



PLAYWORKS

EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS
INCLUDING SUPPLEMENTARY INFORMATION
ON FEDERAL FINANCIAL AWARDS

Years Ended June 30, 2010 and 2009

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

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SECTION I
FINANCIAL SECTION

EMERITUS

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

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Playworks Education Energized, (formerly "Sports4Kids"), ("Playworks" or the "Organization"), (a nonprofit public benefit corporation) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 and other governmental awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 22, 2010

STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 933,526	\$ 1,485,829
Accounts Receivable, Less Allowance for Doubtful Accounts of \$78,085 and \$54,873 in 2010 and 2009, Respectively	749,849	360,910
Grants Receivable, Current Portion (See Note 6)	7,288,075	3,794,302
Prepaid Expenses	182,067	109,365
Pledge Receivable	76,315	-
Total Current Assets	9,229,832	5,750,406
PROPERTY AND EQUIPMENT, NET	426,247	222,616
OTHER ASSETS:		
Grants Receivable, Net of Current Portion (See Note 6)	5,735,197	11,036,771
Deposits	14,545	31,211
Intangible Assets	16,250	-
Total Other Assets	5,765,992	11,067,982
TOTAL ASSETS	\$ 15,422,071	\$ 17,041,004

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 83,104	\$ 71,374
Accrued Liabilities	591,193	434,427
Deferred Revenue	81,410	20,159
Note Payable	-	750,000
Total Current Liabilities	755,707	1,275,960
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Line of Credit	2,450,000	900,000
Total Liabilities	3,205,707	2,175,960
NET ASSETS:		
Unrestricted Net Assets	452,886	420,449
Temporarily Restricted Net Assets (See Note 10)	11,763,478	14,444,595
Total Net Assets	12,216,364	14,865,044
TOTAL LIABILITIES AND NET ASSETS	\$ 15,422,071	\$ 17,041,004

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, 2010 with Comparative Totals for the Year Ended June 30, 2009

	2010			2009
	Unrestricted	Temporarily Restricted	TOTAL	TOTAL
SUPPORT AND REVENUE:				
Support:				
Foundation Grants (See Note 2)	\$ 56,100	\$ 4,014,002	\$ 4,070,102	\$ 1,238,451
Contributions In-Kind	412,971	-	412,971	701,208
Individual Contributions	185,309	-	185,309	259,873
Corporate Support	181,458	-	181,458	223,265
Events, Net of Donor Benefit	209,800	-	209,800	115,531
Total Support	1,045,638	4,014,002	5,059,640	2,538,328
Revenue:				
Contract Services	4,476,470	-	4,476,470	3,693,263
Government Grants	1,937,712	-	1,937,712	2,236,996
Other Revenue	7,000	-	7,000	38,747
Investments Income	6,125	-	6,125	13,869
Loss on Disposal of Equipment	(4,264)	-	(4,264)	-
Total Revenue	6,423,043	-	6,423,043	5,982,875
Total Support and Revenue	7,468,681	4,014,002	11,482,683	8,521,203
Net Assets Released from Restrictions	6,695,119	(6,695,119)	-	-
Total Support, Revenue and Net Assets Released from Restrictions	14,163,800	(2,681,117)	11,482,683	8,521,203
EXPENSES:				
Program Services:				
School Program	10,645,100	-	10,645,100	9,289,651
Training Program	639,651	-	639,651	647,017
Total Program Services	11,284,751	-	11,284,751	9,936,668
Supporting Services:				
Management and General	2,006,830	-	2,006,830	2,075,134
Fundraising	839,782	-	839,782	517,767
Total Supporting Services	2,846,612	-	2,846,612	2,592,901
Total Expenses	14,131,363	-	14,131,363	12,529,569
CHANGE IN NET ASSETS (See Note 2)	32,437	(2,681,117)	(2,648,680)	(4,008,366)
NET ASSETS, Beginning of Year	420,449	14,444,595	14,865,044	18,873,410
NET ASSETS, End of Year	\$ 452,886	\$ 11,763,478	\$ 12,216,364	\$ 14,865,044

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PLAYWORKS
EDUCATION ENERGIZED
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STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:			
Support:			
Foundation Grants (See Note 2)	\$ 25,000	\$ 1,213,451	\$ 1,238,451
Contributions In-Kind	701,208	-	701,208
Individual Contributions	259,873	-	259,873
Corporate Support	223,265	-	223,265
Events, Net of Donor Benefit	<u>115,531</u>	<u>-</u>	<u>115,531</u>
Total Support	<u>1,324,877</u>	<u>1,213,451</u>	<u>2,538,328</u>
Revenue:			
Contract Services	3,693,263	-	3,693,263
Government Grants	2,236,996	-	2,236,996
Other Revenue	38,747	-	38,747
Investments Income	<u>13,869</u>	<u>-</u>	<u>13,869</u>
Total Revenue	<u>5,982,875</u>	<u>-</u>	<u>5,982,875</u>
Total Support and Revenue	7,307,752	1,213,451	8,521,203
Net Assets Released from Restrictions	<u>4,963,041</u>	<u>(4,963,041)</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	<u>12,270,793</u>	<u>(3,749,590)</u>	<u>8,521,203</u>
EXPENSES:			
Program Services:			
School Program	9,289,651	-	9,289,651
Training Program	<u>647,017</u>	<u>-</u>	<u>647,017</u>
Total Program Services	<u>9,936,668</u>	<u>-</u>	<u>9,936,668</u>
Supporting Services:			
Management and General	2,075,134	-	2,075,134
Fundraising	<u>517,767</u>	<u>-</u>	<u>517,767</u>
Total Supporting Services	<u>2,592,901</u>	<u>-</u>	<u>2,592,901</u>
Total Expenses	<u>12,529,569</u>	<u>-</u>	<u>12,529,569</u>
CHANGE IN NET ASSETS (See Note 2)	(258,776)	(3,749,590)	(4,008,366)
NET ASSETS, Beginning of Year	<u>679,225</u>	<u>18,194,185</u>	<u>18,873,410</u>
NET ASSETS, End of Year	<u>\$ 420,449</u>	<u>\$ 14,444,595</u>	<u>\$ 14,865,044</u>

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

PLAYWORKS
EDUCATION ENERGIZED

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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010 with Comparative Totals for the Year Ended June 30, 2009

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL	
	School Program	Training Program	Total	Management and General	Fundraising	Total	2010	2009
EXPENSES:								
Salaries and Wages	\$ 7,403,912	\$ 328,779	\$ 7,732,691	\$ 1,043,313	\$ 486,037	\$ 1,529,350	\$ 9,262,041	\$ 8,153,808
Employee Benefits	1,037,121	41,560	1,078,681	92,034	49,086	141,120	1,219,801	870,231
Payroll Tax	591,777	25,197	616,974	69,886	36,219	106,105	723,079	677,711
Total Salaries and Related Expenses	9,032,810	395,536	9,428,346	1,205,233	571,342	1,776,575	11,204,921	9,701,750
Travel, Meals and Entertainment	401,551	68,484	470,035	70,291	56,984	127,275	597,310	566,765
Other Professional Services, Including In-Kind	186,086	110,179	296,265	142,534	44,441	186,975	483,240	492,809
Rent, Including In-Kind	295,675	20,454	316,129	107,537	36,014	143,551	459,680	339,502
Staff Recruitment and Training	119,464	6,223	125,687	68,039	10,418	78,457	204,144	122,247
Telephone	83,512	7,782	91,294	24,981	5,169	30,150	121,444	88,950
Bad Debt	120,166	-	120,166	-	-	-	120,166	62,947
School Supplies	100,615	1,083	101,698	2,057	2,237	4,294	105,992	214,096
Printing and Publications, Including In-Kind	9,138	6,408	15,546	32,098	55,294	87,392	102,938	55,904
Legal Fees, Including In-Kind	-	-	-	180,545	-	180,545	180,545	119,225
Dues, Licenses, Service Fees	43,456	3,981	47,437	35,032	6,780	41,812	89,249	94,550
Supplies	51,172	4,368	55,540	16,011	8,900	24,911	80,451	65,549
Small Equipment and Maintenance Including In-Kind	45,068	4,036	49,104	26,532	3,324	29,856	78,960	25,295
Interest	39,780	1,519	41,299	6,175	1,827	8,002	49,301	44,534
Accounting Fees	-	-	-	44,600	-	44,600	44,600	43,150
Marketing and Advertising, Including In-Kind	1,443	1,175	2,618	15,999	20,154	36,153	38,771	400,700
Postage	12,877	1,292	14,169	8,137	11,198	19,335	33,504	28,355
Insurance	12,823	3,049	15,872	8,759	2,097	10,856	26,728	21,725
Utilities	12,996	969	13,965	2,275	565	2,840	16,805	11,771
Government Grant Commission	7,577	-	7,577	-	-	-	7,577	-
Total Expenses Before Depreciation and Amortization	10,576,209	636,538	11,212,747	1,996,835	836,744	2,833,579	14,046,326	12,499,824
Depreciation and Amortization	68,891	3,113	72,004	9,995	3,038	13,033	85,037	29,745
Total Functional Expenses	\$ 10,645,100	\$ 639,651	\$ 11,284,751	\$ 2,006,830	\$ 839,782	\$ 2,846,612	\$ 14,131,363	\$ 12,529,569
Percentage of Total (See Note 4)	75.4 %	4.5 %	79.9 %	14.2 %	5.9 %	20.1 %	100.0 %	

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PLAYWORKS
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	School Program	Training Program	Total	Management and General	Fundraising	Total	
EXPENSES:							
Salaries and Wages	\$ 6,756,317	\$ 175,971	\$ 6,932,288	\$ 932,415	\$ 289,105	\$ 1,221,520	\$ 8,153,808
Employee Benefits	718,390	18,566	736,956	103,109	30,166	133,275	870,231
Payroll Tax	568,449	14,354	582,803	74,344	20,564	94,908	677,711
Total Salaries and Related Expenses	8,043,156	208,891	8,252,047	1,109,868	339,835	1,449,703	9,701,750
Travel, Meals and Entertainment	276,761	177,197	453,958	62,672	50,135	112,807	566,765
Other Professional Services, Including In-Kind	223,848	33,261	257,109	191,495	44,205	235,700	492,809
Rent, Including In-Kind	130,000	102,468	232,468	90,310	16,724	107,034	339,502
Staff Recruitment and Training	81,540	16,918	98,458	21,125	2,664	23,789	122,247
Telephone	61,084	2,278	63,362	21,172	4,416	25,588	88,950
Bad Debt	62,947	-	62,947	-	-	-	62,947
School Supplies	206,352	3,947	210,299	459	3,338	3,797	214,096
Printing and Publications, Including In-Kind	9,943	977	10,920	19,264	25,720	44,984	55,904
Legal Fees, Including In-Kind	-	-	-	119,225	-	119,225	119,225
Dues, Licenses, Service Fees	46,461	2,118	48,579	33,498	12,473	45,971	94,550
Supplies	38,482	1,186	39,668	23,978	1,903	25,881	65,549
Small Equipment and Maintenance	18,254	872	19,126	6,107	62	6,169	25,295
Interest	36,853	956	37,809	5,244	1,481	6,725	44,534
Accounting Fees	-	-	-	43,150	-	43,150	43,150
Marketing and Advertising, Including In-Kind	568	93,301	93,869	305,362	1,469	306,831	400,700
Postage	8,045	196	8,241	10,242	9,872	20,114	28,355
Insurance	11,535	1,577	13,112	6,570	2,043	8,613	21,725
Utilities	11,771	-	11,771	-	-	-	11,771
Total Expenses Before Depreciation	9,267,600	646,143	9,913,743	2,069,741	516,340	2,586,081	12,499,824
Depreciation	22,051	874	22,925	5,393	1,427	6,820	29,745
Total Functional Expenses	\$ 9,289,651	\$ 647,017	\$ 9,936,668	\$ 2,075,134	\$ 517,767	\$ 2,592,901	\$ 12,529,569
Percentage of Total	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.

(A Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (2,648,680)	\$ (4,008,366)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	85,037	29,745
Donated Property and Equipment	(48,650)	(1,500)
Loss on Disposal of Equipment	4,264	-
Amortization of Present Value Discount on Multi-Year		
Grants Receivable	(307,253)	(491,185)
Bad Debt Expense	120,166	62,947
(Increase) Decrease in Assets:		
Accounts Receivable	(509,106)	(10,391)
Grants Receivable	2,115,054	2,960,660
Prepaid Expenses	(72,702)	(49,781)
Pledge Receivable	(76,315)	-
Deposits	16,666	(13,004)
Increase (Decrease) in Liabilities:		
Accounts Payable	11,731	21,455
Accrued Liabilities	156,765	200,185
Deferred Revenue	61,251	(33,236)
Net Cash Used by Operating Activities	(1,091,772)	(1,332,471)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(244,281)	(212,609)
Purchase of Intangible Assets	(16,250)	-
Net Cash Used by Investing Activities	(260,531)	(212,609)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Borrowings	5,250,000	2,750,000
Repayments of Borrowings	(4,450,000)	(1,100,000)
Net Cash Provided by Financing Activities	800,000	1,650,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(552,303)	104,920
CASH AND CASH EQUIVALENTS, Beginning of Year	1,485,829	1,380,909
CASH AND CASH EQUIVALENTS, End of Year	\$ 933,526	\$ 1,485,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash Paid for Interest	\$ 49,301	\$ 44,534

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

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

NOTES TO 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, 2010, the Organization served 70,000 children in 175 schools located in 10 cities. Playworks launched programs in 5 additional cities after the close of the fiscal year allowing the Organization's 357 employees to serve approximately 100,000 students at 250 schools in a total of fifteen cities including Baltimore, Boston, Denver, Detroit, Houston, Los Angeles, Oakland CA, Newark NJ, New Orleans, Philadelphia, Portland, St. Paul, San Francisco, Silicon Valley, and Washington D.C.

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. 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, 2010, of the \$6,695,119 in net assets released from restrictions, \$4,767,138 of this total is related to the accounting for this grant.

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 negative \$2,648,680 for the year ended June 30, 2010, primarily as a result of the required accounting treatment described above.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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' Program 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 before and after school physical activity 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' Program 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 October 2010, Playworks Training sponsored its second 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 showcased a broad range of positive, healthy play initiatives from communities across the country.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4 - FUNCTIONAL EXPENSE PERCENTAGES:

Functional expenses for the year ended June 30, 2010 as reported on Internal Revenue Service (IRS) Form 990 are as follows:

	Program Services	Management and General	Fundraising	Total
Per Audited Financial Statements	\$ 11,284,751	\$ 2,006,830	\$ 839,782	\$ 14,131,363
Less Donated Services and Rent	(124,737)	(230,447)	-	(355,184)
Per IRS Form 990	\$ 11,160,014	\$ 1,776,383	\$ 839,782	\$ 13,776,179
Percentage Total	81.0 %	12.9 %	6.1 %	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 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.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5 - 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, 2010 and 2009, the Organization had a allowance for doubtful accounts of \$78,085 and \$54,873, respectively. Bad debt expense for the years ended June 30, 2010 and 2009 amounted to \$120,166 and \$62,947, 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, 2010 and 2009, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of June 30, 2010 and 2009 was \$207,255 and \$110,167, respectively.

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

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 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 - 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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, headcount, 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, Missouri, New Jersey and Oregon. 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 - Effective July 1, 2009 the Organization implemented the new accounting requirements associated with uncertainty in taxes. Accordingly, an entity shall initially recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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, 2010 and 2009 was \$38,771 and \$400,700 (of which \$384,588 was donated), 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, 2010 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, 2010 (see Note 19). Subsequent events have been evaluated through the date the financial statements became available to be issued, October 22, 2010. The Organization has not evaluated subsequent events after October 22, 2010.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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%. The Organization also received two 3-year grants totaling \$3,225,000 during the year ended June 30, 2010. These grants receivable are reflected at present value using a discount rate of 5.3%.

	2010	2009
Total Grants Receivable	\$ 13,712,742	\$ 15,827,796
Present Value Discount	(689,470)	(996,723)
	13,023,272	14,831,073
Less: Current Portion	(7,288,075)	(3,794,302)
Total Grants Receivable, Net of Current Portion	\$ 5,735,197	\$ 11,036,771

Future grants receivable payments are as follows:

Year Ending June 30,	Gross	Present Value Discount	Net
2011	\$ 7,685,178	\$ (397,103)	\$ 7,288,075
2012	5,952,564	(285,256)	5,667,308
2013	75,000	(7,111)	67,889
Total Future Grants Receivable Payments	\$ 13,712,742	\$ (689,470)	\$ 13,023,272

NOTE 7 - PROPERTY AND EQUIPMENT:

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

	2010	2009
Furniture and Equipment	\$ 197,253	\$ 168,801
Tenant Improvements	132,356	15,204
Website	131,041	119,191
Capitalized Software	56,781	4,125
Software Development	18,472	-
Work in Progress - Other	12,553	-
Capital Lease Equipment	7,120	7,120
	555,576	314,441
Less: Accumulated Depreciation	(129,329)	(91,825)
Property and Equipment, Net	\$ 426,247	\$ 222,616

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 7 - PROPERTY AND EQUIPMENT (Continued):

Depreciation expense for the years ended June 30, 2010 and 2009 was \$78,787 and \$29,745, respectively.

NOTE 8 - NOTE PAYABLE:

The Organization entered into a \$750,000 term loan on December 10, 2008 with Robert Wood Johnson Foundation. The term loan was unsecured and bore interest at 2.00%. The term loan matured on September 30, 2009.

NOTE 9 - LINE OF CREDIT:

The Organization entered into a \$1,500,000 working capital line of credit on September 15, 2007 with The Genesis 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%. The line of credit may be extended up to 2 years. As of June 30, 2010 and 2009 the amount outstanding was \$1,500,000 and \$900,000, respectively. The line of credit was paid off subsequent to year end, on August 19, 2010.

The Organization entered into a \$3,500,000 working capital line of credit on August 11, 2009 with OneCalifornia Bank. The line of credit is secured by the Organization's personal and real property and bears interest at 3.25% per annum. The line of credit which matured on August 11, 2010 was renewed and now matures on August 19, 2011. As of June 30, 2010 and 2009 the amount outstanding was \$950,000 and \$0, respectively. The line of credit was paid off subsequent to year end, on August 20, 2010.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

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

	2010	2009
National Expansion	\$ 11,332,441	\$ 13,790,115
Massachusetts Programs	214,239	60,000
California Programs	186,798	575,980
Oregon Programs	20,000	-
Maryland Programs	10,000	12,500
Missouri Programs	-	6,000
Total Temporarily Restricted Net Assets	\$ 11,763,478	\$ 14,444,595

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 11 - CONTRIBUTIONS IN-KIND:

The estimated fair value of donated office space, gym rental 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:

	<u>2010</u>	<u>2009</u>
Consulting Services	\$ 115,556	\$ 135,000
Legal Services	180,212	119,225
Office Space	50,235	60,385
Property and Equipment	48,650	1,500
Gym Rental Space	8,881	-
Small Equipment	5,220	-
Miscellaneous	4,217	-
Marketing and Rebranding	-	384,588
T-Shirts	-	510
Total Contributions In-Kind	<u>\$ 412,971</u>	<u>\$ 701,208</u>

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:

	<u>2010</u>	<u>2009</u>
National Expansion	\$ 5,784,489	\$ 4,017,062
California Programs	625,798	694,479
Massachusetts Programs	130,500	81,500
Maryland Programs	80,000	160,000
Washington D.C. Programs	20,000	10,000
Oregon Programs	16,666	-
New Jersey Programs	16,666	-
New Orleans Programs	16,000	-
Missouri Programs	5,000	-
Total Net Assets Released from Restrictions	<u>\$ 6,695,119</u>	<u>\$ 4,963,041</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 has one grantor that comprised 80% and 94% of grants receivable as of June 30, 2010 and 2009, respectively.

NOTE 16 - OPERATING LEASE COMMITMENTS:

The Organization leases office space in Oakland, Milpitas, San Francisco, Washington D.C., Boston, Baltimore, New Orleans, Los Angeles, Newark and Portland. The office space leases expire at various periods through December 31, 2014 and three are on a month-to-month basis. 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, 2010 and 2009 was \$459,680 and \$339,502, respectively.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 16 - OPERATING LEASE COMMITMENTS (Continued):

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 233,773
2012	233,100
2013	245,988
2014	251,576
2015	<u>108,730</u>
Total Future Minimum Lease Payments	<u>\$ 1,073,167</u>

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 380 Washington Street. The term of the lease is five years ending on December 31, 2014. The office space is approximately 9,395 square feet. The monthly rent is \$13,125 with annual increases on July 1, 2010, 2011, 2012 and 2013 of 10%, 10%, 6% and 6%, 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 204. The term of the lease is on a month-to-month basis. The office space is approximately 720 square feet. The monthly rent is \$250 commencing on October 1, 2009, increases to \$400 on July 1, 2010 and increases to \$600 on July 1, 2011.

A board member is a program officer for The Jenesis Group. The Organization was awarded a \$3 million grant from The Jenesis Group during the year ended June 30, 2010, of which \$1 million is included in Net Assets Released from Restrictions on the Statement of Activities. Grants receivable as of June 30, 2010 include \$2 million from The Jenesis Group payable in four semi-annual installments of \$500,000 each from January 2011 through June 2012.

The Organization has a line of credit with The Jenesis Group, see Note 9.

NOTE 18 - RETIREMENT PLANS:

403(b) 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 contributed to the Plan by the Organization. The Organization made no contributions for the years ended June 30, 2010 and 2009.

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 18 - RETIREMENT PLANS (Continued):

401(k) Plan - 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. Employer contributions will be contributed to the employer contribution account under the Plan at such time the Organization deems appropriate. Employer contributions may be contributed during the Plan year or after the Plan year ends. During the years ended June 30, 2010 and 2009, no matching contributions were made by the Organization.

NOTE 19 - SUBSEQUENT EVENT:

Subsequent to June 30, 2010 the Organization opened new offices in Denver, Detroit, Houston, Philadelphia and St. Paul.

SECTION II
SUPPLEMENTARY INFORMATION

PLAYWORKS
EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS

Year Ended June 30, 2010

Government Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Grant Number	Grant Period/ Period In Current Fiscal Year	Revenue Recognized	Federal and Other Governmental Expenditures
<u>FEDERAL ASSISTANCE</u>					
<u>Corporation for National and Community Service:</u>					
AmeriCorps	94.006	07NDHCA004	8/15/07 - 7/31/10	\$ 502,292	\$ 502,292
AmeriCorps Passed Through: State of California	94.006	07NDHCA004		9,240	9,240
AmeriCorps	94.006	09ACHY16-C110	7/1/09 - 12/31/10	756,000	756,000
AmeriCorps	94.006	06AFHCA0010021		7,340	7,340
State of Missouri AmeriCorps	94.006	06AFHMO0010014		4,336	4,336
District of Columbia AmeriCorps	94.006	07AFHDC0010014		124,569	124,569
ARRA-AmeriCorps	94.006	09RFHDC0010001		13,475	13,475
Total Corporation for National and Community Service				<u>1,417,252</u>	<u>1,417,252</u>
<u>U.S. Department of Education:</u>					
Carol M. White Physical Education Program (PEP)	84.215F	Q215F070135-09	6/1/07 - 5/31/10	363,705	363,705
TOTAL FEDERAL ASSISTANCE				<u>1,780,957</u>	<u>1,780,957</u>
<u>NON-FEDERAL ASSISTANCE</u>					
Oakland Fund for Children and Youth			7/1/09 - 6/30/10	113,400	113,400
City and County of San Francisco, Department of Children, Youth, and Families			7/1/09 - 6/30/10	23,750	23,750
County of Alameda, Measure A		900224	1/1/10 - 6/30/10	19,482	19,482
State of California: Federal Snack Program				123	123
TOTAL NON-FEDERAL ASSISTANCE				<u>156,755</u>	<u>156,755</u>
TOTAL GOVERNMENTAL ASSISTANCE				<u>\$ 1,937,712</u>	<u>\$ 1,937,712</u>

See Accompanying Notes to Schedule of Expenditures of Federal and Other Governmental Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND OTHER GOVERNMENTAL AWARDS

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and other governmental awards (the "Schedule") includes the federal and other governmental grant activity of Playworks Education Energized under programs of the federal government for the for the year ended June 30, 2010. 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

EMERITUS

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

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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 the financial statements of Playworks Education Energized (a nonprofit public benefit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 22, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Playworks Education Energized's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Playworks Education Energized's financial statements are free of 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*.

We noted certain other matters that we reported to management of Playworks Education Energized in a separate letter dated October 22, 2010.

This report is intended solely for the information and use of management, the audit committee, the board of directors, others within the Organization, and federal and other governmental awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Berger Lewis Accountancy Corporation".

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 22, 2010

EMERITUS

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

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

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, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Playworks Education Energized's management. Our responsibility is to express an opinion on Playworks Education Energized's compliance based on our audit.

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. Our audit does not provide a legal determination of Playworks Education Energized's compliance with those requirements.

In our opinion, Playworks Education Energized complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Playworks Education Energized is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Playworks Education Energized's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, the board of directors, others within the Organization, and federal and other governmental awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Berger Lewis Accountancy Corporation".

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 22, 2010

SECTION IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified 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 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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Playworks Education Energized expresses an unqualified opinion on all major federal programs.
6. Audit findings that are 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 included: 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 qualified as 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

(A Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2010

NONE