PLAYWORKS

EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

***

FINANCIAL STATEMENTS

Years Ended June 30, 2009 and 2008

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Playworks Education Energized (a California nonprofit public benefit corporation) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Playworks Education Energized for the year ended June 30, 2008, were audited by other auditors whose report dated November 9, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Berger/Lewis Accountancy Corporation

BERGER/LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 11, 2009

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STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,485,829	$ 1,380,909
Accounts Receivable, Less Allowance for Doubtful Accounts of $54,873 and $147,144 in 2009 and 2008, Respectively	360,910	413,466
Current Portion of Grants Receivable (See Note 6)	3,794,302	2,751,738
Prepaid Expenses	109,365	59,584
Total Current Assets	5,750,406	4,605,697
PROPERTY AND EQUIPMENT, NET	222,616	38,252
OTHER ASSETS:		
Grants Receivable, Net of Current Portion (See Note 6)	11,036,771	14,548,810
Deposits	31,211	18,207
Total Other Assets	11,067,982	14,567,017
TOTAL ASSETS	$ 17,041,004	$ 19,210,966

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES:		
Accounts Payable	$ 71,374	$ 49,918
Accrued Liabilities	434,427	234,242
Deferred Revenue	20,159	53,396
Note Payable	750,000	-
Total Current Liabilities	1,275,960	337,556
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Line of Credit	900,000	-
Total Liabilities	2,175,960	337,556
NET ASSETS:		
Unrestricted Net Assets	420,449	679,225
Temporarily Restricted Net Assets (See Note 10)	14,444,595	18,194,185
Total Net Assets	14,865,044	18,873,410
TOTAL LIABILITIES AND NET ASSETS	$ 17,041,004	$ 19,210,966

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, 2009 with Comparative Totals for the Year Ended June 30, 2008

	2009			2008
	Unrestricted	Temporarily Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:				
Support:				
Foundation Grants (See Note 2)	$ 25,000	$ 1,213,451	$ 1,238,451	$ 18,685,094
Contributions In-Kind	701,208	-	701,208	214,410
Individual Contributions	259,873	-	259,873	951,964
Corporate Support	223,265	-	223,265	31,275
Events, Net of Donor Benefit	115,531	-	115,531	37,950
Total Support	1,324,877	1,213,451	2,538,328	19,920,693
Revenue:				
Contract Services	3,693,263	-	3,693,263	3,080,902
Government Grants	2,236,996	-	2,236,996	1,608,452
Other Revenue	38,747	-	38,747	-
Investments Income	13,869	-	13,869	13,902
Total Revenue	5,982,875	-	5,982,875	4,703,256
Total Support and Revenue	7,307,752	1,213,451	8,521,203	24,623,949
Net Assets Released from Restrictions	4,963,041	(4,963,041)	-	-
Total Support, Revenue and Net Assets Released from Restrictions	12,270,793	(3,749,590)	8,521,203	24,623,949
EXPENSES:				
Program Services:				
School Program	9,289,651	-	9,289,651	6,823,408
Training Program	647,017	-	647,017	203,627
Total Program Services	9,936,668	-	9,936,668	7,027,035
Supporting Services:				
Management and General	2,075,134	-	2,075,134	1,252,501
Fundraising	517,767	-	517,767	456,823
Total Supporting Services	2,592,901	-	2,592,901	1,709,324
Total Expenses	12,529,569	-	12,529,569	8,736,359
CHANGE IN NET ASSETS (See Note 2)	(258,776)	(3,749,590)	(4,008,366)	15,887,590
NET ASSETS, Beginning of Year	679,225	18,194,185	18,873,410	2,985,820
NET ASSETS, End of Year	$ 420,449	$ 14,444,595	$ 14,865,044	$ 18,873,410

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	TOTAL
SUPPORT AND REVENUE:			
Support:			
Foundation Grants (See Note 2)	$ 42,499	$ 18,642,595	$ 18,685,094
Contributions In-Kind	214,410	-	214,410
Individual Contributions	145,964	806,000	951,964
Corporate Support	31,275	-	31,275
Events, Net of Donor Benefit	37,950	-	37,950
Total Support	472,098	19,448,595	19,920,693
Revenue:			
Contract Services	3,080,902	-	3,080,902
Government Grants	1,608,452	-	1,608,452
Investments Income	13,902	-	13,902
Total Revenue	4,703,256	-	4,703,256
Total Support and Revenue	5,175,354	19,448,595	24,623,949
Net Assets Released from Restrictions	3,991,813	(3,991,813)	-
Total Support, Revenue and Net Assets Released from Restrictions	9,167,167	15,456,782	24,623,949
EXPENSES:			
Program Services:			
School Program	6,823,408	-	6,823,408
Training Program	203,627	-	203,627
Total Program Services	7,027,035	-	7,027,035
Supporting Services:			
Management and General	1,252,501	-	1,252,501
Fundraising	456,823	-	456,823
Total Supporting Services	1,709,324	-	1,709,324
Total Expenses	8,736,359	-	8,736,359
CHANGE IN NET ASSETS (See Note 2)	430,808	15,456,782	15,887,590
NET ASSETS, Beginning of Year	248,417	2,737,403	2,985,820
NET ASSETS, End of Year	$ 679,225	$ 18,194,185	$ 18,873,410

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, 2009 with Comparative Totals for the Year Ended June 30, 2008

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL	
	School Program	Training Program	Total	Management and General	Fundraising	Total	2009	2008
EXPENSES:								
Salaries and Wages	$ 6,756,317	$ 175,971	$ 6,932,288	$ 932,415	$ 289,105	$ 1,221,520	$ 8,153,808	$ 5,731,797
Employee Benefits	718,390	18,566	736,956	103,109	30,166	133,275	870,231	600,257
Payroll Tax	568,449	14,354	582,803	74,344	20,564	94,908	677,711	435,341
Total Salaries and Related Expenses	8,043,156	208,891	8,252,047	1,109,868	339,835	1,449,703	9,701,750	6,767,395
Travel, Meals and Entertainment	276,761	177,197	453,958	62,672	50,135	112,807	566,765	254,316
Occupancy - Office and Equipment Rental, Including In-Kind	265,000	102,468	367,468	90,310	16,724	107,034	474,502	302,226
Marketing and Advertising, Including In-Kind	568	93,301	93,869	305,362	1,469	306,831	400,700	2,753
Other Professional Services, Including In-Kind	88,848	33,261	122,109	191,495	44,205	235,700	357,809	571,795
School Supplies	206,352	3,947	210,299	459	3,338	3,797	214,096	296,728
Staff Recruitment and Training	81,540	16,918	98,458	21,125	2,664	23,789	122,247	77,168
Legal Fees, Including In-Kind	-	-	-	119,225	-	119,225	119,225	22,517
Dues, Licenses, Service Fees	46,461	2,118	48,579	33,498	12,473	45,971	94,550	40,481
Telephone	61,084	2,278	63,362	21,172	4,416	25,588	88,950	47,462
Supplies	38,482	1,186	39,668	23,978	1,903	25,881	65,549	74,954
Bad Debt	62,947	-	62,947	-	-	-	62,947	103,144
Printing and Publications, Including In-Kind	9,943	977	10,920	19,264	25,720	44,984	55,904	79,192
Interest	36,853	956	37,809	5,244	1,481	6,725	44,534	14,124
Accounting Fees	-	-	-	43,150	-	43,150	43,150	7,545
Postage	8,045	196	8,241	10,242	9,872	20,114	28,355	17,649
Small Equipment and Maintenance	18,254	872	19,126	6,107	62	6,169	25,295	14,562
Insurance	11,535	1,577	13,112	6,570	2,043	8,613	21,725	14,300
Utilities	11,771	-	11,771	-	-	-	11,771	10,411
Total Expenses Before Depreciation	9,267,600	646,143	9,913,743	2,069,741	516,340	2,586,081	12,499,824	8,718,722
Depreciation	22,051	874	22,925	5,393	1,427	6,820	29,745	17,637
Total Functional Expenses	$ 9,289,651	$ 647,017	$ 9,936,668	$ 2,075,134	$ 517,767	$ 2,592,901	$ 12,529,569	$ 8,736,359
Percentage of Total * (See Note 4)	74.1 %	5.2 %	79.3 %	16.6 %	4.1 %	20.7 %	100.0 %	

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2008

	PROGRAM SERVICES			SUPPORTING SERVICES			
	School Program	Training Program	Total	Management and General	Fundraising	Total	TOTAL
EXPENSES:							
Salaries and Wages	$ 4,858,626	$ 144,956	$ 5,003,582	$ 502,006	$ 226,209	$ 728,215	$ 5,731,797
Employee Benefits	507,897	15,354	523,251	53,046	23,960	77,006	600,257
Payroll Tax	375,105	11,600	386,705	39,312	9,324	48,636	435,341
Total Salaries and Related Expenses	5,741,628	171,910	5,913,538	594,364	259,493	853,857	6,767,395
Travel, Meals and Entertainment	170,137	15,335	185,472	48,359	20,485	68,844	254,316
Occupancy - Office and Equipment Rental, Including In-Kind	183,987	6,482	190,469	55,196	56,561	111,757	302,226
Marketing and Advertising	275	187	462	228	2,063	2,291	2,753
Other Professional Services, Including In-Kind	117,100	1,550	118,650	393,039	60,106	453,145	571,795
School Supplies	296,728	-	296,728	-	-	-	296,728
Staff Recruitment and Training	55,592	1,542	57,134	16,914	3,120	20,034	77,168
Legal Fees, Including In-Kind	-	-	-	22,517	-	22,517	22,517
Dues, Licenses, Service Fees	19,986	1,062	21,048	12,868	6,565	19,433	40,481
Telephone	30,430	444	30,874	12,352	4,236	16,588	47,462
Supplies	46,448	3,031	49,479	18,437	7,038	25,475	74,954
Bad Debt	103,144	-	103,144	-	-	-	103,144
Printing and Publications, Including In-Kind	8,501	132	8,633	46,281	24,278	70,559	79,192
Interest	11,992	358	12,350	1,466	308	1,774	14,124
Accounting Fees	-	-	-	7,545	-	7,545	7,545
Postage	4,221	67	4,288	4,937	8,424	13,361	17,649
Small Equipment and Maintenance	5,540	323	5,863	7,395	1,304	8,699	14,562
Insurance	7,212	748	7,960	4,122	2,218	6,340	14,300
Utilities	10,411	-	10,411	-	-	-	10,411
Total Expenses Before Depreciation	6,813,332	203,171	7,016,503	1,246,020	456,199	1,702,219	8,718,722
Depreciation	10,076	456	10,532	6,481	624	7,105	17,637
Total Functional Expenses	$ 6,823,408	$ 203,627	$ 7,027,035	$ 1,252,501	$ 456,823	$ 1,709,324	$ 8,736,359
Percentage of Total	78.1 %	2.3 %	80.4 %	14.4 %	5.2 %	19.6 %	100.0 %

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (4,008,366)	$ 15,887,590
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	29,745	17,637
Donated Property and Equipment	(1,500)	-
(Increase) Decrease in Assets:		
Accounts Receivable	52,556	(136,025)
Grants Receivable	2,469,475	(14,975,321)
Prepaid Expenses	(49,781)	(52,219)
Deposits	(13,004)	1,675
Increase (Decrease) in Liabilities:		
Accounts Payable	21,455	13,829
Accrued Liabilities	200,185	99,360
Deferred Revenue	(33,236)	50,896
Net Cash Provided (Used) by Operating Activities	(1,332,471)	907,422
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(212,609)	(38,469)
Net Cash Used by Investing Activities	(212,609)	(38,469)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Borrowings	2,750,000	1,400,000
Repayments of Borrowings	(1,100,000)	(1,400,000)
Net Cash Provided by Financing Activities	1,650,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	104,920	868,953
CASH AND CASH EQUIVALENTS, Beginning of Year	1,380,909	511,956
CASH AND CASH EQUIVALENTS, End of Year	$ 1,485,829	$ 1,380,909

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid for Interest	$ 44,534	$ 14,124

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

NOTE 1 - ORGANIZATION:

Playworks Education Energized, (formerly "Sports4Kids"), ("Playworks" or the "Organization") is a nonprofit public benefit corporation dedicated to maximizing the value of recess for learning at public schools by increasing opportunities for physical activity and safe, meaningful play. During the year ended June 30, 2009, the Organization served over 65,000 children in 167 schools in the San Francisco Bay Area, Baltimore, Boston, New Orleans, St. Louis and Washington D.C. Preparations were made to launch programs in Portland, Oregon; Newark, New Jersey and Los Angeles, California, after the close of the fiscal year allowing the Organization's 267 employees to serve student and school populations in a total of ten cities.

Founded in 1996, the Organization works primarily in public elementary schools with student populations that average 80 percent free/reduced-lunch-eligible children. Playworks hires and trains full-time coaches to work with its partner schools. Playworks coaches maximize recess for learning by stopping the chaos on school playgrounds and shifting student behavior by teaching organized games during recess and class game time, and providing after-school games, supervised playtime developmental sports leagues and leadership training.

NOTE 2 - NATIONAL EXPANSION / CHANGE IN NET ASSETS:

In support of Playworks' mission, the Organization received a four-year grant in 2008 in the amount of $18,734,344 from the Robert Wood Johnson Foundation (See Note 6) 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. In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, 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 the grant was first made.

As a result of this required accounting for the grant, as this four-year grant is spent, there will be an annual decrease reflected in the Temporarily Restricted column of the statement of activities. For the year ended June 30, 2009, of the $4,963,041 in net assets released from restrictions, $3,861,290 of this total is related to the accounting for this grant.

The change in unrestricted net assets of ($258,776) for the year ended June 30, 2009 reflects the actual "matching principle" accounting net income for the year since the portion of the Robert Wood Johnson Foundation four-year grant that was received and spent of $3,861,290 has been recognized in the unrestricted column of the statement of activities in the "Net Assets Released from Restrictions" amount of $4,963,041.

This four-year grant follows 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:

School Program - 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' Site Coordinators:

- create a structured, safe and inclusive environment on the playground by coordinating a variety of schoolyard sports and games during recess and lunch;
- work with classroom teachers to reintroduce physical activity into the school curriculum;
- develop and coordinate after school physical activity and academic enhancement programs;
- coordinate interscholastic evening basketball and volleyball leagues;
- implement a youth leadership program at each site; and
- employ play as a tool for generating more community and family involvement.

Each Playworks' Site Coordinator works at their school five days a week, throughout the school day and after school, to lead games and physical activities based on a curriculum that has been tested and refined over a decade of program operations.

Training Program - To complement the school based-program and further the Organization's mission, Playworks Training provides customized staff trainings to schools, after school programs, summer camps, recreation centers, and various 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.

In 2009, Playworks Training launched its inaugural national conference offering comprehensive, hands-on training in play and physical activity for children including sessions focused on the value of play for learning, informed policy setting and best practices for getting communities involved in play. This conference was successful on many fronts including showcasing an unprecedented gathering of athletes, advocates, influencers and professionals from the field dedicated to bringing positive, healthy play to communities across the country.

NOTE 4 - FUNCTIONAL EXPENSE PERCENTAGES:

Functional expenses for the year ended June 30, 2009 as reported on Internal Revenue Service (IRS) Form 990 are as follows:

	Program Services	Management and General	Fundraising	Total
Per Audited Financial Statements	$ 9,936,668	$ 2,075,134	$ 517,767	$ 12,529,569
Less Donated Services and Rent	(202,884)	(496,314)	-	(699,198)
Per IRS Form 990	$ 9,733,784	$ 1,578,820	$ 517,767	$ 11,830,371
Percentage Total	82.3 %	13.3 %	4.4 %	100.0 %

The percentage totals reflected above are different from those presented in the statement of functional expenses because, as required by the IRS, the fair value of donated services and rent are excluded from the totals reported on IRS Form 990.

NOTE 5 - 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 as prescribed by the American Institute of Certified Public Accountants. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, 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 5 - 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.

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, 2009 and 2008, the Organization had a allowance for doubtful accounts of $54,873 and $147,144, respectively. Bad debt expense for the years ended June 30, 2009 and 2008 amounted to $62,947 and $103,144, respectively.

Grants Receivable - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as contribution revenue 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 15 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, 2009 and 2008, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of June 30, 2009 and 2008 was $110,167 and $59,718, respectively.

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

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

Contributions - Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made.* 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.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of SFAS No. 116. 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 estimated time spent by function. Management's estimate of other indirect costs are based on salary expense and/or estimated usage.

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 and statues of California, Massachusetts, Maryland, Washington D.C, Louisiana and Missouri. 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.

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, 2009 and 2008 was $400,700 (of which $384,588 was donated) and $2,753, respectively.

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

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2009 for potential recognition or disclosure in the financial statements. The Organization had one subsequent event that required recognition or disclosure in the financial statements for the year ended June 30, 2009 (see Note 19). Subsequent events have been evaluated through the date the financial statements became available to be issued, November 11, 2009. The Organization has not evaluated subsequent events after November 11, 2009.

Recent Accounting Pronouncements -

FIN 48 - In June 2006, the Financial Accounting Standards Boards (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48). FIN 48 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more-likely-than-not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. On December 30, 2008 FASB Staff Position (FSP) FIN 48-3 was issued and allows for the deferral of FIN 48 for fiscal years beginning after December 15, 2008.

In accordance with this provision, the Organization elected to defer the application of FIN 48. Based on management's analysis of the Organization's tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.

SFAS No. 157 - In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, application of SFAS No. 157 will change current practice. In February 2008, FASB issued Staff Position No. 157-2 that defers the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008. In addition, FASB also agreed to exclude from scope of SFAS No. 157 fair value measurements made for purposes of applying SFAS No. 13, *Accounting for Leases*, and related interpretive accounting pronouncements. The adoption of SFAS No. 157 for financial assets and liabilities did not have a significant impact on the Organization's results of operations, cash flows or financial position. The Organization is assessing the impact of adopting SFAS No. 157 on non-financial assets and liabilities, but do not expect it to have a material impact on its results of operations, cash flows or financial position.

NOTE 5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

SFAS No. 159 - In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for an entity's first fiscal year that begins after November 15, 2007. The Organization has adopted SFAS No. 159 but did not elect to measure any eligible financial instruments at fair value under this guidance.

NOTE 6 - GRANTS RECEIVABLE:

The Organization received a four-year grant in the amount of $18,734,344 during the year ended June 30, 2008. This grant receivable is reflected at present value using a discount rate of 3.2%.

	2009	2008
Total Grants Receivable	$ 15,827,796	$ 18,788,456
Present Value Discount	(996,723)	(1,487,908)
	14,831,073	17,300,548
Less: Current Portion	(3,794,302)	(2,751,738)
Total Grants Receivable, Net of Current Portion	$ 11,036,771	$ 14,548,810

Future grants receivable payments are as follows:

Year Ending June 30,	Gross	Present Value	Net
2010	$ 3,885,866	$ (91,564)	$ 3,794,302
2011	5,548,308	(331,667)	5,216,641
2012	6,393,622	(573,492)	5,820,130
Total Future Grants Receivable Payments	$ 15,827,796	$ (996,723)	$ 14,831,073

NOTE 7 - PROPERTY AND EQUIPMENT:

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

	2009	2008
Furniture and Equipment	$ 168,801	$ 100,332
Software Development	123,316	-
Tenant Improvements	15,204	-
Capital Lease Equipment	7,120	-
	314,441	100,332
Less: Accumulated Depreciation	(91,825)	(62,080)
Property and Equipment, Net	$ 222,616	$ 38,252

Depreciation expense for the years ended June 30, 2009 and 2008 was $29,745 and $17,637, respectively.

NOTE 8 - NOTE PAYABLE:

The Organization entered into a term loan on December 10, 2008 with Robert Wood Johnson Foundation. The term loan is unsecured and bears interest at 2.00%. The term loan matures on September 30, 2009. As of June 30, 2009 and 2008 the amount outstanding was $750,000 and $0, respectively.

NOTE 9 - LINE OF CREDIT:

The Organization entered into a $1,500,000 working capital line of credit on September 15, 2007 with The Jenesis Group. The line of credit is secured by the Organization's personal and real property and bore interest at 5.51% per annum. The line of credit matured on July 1, 2008 and a 2 year extension was granted. On October 1, 2009 the loan maturity date was revised to September 30, 2010 and the interest rate was adjusted to 3.25%. As of June 30, 2009 and 2008 the amount outstanding was $900,000 and $0, respectively.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

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

	2009	2008
National Expansion	$ 13,790,115	$ 17,531,185
California Programs	575,980	569,000
Massachusetts Programs	60,000	54,000
Maryland Programs	12,500	40,000
Missouri Programs	6,000	-
Total Temporarily Restricted Net Assets	$ 14,444,595	$ 18,194,185

NOTE 11 - CONTRIBUTIONS IN-KIND:

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

	2009	2008
Marketing and Rebranding	$ 384,588	$ -
Consulting Services	135,000	50,000
Legal Services	119,225	10,383
Office Space	60,385	110,352
Property and Equipment	1,500	-
T-Shirts	510	-
Annual Report Design and Production	-	42,500
Sports Field Rental and Food	-	1,175
Total Contributions In-Kind	$ 701,208	$ 214,410

NOTE 12 - 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:

	2009	2008
National Expansion	$ 4,017,062	$ 2,131,371
California Programs	694,479	1,589,201
Maryland Programs	160,000	170,000
Massachusetts Programs	81,500	90,000
Washington D.C. Programs	10,000	10,000
Technical Assistance	-	1,241
Total Net Assets Released from Restrictions	$ 4,963,041	$ 3,991,813

NOTE 13 - 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 14 - 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 15 - CONCENTRATIONS:

The Organization received over 70% of its total support and revenue from one foundation for the year ended June 30, 2008. Excluding the contribution from the one foundation for the year ended June 30, 2008, there were no contributions over 15% of total support and revenue for the years ended June 30, 2009 and 2008.

NOTE 16 - OPERATING LEASE COMMITMENTS:

The Organization leases office space in Oakland, Milpitas, Washington D.C., Boston, Baltimore, St. Louis, New Orleans, Los Angeles, Newark and Portland. The leases expire at various periods through June 30, 2014 and two are on a month-to-month basis. The Organization also leases office equipment. The leases expire at various periods through September 10, 2014. Rental expense, including in-kind, for the years ended June 30, 2009 and 2008 was $261,142 and $242,947, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2010	$ 256,314
2011	51,485
2012	35,100
2013	35,988
2014	35,576
Thereafter	730
Total Future Minimum Lease Payments	$ 415,193

NOTE 17 - 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 517 Fourth Street. The term of the lease is two years ending on June 30, 2010. The office space is approximately 8,224 square feet. The monthly rent is $12,500 with an annual 5% increase.

NOTE 18 - RETIREMENT PLAN:

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). All full time employees are eligible for participation in the Plan. Employees may contribute the maximum amount allowed by law. For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be continued to the Plan by the Organization. The Organization made no contributions for the years ended June 30, 2009 and 2008.

NOTE 19 - SUBSEQUENT EVENT:

On October 15, 2009, The Jenesis Group awarded Playworks Education Energized a grant in the amount of $3 million as an investment in the strategic support of the Organization’s program goals. The amount of the award will be paid over 3 years and based is on an independent investment agreement.

Established in 1987, the Jenesis Group is a private family foundation bringing innovation and an entrepreneurial philosophy to philanthropy. Focusing their efforts on education and professional development of youth and young adults in underserved communities, Jenesis has chosen social entrepreneurs as their change agent of choice to empower disadvantaged and/or at-risk youth to become productive citizens in our democratic society. This award recognizes the expansion of the partnership between the two organizations as well as the impressive programmatic accomplishments and commitment to national expansion by Playworks. This investment by the Jenesis Group will assist in strengthening the Organization in order to serve more children.