related Expenses	20,066,854	1,234,906	21,301,760	1,200,314	2,439,759	3,640,073	24,941,833	23,555,203
Travel and Related Expenses	333,422	190,240	523,662	196,665	425,893	622,558	1,146,220	1,486,259
Rent, Including In-Kind	818,646	55,572	874,218	149,960	23,493	173,453	1,047,671	953,681
Other Professional Services, Including In-Kind	219,911	67,619	287,530	374,252	95,115	469,367	756,897	1,814,298
Dues, Licenses, Service Fees	163,974	15,951	179,925	190,736	53,752	244,488	424,413	297,243
Staff Recruitment and Training	113,671	691	114,362	80,648	13,738	94,386	208,748	316,528
Interest	122,825	8,394	131,219	34,254	29,242	63,496	194,715	121,481
Telephone	118,503	15,921	134,424	31,380	23,993	55,373	189,797	175,424
School Supplies	152,510	1,639	154,149	310	24,566	24,876	179,025	151,077
Printing and Publications	54,634	41,617	96,251	58,907	2,870	61,777	158,028	134,261
Insurance	104,133	7,784	111,917	16,255	25,831	42,086	154,003	102,105
Legal Fees, Including In-Kind	118,449	7,289	125,738	21,487	-	21,487	147,225	105,649
Marketing and Advertising	21,734	25,457	47,191	48,439	420	48,859	96,050	90,391
Small Equipment and Maintenance	30,269	4,081	34,350	45,199	3,598	48,797	83,147	96,570
Supplies	13,165	45,032	58,197	15,230	4,093	19,323	77,520	47,747
Postage	15,242	10,578	25,820	28,334	11,526	39,860	65,680	70,089
Accounting Fees	-	-	-	56,150	-	56,150	56,150	57,100
Utilities	13,497	4,039	17,536	11,904	1,919	13,823	31,359	27,746
Government Grant Commission	12,460	-	12,460	-	15	15	12,475	10,208
Bad Debt	-	-	-	-	-	-	-	103,334
Total Expenses Before Depreciation and Amortization	22,493,899	1,736,810	24,230,709	2,560,424	3,179,823	5,740,247	29,970,956	29,716,394
Depreciation and Amortization	61,380	32,370	93,750	95,517	17,521	113,038	206,788	190,792
Total Functional Expenses	$ 22,555,279	$ 1,769,180	$ 24,324,459	$ 2,655,941	$ 3,197,344	$ 5,853,285	$ 30,177,744	$ 29,907,186
Percentage of Total	74.7 %	5.9 %	80.6 %	8.8 %	10.6 %	19.4 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	PROGRAM SERVICES			SUPPORTING SERVICES			
	Direct Services	Training Services	Total	Management and General	Fundraising	Total	TOTAL
EXPENSES:							
Salaries and Wages	$ 15,476,769	$ 1,123,513	$ 16,600,282	$ 1,575,939	$ 1,569,638	$ 3,145,577	$ 19,745,859
Employee Benefits	1,663,832	120,783	1,784,615	169,422	168,744	338,166	2,122,781
Payroll Tax	1,321,925	95,963	1,417,888	134,607	134,068	268,675	1,686,563
Total Salaries and Related Expenses	18,462,526	1,340,259	19,802,785	1,879,968	1,872,450	3,752,418	23,555,203
Travel and Related Expenses	659,853	159,573	819,426	222,827	444,006	666,833	1,486,259
Rent, Including In-Kind	729,170	51,392	780,562	139,872	33,247	173,119	953,681
Other Professional Services, Including In-Kind	1,351,873	43,266	1,395,139	287,085	132,074	419,159	1,814,298
Dues, Licenses, Service Fees	122,218	9,928	132,146	123,563	41,534	165,097	297,243
Staff Recruitment and Training	177,859	20,483	198,342	89,979	28,207	118,186	316,528
Interest	88,763	6,633	95,396	6,741	19,344	26,085	121,481
Telephone	108,349	18,391	126,740	23,349	25,335	48,684	175,424
School Supplies	142,952	4,136	147,088	1,686	2,303	3,989	151,077
Printing and Publications	40,497	38,815	79,312	18,595	36,354	54,949	134,261
Insurance	69,439	5,590	75,029	11,275	15,801	27,076	102,105
Legal Fees, Including In-Kind	-	-	-	105,649	-	105,649	105,649
Marketing and Advertising	18,081	52,749	70,830	15,715	3,846	19,561	90,391
Small Equipment and Maintenance	35,982	5,111	41,093	48,069	7,408	55,477	96,570
Supplies	12,456	28,974	41,430	3,177	3,140	6,317	47,747
Postage	26,653	10,181	36,834	20,932	12,323	33,255	70,089
Accounting Fees	-	-	-	57,100	-	57,100	57,100
Utilities	10,303	4,527	14,830	10,148	2,768	12,916	27,746
Government Grant Commission	10,186	-	10,186	-	22	22	10,208
Bad Debt	93,334	10,000	103,334	-	-	-	103,334
Total Expenses Before Depreciation and Amortization	22,160,494	1,810,008	23,970,502	3,065,730	2,680,162	5,745,892	29,716,394
Depreciation and Amortization	50,404	35,713	86,117	82,381	22,294	104,675	190,792
Total Functional Expenses	$ 22,210,898	$ 1,845,721	$ 24,056,619	$ 3,148,111	$ 2,702,456	$ 5,850,567	$ 29,907,186
Percentage of Total	74.3 %	6.2 %	80.5 %	10.5 %	9.0 %	19.5 %	100.0 %

The Accompanying Notes are an Integral Part of these Financial Statements.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 1,301,755	$ (5,000,049)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	206,788	190,792
Loss on Disposal of Equipment	-	203
Amortization of Present Value Discount on Multi-Year Grants Receivable	(64,844)	(109,114)
Bad Debt Expense	-	103,334
(Increase) Decrease in Assets:		
Accounts Receivable	77,225	(484,749)
Grants Receivable	1,298,416	2,852,739
Pledges Receivable	331,640	(217,561)
Prepaid Expenses	(161,664)	200,283
Deposits	(6,971)	(22,276)
Increase (Decrease) in Liabilities:		
Accounts Payable	10,462	(80,635)
Accrued Liabilities	288,603	183,725
Deferred Revenue	101,452	246,687
Other Long-Term Liabilities	(29,949)	20,711
Net Cash Provided (Used) by Operating Activities	3,352,913	(2,115,910)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(326,870)	(153,106)
Purchase of Intangible Assets	(23,043)	(6,495)
Net Cash Used by Investing Activities	(349,913)	(159,601)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Lines of Credit Borrowings	2,700,000	13,010,361
Repayments of Lines of Credit Borrowings	(5,000,000)	(12,110,361)
Net Cash Provided (Used) by Financing Activities	(2,300,000)	900,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	703,000	(1,375,511)
CASH AND CASH EQUIVALENTS, Beginning of Year	878,508	2,254,019
CASH AND CASH EQUIVALENTS, End of Year	$ 1,581,508	$ 878,508
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid for Interest	$ 188,213	$ 121,383

The Accompanying Notes are an Integral Part of these Financial Statements.

NOTE 1 - ORGANIZATION:

Playworks Education Energized ("Playworks" or the "Organization") is a nonprofit public benefit corporation that transforms elementary schools by providing play and physical activity at recess and throughout the school day. Through on-site direct service and trainer-led professional development workshops, Playworks restores valuable teaching time, reduces bullying, increases physical activity and improves the school and learning environment.

Founded in 1996, the Organization provides direct play-based services to public elementary schools with at least 50% of student enrollment eligible for free/reduced lunch. Playworks is the only organization in the country to send trained adult program coordinators into low-income schools, where they enhance and transform recess and play into a positive experience that helps children and teachers get the most out of every learning opportunity throughout the school day.

During the year ended June 30, 2014, the Organization served nearly 200,000 children in 374 schools located in 23 regions. Playworks operated full-time, direct service programs in the following regions in the 2013-14 year: Arizona, Colorado, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New Mexico, 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 professional development Training Service offerings expand the reach of Playworks beyond Direct Service schools, with the goal that every elementary-aged child gets to play every day. By enabling a myriad of public and charter elementary school teachers and staff as well as other youth organizations with the tools to create a great recess, Playworks achieves its mission to create a positive play experience for every kid. Playworks has developed a comprehensive model of training adults who wish to provide inclusive, healthy play and promote a positive school climate. Playworks Training is a solution that empowers staff to pro-actively manage the chaos at recess, reduce bullying behavior and increase healthy physical activity so students can return to the classroom ready to learn. Playworks trainers work on location with adults in schools and youth organizations. Through customized, high-energy workshops, and with coaching and support, teachers and other professionals learn how to use games, play strategies and group management techniques to teach kids how to play well together, share, resolve conflicts and develop leadership skills.

NOTE 2 - NATIONAL EXPANSION / CHANGE IN NET ASSETS:

In April 2012, Playworks received a three-year grant from May 15, 2012 through June 30, 2015 in the amount of $8,488,328 from the Robert Wood Johnson Foundation (see Note 5) to support ongoing growth. The Organization was required to recognize the entire grant amount of $8,488,328 (less present value discount) as temporarily restricted support in the year ended June 30, 2012.

In June 2008, Playworks received a four-year grant from July 1, 2008 through June 30, 2012 in the amount of $18,734,344 from the Robert Wood Johnson Foundation to expand school-based play and physical activity to 22 new cities across the United States, to provide technical assistance to 4,000 additional schools and to develop Playworks as a national voice for play. The Organization was required to recognize the entire grant amount of $18,734,344 (less present value discount) as temporarily restricted support in the year ended June 30, 2008.

NOTE 2 - NATIONAL EXPANSION / CHANGE IN NET ASSETS (Continued):

As a result of this required accounting for these grants, there are annual "Net Assets Released from Restrictions" in the Temporarily Restricted column of the statements of activities related to the accounting for these grants. The following table summarizes the activity included in the Temporarily Restricted column for these two grants.

	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
Foundation Grants	$18,734,344	$ -	$ -	$ -	$ 8,488,328	$ -	$ -
Net Assets Released from Restrictions	-	(3,956,056)	(4,767,138)	(6,701,803)	(4,809,347)	(4,748,523)	(2,239,805)
Change in Net Assets	$18,734,344	$ (3,956,056)	$ (4,767,138)	$ (6,701,803)	$ 3,678,981	$ (4,748,523)	$ (2,239,805)

The amount shown in the Total column in the Change in Net Assets on the statement of activities (an amount that is analogous to "net income" or "net loss" in a for-profit income statement) is $1,301,755 and $(5,000,049) for the years ended June 30, 2014 and 2013, respectively, largely as a result of the required accounting treatment described above.

These two grants follow a smaller grant awarded in 2005 which also supported the Organization's expansion. The initial grant enabled Playworks to launch programs in three new cities and to establish its national office to support the expansion.

The Robert Wood Johnson Foundation is the largest philanthropic organization devoted exclusively to improving the health and health care of all Americans.

NOTE 3 - PROGRAM SERVICES:

Playworks partners with elementary schools in one of two ways: Providing a full-time coach on site during recess and throughout the school day through Direct Services, and by delivering 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.

Direct Services - The Organization addresses the physical, emotional, and cognitive needs of children by coordinating full-day play and physical activity programming - during lunchtime, recess, and after school - taught from a framework of youth development. At each school, enthusiastic, well-trained Playworks' Program Coordinators:

- 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 activity into the school curriculum;
- develop and coordinate before or after school physical activity programs;

NOTE 3 - PROGRAM SERVICES (Continued):

- coordinate interscholastic developmental sports leagues such as basketball, volleyball, soccer and others;
- implement a youth leadership program at each site; and
- employ play as a tool for generating more community and family involvement.

Each Playworks' Program Coordinator 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.

Training Services - Built on best practices in youth development, as well as a history of evidence-based success from its direct service program. Playworks Training teaches group management, conflict resolution, games facilitation and other essential skills that transform playgrounds. Playworks Training provides customized staff trainings to schools and school districts, after school programs, summer camps, and other youth service organizations. Training 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.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Playworks Education Energized have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes.
>
> Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.
>
> Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Fair Value Measurement - Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

> Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
>
> Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
>
> Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts Receivable - Accounts receivable represent amounts due from schools and are stated at the amount the Organization expects to collect for contract services. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2014 and 2013, the Organization had a allowance for doubtful accounts of $122,746 and $158,387, respectively. Bad debt expense for the years ended June 30, 2014 and 2013 amounted to $0 and $103,334, respectively.

Grants Receivable - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as contribution income in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,000 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 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2014 and 2013, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of June 30, 2014 and 2013 was $391,790 and $337,004, respectively.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and contract service fees are recognized as revenue in the period in which the service is provided.

Deferred Revenue - Deferred revenue represents amounts paid in advance for school site programs and exchange transactions.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Temporarily restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions In-Kind - Donated equipment 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 the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations.

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 are based on salary expense and/or headcount.

Income Taxes - Playworks Education Energized 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. In addition, the Organization 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.

Uncertainty in Taxes - Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization's federal returns for the years ended June 30, 2013, 2012 and 2011 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization’s state returns for the years ended June 30, 2013, 2012, 2011 and 2010 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Marketing and Advertising - The Organization's policy is to expense marketing and advertising costs as the costs are incurred. Marketing and advertising expenses for the years ended June 30, 2014 and 2013 was $96,050 and $90,391, respectively.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2014 for potential recognition or disclosure in the financial statements. The Organization had no subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2014. Subsequent events have been evaluated through the date the financial statements became available to be issued, November 5, 2014. The Organization has not evaluated subsequent events after November 5, 2014.

NOTE 5 - GRANTS RECEIVABLE:

The Organization received one 3-year grant totaling $250,000 during the year ended June 30, 2011. The Organization received two 3-year grants totaling $11,488,328, and one 2-year corporate grant totaling $1,200,000 during the year ended June 30, 2012. The Organization received a 3-year grant totaling $2,500,000 during the year ended June 30, 2013. The Organization received a revised grant commitment adding $3,000,000 during the year ended June 30, 2014. These grants receivable are reflected at present value using discount rates ranging from 1.7% to 2.1%.

	2014	2013
Total Grants Receivable	$ 6,233,931	$ 7,532,347
Present Value Discount	(38,889)	(103,733)
	6,195,042	7,428,614
Less: Current Portion	(5,232,967)	(5,482,747)
Total Grants Receivable, Net of Current Portion	$ 962,075	$ 1,945,867

Future grants receivable payments are as follows:

Year Ending June 30,	Gross	Present Value Discount	Net
2015	$ 5,262,351	$ (29,384)	$ 5,232,967
2016	971,580	(9,505)	962,075
Total Future Grants Receivable Payments	$ 6,233,931	$ (38,889)	$ 6,195,042

NOTE 6 - PROPERTY AND EQUIPMENT:

The cost and related accumulated depreciation of the property and equipment as of June 30, consisted of the following:

	2014	2013
Website	$ 352,423	$ 131,041
Furniture and Equipment	349,331	307,569
Tenant Improvements	195,199	195,199
Capitalized Software	175,174	30,527
Software Development	133,869	133,869
Capital Lease Equipment	7,120	7,120
	1,213,116	805,325
Less: Accumulated Depreciation	(812,762)	(624,880)
Property and Equipment, Net	$ 400,354	$ 180,445

NOTE 6 - PROPERTY AND EQUIPMENT (Continued):

Depreciation expense for the years ended June 30, 2014 and 2013 was $187,882 and $181,826, respectively.

NOTE 7 - LINES OF CREDIT:

The Jenesis Group - The Organization entered into a one-year loan agreement effective as of October 1, 2010 with The Jenesis Group allowing for borrowings up to $2 million to be used for cash flow for operations. The interest rate was at 2.79%. This agreement provided for two additional 12-month extensions subject to the approval of The Jenesis Group prior to expiration of the agreement. The Jenesis Group approved a 12-month extension of the line of credit through October 1, 2012 and the interest rate was adjusted to 2.86%. The Jenesis Group approved the second 12-month extension of the line of credit on October 1, 2012 and the interest rate was adjusted to 3.02%. The line of credit matured on September 30, 2013. On October 1, 2013, The Jenesis Group approved another 12-month extension of the line of credit through September 30, 2014 and the interest rate was adjusted to 3.02%. On September 30, 2014, The Jenesis Group approved a 15-month extension of the line of credit through December 31, 2015, the interest rate remained the same at 3.02%. As of June 30, 2014 and 2013, the amount outstanding was $1,500,000 and $2,000,000, respectively. As of November 5, 2014 the amount outstanding was $0.

One PacificCoast Bank - The Organization entered into a $2,500,000 loan on March 1, 2012 with One PacificCoast Bank (formerly OneCalifornia Bank). The line of credit is secured by a business checking account of Robert Wood Johnson Foundation. The loan bears interest at 3%. The loan matured on September 30, 2012. The loan was amended and restated on September 30, 2012. The principal amount of the note was increased from $2,500,000 to $3,500,000. The maturity date was extended from September 30, 2012 to September 30, 2013. On October 22, 2013, the maturity date was extended to October 21, 2014. As of June 30, 2013 the amount outstanding was $1,800,000. During the year ended June 30, 2014 the loan was paid in full and closed.

One PacificCoast Bank - The Organization entered into a $1,000,000 loan on March 1, 2012 with One PacificCoast Bank (formerly OneCalifornia Bank). The line of credit is secured by the Organization's machinery, equipment, furniture and accounts. The loan bears interest at 3.25% plus index. As of June 30, 2014 the interest rate was 6.5%. The loan matured on September 30, 2012. The loan was amended on September 30, 2012. The principal amount of the loan was increased from $1,000,000 to $1,200,000. The maturity date was extended from September 30, 2012 to September 30, 2013. On October 22, 2013, the maturity date was extended to October 21, 2014 and the line of credit was increased to $3,000,000. On September 23, 2014, the Organization extended the maturity date of the line of credit with Beneficial State Bank (formerly One PacificCoast Bank) to January 21, 2015. As of June 30, 2014 and 2013 the amount outstanding was $0 and $0, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets as of June 30, consisted of the following:

	2014	2013
National Expansion	$ 2,145,611	$ 3,745,206
Colorado Programs	670,980	453,471
New England Programs	370,000	-
Pacific Northwest Programs	304,000	35,000
Indianapolis Programs	150,000	300,000
Maryland Programs	114,221	67,558
Pennsylvania Programs	89,000	100,000
Northern California Programs	69,000	160,000
Texas Programs	30,000	60,000
Illinois Programs	25,000	-
Southern California Programs	16,800	-
Minnesota Programs	10,000	24,000
New Jersey / New York Programs	-	11,820
North Carolina Programs	-	4,112
Louisiana Programs	-	516
Total Temporarily Restricted Net Assets	$ 3,994,612	$ 4,961,683

NOTE 9 - CONTRIBUTIONS IN-KIND:

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

	2014	2013
Consulting Services	$ 135,965	$ 1,392,212
Legal Services	109,329	105,649
Office Space	107,751	72,803
Miscellaneous	4,000	46,412
Total Contributions In-Kind	$ 357,045	$ 1,617,076

NOTE 10 - 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:

	2014
National Expansion	$ 11,138,876
Northern California Programs	776,251
New England Programs	661,500
Colorado Programs	587,090
Pacific Northwest Programs	335,000
Southern California Programs	260,500
Minnesota Programs	229,000
Maryland Programs	207,637
Indianapolis Programs	155,000
Utah Programs	126,000
Washington D.C. Programs	94,500
Pennsylvania Programs	91,500
Arizona Programs	77,492
North Carolina Programs	70,112
Texas Programs	70,000
New Mexico Programs	60,000
New Jersey / New York Programs	57,820
Louisiana Programs	53,231
Wisconsin Programs	39,500
Michigan Programs	18,000
Illinois Programs	5,000
Total Net Assets Released from Restrictions	$ 15,114,009

NOTE 11 - CONFLICT OF INTEREST POLICY:

Included among the Organization's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization 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.

NOTE 12 - CONTINGENCIES:

Grants and contracts awarded to Playworks Education Energized 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, the Organization 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. The Organization 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 13 - CONCENTRATIONS:

The Organization has four grantors that comprised 65% and three grantors that comprised 72% of grants receivable as of June 30, 2014 and 2013, respectively.

The Organization received over 28% and 17% of its total support and revenue from five donors and three donors, respectively for the years ended June 30, 2014 and 2013, respectively.

NOTE 14 - OPERATING LEASE COMMITMENTS:

The Organization leases office space in Oakland (two locations), San Francisco, Washington D.C., Baltimore, New Orleans, Los Angeles, Newark, Portland, Phoenix, Salt Lake City, Campbell, Albuquerque, Jamaica Plain (MA), Houston, Jackson, Chicago, St. Paul, Denver, Detroit, Philadelphia, New York, Durham, Atlanta and Indianapolis. The office space leases expire at various periods through July 31, 2017. The Organization also leases office equipment. The office equipment leases expire at various periods through September 10, 2014. Rental expense, including in-kind, for the years ended June 30, 2014 and 2013 was $1,047,671 and $953,681, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2015	$ 547,423
2016	265,114
2017	71,187
2018	4,367
Total Future Minimum Lease Payments	$ 888,091

NOTE 15 - RELATED PARTY TRANSACTIONS:

A board member is a principal at a company that owns the building in which the Organization rents office space in downtown Oakland, California at 380 Washington Street. The term of the lease is five years ending on December 31, 2014. The office space is approximately 9,375 square feet. The rent for the years ended June 30, 2014 and 2013 was $216,000 and $204,000, respectively.

The same board member also owns the building in which the Organization rents office space in downtown San Francisco, California at 650 Fifth Street, Suite 201 and 203. The office space is approximately 1,444 square feet. The term of the lease is on a month-to-month basis. Rental expense for the years ended June 30, 2014 and 2013 was $18,000 and $18,000, respectively.

The Organization was awarded a $3.5 million grant from an individual on May 20, 2013. The Jenesis Group is designated to act on behalf of the grantor with respect to the administrative roles and responsibilities of the grant. The $3.5 million grant consists of two components: a) a $2.5 million unrestricted grant, with payments of $500,000 as follows - initial payment following receipt of signed grant, December 31, 2013, June 30, 2014, December 31, 2014 and June 30, 2015 and b) a $1 million "All or Nothing Incentive" Challenge, in which Grantor will pay $1 million if Playworks 1) raises an additional $9.6 million to close-out its capital campaign of $26.4 million by June 30, 2014, and 2) meets all the reporting requirements outlined in the grant. During the year ended June 30, 2014 the Organization met the "All or Nothing Incentive" Challenge and recognized the $1 million. Grants receivable as of June 30, 2014 included $1,000,000 from the individual.

The Organization has a line of credit with The Jenesis Group, see Note 7.

NOTE 16 - RETIREMENT PLAN:

<u>401(k) Plan</u> - Effective January 1, 2010 the Organization 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. The Organization is authorized under the Plan to make employer contributions on behalf of its eligible employees. During the years ended June 30, 2014 and 2013, no contributions were made by the Organization.

NOTE 17 - UNRESTRICTED NET ASSETS:

The Organization's Board of Directors established a Sustainability Fund policy in 2013-14 to support the Organization's working capital needs. The Board of Directors subsequently designated $3.5 million to the fund as a result of a one-time grant received in 2013-14. The Organization plans to build the fund over time to a level equivalent to three months' worth of expenses. As a result of this designation, the Organization's unrestricted net assets as of June 30, consisted of the following:

	2014	2013
Board Designated Sustainability Fund	$ 3,500,000	$ -
Undesignated	(1,586,440)	(355,266)
Total Unrestricted Net Assets	$ 1,913,560	$ (355,266)

The undesignated, unrestricted deficit as of June 30, 2014 is expected to be permanently funded by budgeted unrestricted income for the year ending June 30, 2015.

SECTION II

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Grant Period/ Period In Current Fiscal Year	Revenue Recognized	Federal Expenditures
Corporation for National and Community Service:					
AmeriCorps	94.006	10NDHCA0004	8/1/10 - 7/31/13	$ 65,191	$ 65,191
Passed Through:					
State of California					
AmeriCorps	94.006	09ACHCA0010003	7/1/12 - 12/31/13	20,363	20,363
AmeriCorps	95.006	09ACHCA0010003	7/1/12 - 12/31/14	856,097	856,097
AmeriCorps - California Planning Grant	94.006	11AFHCA001	7/1/12 - 6/30/13	1,459	1,459
District of Columbia					
AmeriCorps	94.006	12AFHDC0010003	8/1/12 - 7/31/13	3,533	3,533
AmeriCorps	94.006	12AFHDC0010003	8/1/13 - 7/31/14	128,490	128,490
State of Pennsylvania					
AmeriCorps	94.006	06AFHPA0010025	8/20/12 - 12/31/13	5,447	5,447
AmeriCorps	94.006	06AFHPA0010025	8/20/13 - 12/31/14	140,776	140,776
State of New Mexico					
AmeriCorps	94.006	12AFHNM0010004	8/30/12 - 8/31/13	3,878	3,878
State of Utah					
AmeriCorps	94.006	11AFHUT0010009	8/1/13 - 7/31/14	125,851	125,851
State of North Carolina					
AmeriCorps	94.006	12AFHNC0010008	8/1/13 - 7/31/14	130,111	130,111
Total Corporation for National and Community Service				1,481,196	1,481,196
TOTAL FEDERAL ASSISTANCE				$ 1,481,196	$ 1,481,196

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Playworks Education Energized under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Playworks Education Energized, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Playworks Education Energized.

NOTE 2 - 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

SECTION III

REPORTS

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Maragoni
Frank A. Minuti, Jr.

FOUNDERS
Alexander W. Berger (1916-2005)
Griffith R. Lewis (1930-2012)

BERGER LEWIS
ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moors
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

INDEPENDENT AUDITOR'S REPORT 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*

To the Board of Directors
Playworks Education Energized
(A Nonprofit Public Benefit Corporation)
Oakland, California

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 (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2014, 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 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Playworks Education Energized's 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 Education Energized's internal control. Accordingly, we do not express an opinion on the effectiveness of Playworks Education Energized's 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. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Playworks Education Energized's 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*.

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 is not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 5, 2014

Thomas C. Bondi
Lawrence S. Kuechler
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Playworks Education Energized
(A Nonprofit Public Benefit Corporation)
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Playworks Education Energized's (a nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Playworks Education Energized's major federal programs for the year ended June 30, 2014. Playworks Education Energized's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Playworks Education Energized's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Education Energized's 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 each major federal program. However, our audit does not provide a legal determination of Playworks Education Energized's compliance.

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Opinion on Each Major Federal Program

In our opinion, Playworks Education Energized complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Playworks Education Energized 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 Education Energized's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Education Energized's 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 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.

This 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 5, 2014

SECTION IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Playworks Education Energized.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report 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*.

3. No instances of noncompliance material to the financial statements of Playworks Education Energized, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for Playworks Education Energized expresses an unmodified opinion on all major federal programs.

6. No audit findings which would be required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The program tested as a major program was: Corporation for National and Community Service - AmeriCorps - CFDA 94.006.

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Playworks Education Energized was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
Name of Program - AmeriCorps
CFDA No. - 94.006
None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2014

NONE