PLAYWORKS

EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

***

# FINANCIAL STATEMENTS
# INCLUDING SUPPLEMENTARY INFORMATION
# ON FEDERAL FINANCIAL AWARDS

Years Ended June 30, 2013 and 2012

PLAYWORKS

EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

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# FINANCIAL SECTION

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

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

BERGER LEWIS
ACCOUNTANCY CORPORATION
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Daniel C. Moors
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David R. Sheets
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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of Playworks Education Energized, (formerly "Sports4Kids"), ("Playworks" or the "Organization"), (a nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

55 ALMADEN BLVD. SUITE 600 SAN JOSE, CA 95113-1605 (408) 494-1200 (P) (408) 279-8186 (F)

***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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of Playworks Education Energized's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Playworks Education Energized's internal control over financial reporting and compliance.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
December 11, 2013

# STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

## ASSETS

| | 2013 | 2012 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and Cash Equivalents | $ 878,508 | $ 2,254,019 |
| Accounts Receivable, Less Allowance for Doubtful Accounts of $158,387 and $74,331 in 2013 and 2012, Respectively | 1,104,537 | 723,122 |
| Grants Receivable, Current Portion (See Note 5) | 5,482,747 | 4,415,314 |
| Pledges Receivable | 385,361 | 167,800 |
| Prepaid Expenses | 254,660 | 454,943 |
| Total Current Assets | 8,105,813 | 8,015,198 |
| **PROPERTY AND EQUIPMENT, NET** | 180,445 | 290,289 |
| **OTHER ASSETS:** | | |
| Grants Receivable, Net of Current Portion (See Note 5) | 1,945,867 | 5,756,925 |
| Deposits | 63,491 | 41,215 |
| Website Development Costs | 80,921 | - |
| Intangible Assets | 1,624 | 4,095 |
| Total Other Assets | 2,091,903 | 5,802,235 |
| **TOTAL ASSETS** | $ 10,378,161 | $ 14,107,722 |

## LIABILITIES AND NET ASSETS

| | 2013 | 2012 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts Payable | $ 178,651 | $ 259,286 |
| Accrued Liabilities | 1,162,952 | 979,227 |
| Deferred Revenue | 559,941 | 313,254 |
| Total Current Liabilities | 1,901,544 | 1,551,767 |
| **LONG-TERM LIABILITIES, NET OF CURRENT PORTION:** | | |
| Lines of Credit | 3,800,000 | 2,900,000 |
| Other Long-Term Liabilities | 70,200 | 49,489 |
| Total Long-Term Liabilities, Net of Current Portion | 3,870,200 | 2,949,489 |
| Total Liabilities | 5,771,744 | 4,501,256 |
| **NET ASSETS:** | | |
| Unrestricted Net Assets (Deficit) (See Note 17) | (355,266) | (411,682) |
| Temporarily Restricted Net Assets (See Note 8) | 4,961,683 | 10,018,148 |
| Total Net Assets | 4,606,417 | 9,606,466 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 10,378,161 | $ 14,107,722 |

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, 2013 with Comparative Totals for the Year Ended June 30, 2012

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | TOTAL | TOTAL |
| **SUPPORT AND REVENUE:** | | | | |
| Support: | | | | |
| Foundation Grants (See Note 2) | $ 750 | $ 4,092,244 | $ 4,092,994 | $ 14,495,079 |
| Corporate Support | 1,358,142 | 1,639,100 | 2,997,242 | 2,231,456 |
| Contributions In-Kind | 1,617,076 | - | 1,617,076 | 1,240,522 |
| Events, Net of Donor Benefit | 677,150 | - | 677,150 | 580,590 |
| Individual Contributions | 3,220,000 | - | 3,220,000 | 415,246 |
| Total Support | 6,873,118 | 5,731,344 | 12,604,462 | 18,962,893 |
| Revenue: | | | | |
| Direct Service Fees | 8,903,905 | - | 8,903,905 | 7,332,261 |
| Training Fees | 932,266 | - | 932,266 | 688,805 |
| Government Grants | 2,215,188 | - | 2,215,188 | 2,133,046 |
| Other Revenue | 251,381 | - | 251,381 | 179,477 |
| Investments Income | 138 | - | 138 | 503 |
| Loss on Disposal of Equipment | (203) | - | (203) | (39,888) |
| Total Revenue | 12,302,675 | - | 12,302,675 | 10,294,204 |
| Total Support and Revenue | 19,175,793 | 5,731,344 | 24,907,137 | 29,257,097 |
| Net Assets Released from Restrictions | 10,787,809 | (10,787,809) | - | - |
| Total Support, Revenue and Net Assets Released from Restrictions | 29,963,602 | (5,056,465) | 24,907,137 | 29,257,097 |
| **EXPENSES:** | | | | |
| Program Services: | | | | |
| Direct Services | 22,210,898 | - | 22,210,898 | 18,915,902 |
| Training Services | 1,845,721 | - | 1,845,721 | 1,075,501 |
| Total Program Services | 24,056,619 | - | 24,056,619 | 19,991,403 |
| Supporting Services: | | | | |
| Management and General | 3,148,111 | - | 3,148,111 | 2,603,334 |
| Fundraising | 2,702,456 | - | 2,702,456 | 1,834,352 |
| Total Supporting Services | 5,850,567 | - | 5,850,567 | 4,437,686 |
| Total Expenses | 29,907,186 | - | 29,907,186 | 24,429,089 |
| **CHANGE IN NET ASSETS** (See Note 2) | 56,416 | (5,056,465) | (5,000,049) | 4,828,008 |
| **NET ASSETS (DEFICIT), Beginning of Year** | (411,682) | 10,018,148 | 9,606,466 | 4,778,458 |
| **NET ASSETS (DEFICIT), End of Year** (See Note 17) | $ (355,266) | $ 4,961,683 | $ 4,606,417 | $ 9,606,466 |

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

| | Unrestricted | Temporarily Restricted | TOTAL |
|---|---|---|---|
| **SUPPORT AND REVENUE:** | | | |
| Support: | | | |
| Foundation Grants (See Note 2) | $ 57,646 | $ 14,437,433 | $ 14,495,079 |
| Corporate Support | 890,656 | 1,340,800 | 2,231,456 |
| Contributions In-Kind | 1,240,522 | - | 1,240,522 |
| Events, Net of Donor Benefit | 580,590 | - | 580,590 |
| Individual Contributions | 64,084 | 351,162 | 415,246 |
| Total Support | 2,833,498 | 16,129,395 | 18,962,893 |
| Revenue: | | | |
| Direct Service Fees | 7,332,261 | - | 7,332,261 |
| Training Fees | 688,805 | - | 688,805 |
| Government Grants | 2,133,046 | - | 2,133,046 |
| Other Revenue | 179,477 | - | 179,477 |
| Investments Income | 503 | - | 503 |
| Loss on Disposal of Equipment | (39,888) | - | (39,888) |
| Total Revenue | 10,294,204 | - | 10,294,204 |
| Total Support and Revenue | 13,127,702 | 16,129,395 | 29,257,097 |
| Net Assets Released from Restrictions | 10,805,749 | (10,805,749) | - |
| Total Support, Revenue and Net Assets Released from Restrictions | 23,933,451 | 5,323,646 | 29,257,097 |
| **EXPENSES:** | | | |
| Program Services: | | | |
| Direct Services | 18,915,902 | - | 18,915,902 |
| Training Services | 1,075,501 | - | 1,075,501 |
| Total Program Services | 19,991,403 | - | 19,991,403 |
| Supporting Services: | | | |
| Management and General | 2,603,334 | - | 2,603,334 |
| Fundraising | 1,834,352 | - | 1,834,352 |
| Total Supporting Services | 4,437,686 | - | 4,437,686 |
| Total Expenses | 24,429,089 | - | 24,429,089 |
| **CHANGE IN NET ASSETS** (See Note 2) | (495,638) | 5,323,646 | 4,828,008 |
| **NET ASSETS, Beginning of Year** | 83,956 | 4,694,502 | 4,778,458 |
| **NET ASSETS, End of Year** (See Note 17) | $ (411,682) | $ 10,018,148 | $ 9,606,466 |

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, 2013 with Comparative Totals for the Year Ended June 30, 2012

| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Direct Services | Training Services | Total | Management and General | Fundraising | Total | 2013 | 2012 |
| **EXPENSES:** | | | | | | | | |
| Salaries and Wages | $ 15,476,769 | $ 1,123,513 | $ 16,600,282 | $ 1,575,939 | $ 1,569,638 | $ 3,145,577 | $ 19,745,859 | $ 15,920,729 |
| Employee Benefits | 1,663,832 | 120,783 | 1,784,615 | 169,422 | 168,744 | 338,166 | 2,122,781 | 1,900,442 |
| Payroll Tax | 1,321,925 | 95,963 | 1,417,888 | 134,607 | 134,068 | 268,675 | 1,686,563 | 1,334,222 |
| Total Salaries and Related Expenses | 18,462,526 | 1,340,259 | 19,802,785 | 1,879,968 | 1,872,450 | 3,752,418 | 23,555,203 | 19,155,393 |
| Other Professional Services, Including In-Kind | 1,351,873 | 43,266 | 1,395,139 | 287,085 | 132,074 | 419,159 | 1,814,298 | 1,326,321 |
| Travel and Related Expenses | 659,853 | 159,573 | 819,426 | 222,827 | 444,006 | 666,833 | 1,486,259 | 1,220,087 |
| Rent, Including In-Kind | 729,170 | 51,392 | 780,562 | 139,872 | 33,247 | 173,119 | 953,681 | 816,641 |
| Staff Recruitment and Training | 177,859 | 20,483 | 198,342 | 89,979 | 28,207 | 118,186 | 316,528 | 276,106 |
| Dues, Licenses, Service Fees | 122,218 | 9,928 | 132,146 | 123,563 | 41,534 | 165,097 | 297,243 | 189,952 |
| Telephone | 108,349 | 18,391 | 126,740 | 23,349 | 25,335 | 48,684 | 175,424 | 127,930 |
| School Supplies | 142,952 | 4,136 | 147,088 | 1,686 | 2,303 | 3,989 | 151,077 | 219,970 |
| Printing and Publications | 40,497 | 38,815 | 79,312 | 18,595 | 36,354 | 54,949 | 134,261 | 124,151 |
| Interest | 88,763 | 6,633 | 95,396 | 6,741 | 19,344 | 26,085 | 121,481 | 90,609 |
| Legal Fees, Including In-Kind | - | - | - | 105,649 | - | 105,649 | 105,649 | 137,261 |
| Bad Debt | 93,334 | 10,000 | 103,334 | - | - | - | 103,334 | 83,254 |
| Insurance | 69,439 | 5,590 | 75,029 | 11,275 | 15,801 | 27,076 | 102,105 | 73,986 |
| Small Equipment and Maintenance | 35,982 | 5,111 | 41,093 | 48,069 | 7,408 | 55,477 | 96,570 | 94,703 |
| Marketing and Advertising, Including In-Kind | 18,081 | 52,749 | 70,830 | 15,715 | 3,846 | 19,561 | 90,391 | 61,179 |
| Postage | 26,653 | 10,181 | 36,834 | 20,932 | 12,323 | 33,255 | 70,089 | 60,542 |
| Accounting Fees | - | - | - | 57,100 | - | 57,100 | 57,100 | 53,475 |
| Supplies | 12,456 | 28,974 | 41,430 | 3,177 | 3,140 | 6,317 | 47,747 | 87,906 |
| Utilities | 10,303 | 4,527 | 14,830 | 10,148 | 2,768 | 12,916 | 27,746 | 25,783 |
| Government Grant Commission | 10,186 | - | 10,186 | - | 22 | 22 | 10,208 | 10,402 |
| Total Expenses Before Depreciation and Amortization | 22,160,494 | 1,810,008 | 23,970,502 | 3,065,730 | 2,680,162 | 5,745,892 | 29,716,394 | 24,235,651 |
| Depreciation and Amortization | 50,404 | 35,713 | 86,117 | 82,381 | 22,294 | 104,675 | 190,792 | 193,438 |
| Total Functional Expenses | $ 22,210,898 | $ 1,845,721 | $ 24,056,619 | $ 3,148,111 | $ 2,702,456 | $ 5,850,567 | $ 29,907,186 | $ 24,429,089 |
| Percentage of Total | 74.3 % | 6.2 % | 80.5 % | 10.5 % | 9.0 % | 19.5 % | 100.0 % | |

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

PLAYWORKS
EDUCATION ENERGIZED
(A Nonprofit Public Benefit Corporation)

# STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | |
|---|---|---|---|---|---|---|---|
| | Direct Services | Training Services | Total | Management and General | Fundraising | Total | TOTAL |
| **EXPENSES:** | | | | | | | |
| Salaries and Wages | $ 12,878,620 | $ 659,785 | $ 13,538,405 | $ 1,322,218 | $ 1,060,106 | $ 2,382,324 | $ 15,920,729 |
| Employee Benefits | 1,654,331 | 51,374 | 1,705,705 | 87,888 | 106,849 | 194,737 | 1,900,442 |
| Payroll Tax | 1,099,585 | 52,763 | 1,152,348 | 95,892 | 85,982 | 181,874 | 1,334,222 |
| Total Salaries and Related Expenses | 15,632,536 | 763,922 | 16,396,458 | 1,505,998 | 1,252,937 | 2,758,935 | 19,155,393 |
| Other Professional Services, Including In-Kind | 1,029,178 | 25,442 | 1,054,620 | 174,167 | 97,534 | 271,701 | 1,326,321 |
| Travel and Related Expenses, Including In-Kind | 672,578 | 111,321 | 783,899 | 99,559 | 336,629 | 436,188 | 1,220,087 |
| Rent, Including In-Kind | 579,994 | 39,612 | 619,606 | 180,286 | 16,749 | 197,035 | 816,641 |
| Staff Recruitment and Training | 181,613 | 11,901 | 193,514 | 62,505 | 20,087 | 82,592 | 276,106 |
| Dues, Licenses, Service Fees | 90,292 | 2,983 | 93,275 | 79,666 | 17,011 | 96,677 | 189,952 |
| Telephone | 91,707 | 11,809 | 103,516 | 21,428 | 2,986 | 24,414 | 127,930 |
| School Supplies | 183,394 | 1,341 | 184,735 | 8,454 | 26,781 | 35,235 | 219,970 |
| Printing and Publications | 35,439 | 14,395 | 49,834 | 44,671 | 29,646 | 74,317 | 124,151 |
| Interest | 75,989 | 3,370 | 79,359 | 8,126 | 3,124 | 11,250 | 90,609 |
| Legal Fees, Including In-Kind | - | - | - | 137,261 | - | 137,261 | 137,261 |
| Bad Debt | 83,254 | - | 83,254 | - | - | - | 83,254 |
| Insurance | 60,143 | 3,455 | 63,598 | 7,585 | 2,803 | 10,388 | 73,986 |
| Small Equipment and Maintenance | 55,046 | 5,611 | 60,657 | 31,665 | 2,381 | 34,046 | 94,703 |
| Marketing and Advertising, Including In-Kind | 9,081 | 17,831 | 26,912 | 31,425 | 2,842 | 34,267 | 61,179 |
| Postage | 21,339 | 6,520 | 27,859 | 25,767 | 6,916 | 32,683 | 60,542 |
| Accounting Fees | - | - | - | 53,475 | - | 53,475 | 53,475 |
| Supplies | 35,948 | 24,217 | 60,165 | 23,387 | 4,354 | 27,741 | 87,906 |
| Utilities | 11,246 | 3,169 | 14,415 | 10,182 | 1,186 | 11,368 | 25,783 |
| Government Grant Commission | 10,402 | - | 10,402 | - | - | - | 10,402 |
| Total Expenses Before Depreciation and Amortization | 18,859,179 | 1,046,899 | 19,906,078 | 2,505,607 | 1,823,966 | 4,329,573 | 24,235,651 |
| Depreciation and Amortization | 56,723 | 28,602 | 85,325 | 97,727 | 10,386 | 108,113 | 193,438 |
| Total Functional Expenses | $ 18,915,902 | $ 1,075,501 | $ 19,991,403 | $ 2,603,334 | $ 1,834,352 | $ 4,437,686 | $ 24,429,089 |
| Percentage of Total | 77.4 % | 4.4 % | 81.8 % | 10.7 % | 7.5 % | 18.2 % | 100.0 % |

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in Net Assets | $ (5,000,049) | $ 4,828,008 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 190,792 | 193,438 |
| Loss on Disposal of Equipment | 203 | 39,888 |
| Amortization of Present Value Discount on Multi-Year Grants Receivable | (109,114) | (31,999) |
| Bad Debt Expense | 103,334 | 83,254 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | (484,749) | 43,893 |
| Grants Receivable | 2,852,739 | (3,504,517) |
| Pledges Receivable | (217,561) | (91,031) |
| Prepaid Expenses | 200,283 | (186,449) |
| Deposits | (22,276) | (11,989) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (80,635) | 240,889 |
| Accrued Liabilities | 183,725 | 186,613 |
| Deferred Revenue | 246,687 | 133,611 |
| Other Long-Term Liabilities | 20,711 | 8,520 |
| Net Cash Provided (Used) by Operating Activities | (2,115,910) | 1,932,129 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of Property and Equipment | (153,106) | (89,078) |
| Purchase of Intangible Assets | (6,495) | - |
| Net Cash Used by Investing Activities | (159,601) | (89,078) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from Lines of Credit Borrowings | 13,010,361 | 10,580,000 |
| Repayments of Lines of Credit Borrowings | (12,110,361) | (11,036,639) |
| Net Cash Provided (Used) by Financing Activities | 900,000 | (456,639) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (1,375,511) | 1,386,412 |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | 2,254,019 | 867,607 |
| **CASH AND CASH EQUIVALENTS, End of Year** | $ 878,508 | $ 2,254,019 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:** | | |
| Cash Paid for Interest | $ 121,383 | $ 90,609 |

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

## NOTE 1 - ORGANIZATION:

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

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

During the year ended June 30, 2013, the Organization served nearly 150,000 children in 366 schools located in 22 regions. Playworks operated full-time, direct service programs in the following regions in the 2012-13 year: Arizona, Colorado, Illinois, Louisiana, Michigan, Maryland, Massachusetts, New Mexico, New York, New Jersey, North Carolina, Northern California (East Bay, San Francisco, Silicon Valley), Pacific Northwest, Pennsylvania, Southern California, Texas, Twin Cities, Utah, Washington D.C., and Wisconsin.

In addition to direct service programs, Playworks has developed a comprehensive model of training adults who wish to provide inclusive, healthy play and promote a positive school climate. Playworks Training is a solution that empowers staff to pro-actively manage the chaos at recess, reduce bullying behavior and increase healthy physical activity so students can return to the classroom ready to learn. Playworks trainers work on location with adults in schools and youth organizations. Through customized, high-energy workshops, and with coaching and support, teachers and other professionals learn how to use games, play strategies and group management techniques to teach kids how to play well together, share, resolve conflicts and develop leadership skills.

## NOTE 2 - NATIONAL EXPANSION / CHANGE IN NET ASSETS:

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

In June 2008, Playworks received a four-year grant from July 1, 2008 through June 30, 2012 in the amount of $18,734,344 from the Robert Wood Johnson Foundation (see Note 5) to expand school-based play and physical activity to 22 new cities across the United States, to provide technical assistance to 4,000 additional schools and to develop Playworks as a national voice for play. The Organization was required to recognize the entire grant amount of $18,734,344 (less present value discount) as temporarily restricted support in the year ended June 30, 2008.

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

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

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

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 $(5,000,049) and $4,828,008 for the years ended June 30, 2013 and 2012, respectively, primarily as a result of the required accounting treatment described above.

The 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:

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

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

NOTE 3 - PROGRAM SERVICES (Continued):

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

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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.

NOTE 4 - 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.

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.

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, 2013 and 2012, the Organization had a allowance for doubtful accounts of $158,387 and $74,331, respectively. Bad debt expense for the years ended June 30, 2013 and 2012 amounted to $103,334 and $83,254, respectively.

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

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

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2013 and 2012, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of June 30, 2013 and 2012 was $337,004 and $370,894, respectively.

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

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

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

Contributions In-Kind - Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations.

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

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

Income Taxes - Playworks Education Energized is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

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

The Organization's federal returns for the years ended June 30, 2012, 2011 and 2010 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization’s state returns for the years ended June 30, 2012, 2011, 2010 and 2009 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Marketing and Advertising - The Organization's policy is to expense marketing and advertising costs as the costs are incurred. Marketing and advertising expenses for the years ended June 30, 2013 and 2012 was $90,391 and $61,179, 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, 2013 for potential recognition or disclosure in the financial statements. The Organization had no subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2013. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 11, 2013. The Organization has not evaluated subsequent events after December 11, 2013.

## NOTE 5 - 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. In addition, the Organization received one 3-year grant totaling $250,000 during the year ended June 30, 2011. The Organization received two 3-year grants totaling $11,488,328, and one 2-year corporate grant totaling $1,200,000 during the year ended June 30, 2012. The Organization received a 3-year grant totaling $2,500,000 during the year ended June 30, 2013. These grants receivable are reflected at present value using discount rates ranging from 1.7% to 5.1%.

| | 2013 | 2012 |
|---|---|---|
| Total Grants Receivable | $ 7,532,347 | $ 10,385,086 |
| Present Value Discount | (103,733) | (212,847) |
| | 7,428,614 | 10,172,239 |
| Less: Current Portion | (5,482,747) | (4,415,314) |
| Total Grants Receivable, Net of Current Portion | $ 1,945,867 | $ 5,756,925 |

Future grants receivable payments are as follows:

| Year Ending June 30, | Gross | Present Value Discount | Net |
|---|---|---|---|
| 2014 | $ 5,566,683 | $ (83,936) | $ 5,482,747 |
| 2015 | 1,965,664 | (19,797) | 1,945,867 |
| Total Future Grants Receivable Payments | $ 7,532,347 | $ (103,733) | $ 7,428,614 |

NOTE 6 - PROPERTY AND EQUIPMENT:

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

| | 2013 | 2012 |
|---|---|---|
| Furniture and Equipment | $ 307,569 | $ 243,312 |
| Tenant Improvements | 195,199 | 187,833 |
| Software Development | 133,869 | 133,869 |
| Website | 131,041 | 131,041 |
| Capitalized Software | 30,527 | 30,527 |
| Capital Lease Equipment | 7,120 | 7,120 |
| | 805,325 | 733,702 |
| Less: Accumulated Depreciation | (624,880) | (443,413) |
| Property and Equipment, Net | $ 180,445 | $ 290,289 |

Depreciation expense for the years ended June 30, 2013 and 2012 was $181,826 and $182,144, respectively.

NOTE 7 - LINES OF CREDIT:

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

One PacificCoast Bank - The Organization entered into a $2,500,000 loan on March 1, 2012 with One PacificCoast Bank (formerly OneCalifornia Bank). The line of credit is secured by a business checking account of Robert Wood Johnson Foundation. The loan bears interest at 3.00%. The loan matured on September 30, 2012. The loan was amended and restated on September 30, 2012. The principal amount of the note was increased from $2,500,000 to $3,500,000. The maturity date was extended from September 30, 2012 to September 30, 2013. On October 22, 2013, the maturity date was extended to October 21, 2014. As of June 30, 2013 and 2012 the amount outstanding was $1,800,000 and $2,500,000, respectively.

NOTE 7 - LINES OF CREDIT (Continued):

One PacificCoast Bank - The Organization entered into a $1,000,000 loan on March 1, 2012 with One PacificCoast Bank (formerly OneCalifornia Bank). The line of credit is secured by the Organization's machinery, equipment, furniture and accounts. The loan bears interest at 3.00% plus index. As of June 30, 2013 the interest rate was 6.25%. The loan matured on September 30, 2012. The loan was amended and restated on September 30, 2012. The principal amount of the loan was increased from $1,000,000 to $1,200,000. The maturity date was extended from September 30, 2012 to September 30, 2013. On October 22, 2013, the maturity date was extended to October 21, 2014 and the line of credit was increased to $3,000,000. As of June 30, 2013 and 2012 the amount outstanding was $0 and $400,000, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

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

| | 2013 | 2012 |
|---|---|---|
| National Expansion | $ 3,745,206 | $ 8,826,753 |
| Colorado Programs | 453,471 | 99,397 |
| Indianapolis Programs | 300,000 | - |
| Northern California Programs | 160,000 | 535,000 |
| Pennsylvania Program | 100,000 | - |
| Maryland Programs | 67,558 | 30,000 |
| Texas Programs | 60,000 | - |
| Pacific Northwest Programs | 35,000 | - |
| Minnesota Programs | 24,000 | 36,000 |
| New Jersey / New York Programs | 11,820 | - |
| North Carolina Programs | 4,112 | - |
| Louisiana Programs | 516 | - |
| New England Programs | - | 349,331 |
| Michigan Programs | - | 116,667 |
| Utah Programs | - | 25,000 |
| Total Temporarily Restricted Net Assets | $ 4,961,683 | $ 10,018,148 |

## NOTE 9 - CONTRIBUTIONS IN-KIND:

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

| | 2013 | 2012 |
|---|---|---|
| Consulting Services | $ 1,392,212 | $ 981,974 |
| Legal Services | 105,649 | 135,761 |
| Office Space | 72,803 | 79,969 |
| Miscellaneous | 46,412 | 42,818 |
| Total Contributions In-Kind | $ 1,617,076 | $ 1,240,522 |

## NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS:

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

| | 2013 |
|---|---|
| National Expansion | $ 7,898,270 |
| Northern California Programs | 684,000 |
| New England Programs | 540,052 |
| Colorado Programs | 330,629 |
| Maryland Programs | 224,442 |
| Training | 187,500 |
| Minnesota Programs | 186,000 |
| Michigan Programs | 157,167 |
| Southern California Programs | 135,600 |
| Pennsylvania Programs | 79,000 |
| Washington D.C. Programs | 77,000 |
| Pacific Northwest Programs | 67,747 |
| Texas Programs | 57,350 |
| Utah Programs | 55,000 |
| New Jersey / New York Programs | 50,680 |
| North Carolina Programs | 48,888 |
| Arizona Programs | 5,500 |
| Louisiana Programs | 2,984 |
| Total Net Assets Released from Restrictions | $ 10,787,809 |

NOTE 11 - CONFLICT OF INTEREST POLICY:

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

NOTE 12 - CONTINGENCIES:

Grants and contracts awarded to Playworks Education Energized are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

NOTE 13 - CONCENTRATIONS:

The Organization has three grantors that comprised 72% and one grantor that comprised 64% of grants receivable as of June 30, 2013 and 2012, respectively.

The Organization received over 17% and 43% of its total support and revenue from three donors for the years ended June 30, 2013 and 2012, respectively.

NOTE 14 - OPERATING LEASE COMMITMENTS:

The Organization leases office space in Oakland (two locations), San Francisco, Washington D.C., Baltimore, New Orleans, Los Angeles, Newark, Portland, Phoenix, Salt Lake City, Campbell, Albuquerque, Jamaica Plain (MA), Houston, Jackson, Chicago, St. Paul, Denver, Detroit, Philadelphia, New York and Durham. The office space leases expire at various periods through September 30, 2016. 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, 2013 and 2012 was $953,681 and $816,641, respectively.

NOTE 14 - OPERATING LEASE COMMITMENTS (Continued):

Future minimum lease payments are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2014 | $ 653,873 |
| 2015 | 337,474 |
| 2016 | 88,063 |
| 2017 | 4,696 |
| Total Future Minimum Lease Payments | $ 1,084,106 |

NOTE 15 - RELATED PARTY TRANSACTIONS:

A board member is a principal at a company that owns the building in which the Organization rents office space in downtown Oakland, California at 380 Washington Street. The term of the lease is five years ending on December 31, 2014. The office space is approximately 9,375 square feet. The rent for the years ended June 30, 2013 and 2012 was $204,000 and $192,000, respectively.

The same board member also owns the building in which the Organization rents office space in downtown San Francisco, California at 650 Fifth Street, Suite 201 and 203. The office space is approximately 1,444 square feet. The term of the lease is on a month-to-month basis. Rental expense for the years ended June 30, 2013 and 2012 was $18,000 and $18,000, respectively.

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. The Organization received the final three installments of $500,000 in July 2011, December 2011 and June 2012. Grants receivable as of June 30, 2012 from The Jenesis Group was $0.

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

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

NOTE 16 - RETIREMENT PLANS:

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. During the years ended June 30, 2013 and 2012, no contributions were made by the Organization.

NOTE 17 - UNRESTRICTED NET ASSETS (DEFICIT) / CONTINUING OPERATIONS:

The Organization has historically had restricted net assets as of June 30 with release provisions for the following fiscal year ranging between $4 to $6 million, and unrestricted net assets of less than $1 million. The unrestricted deficit as of June 30, 2013 was temporarily funded by unsecured lines of credit and is expected to be permanently funded by budgeted unrestricted income for the year ending June 30, 2014. The following table summarizes historical net assets:

| | 6/30/13 | 6/30/12 | 6/30/11 | 6/30/10 | 6/30/09 | 6/30/08 |
|---|---|---|---|---|---|---|
| Unrestricted Net Assets (Deficit) | $ (355,266) | $ (411,682) | $ 83,956 | $ 452,886 | $ 420,449 | $ 679,225 |
| Restricted Net Assets | 4,961,683 | 10,018,148 | 4,694,502 | 11,763,478 | 14,444,595 | 18,194,185 |
| Total Net Assets | $ 4,606,417 | $ 9,606,466 | $ 4,778,458 | $ 12,216,364 | $ 14,865,044 | $ 18,873,410 |

In May 2012, Playworks launched a Growth Capital Campaign to raise $26.4 million to fund ongoing operations and to build net assets for future years. A total of $11.5 million was raised in May 2012, including $8.5 million from the Robert Wood Johnson Foundation (see Note 2). As of June 30, 2013 $17 million has been raised.

SECTION II

SUPPLEMENTARY INFORMATION

PLAYWORKS

EDUCATION ENERGIZED

(A Nonprofit Public Benefit Corporation)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

| Government Grantor<br>Pass-through Grantor<br>Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Grant Period/ Period In Current Fiscal Year | Revenue Recognized | Federal Expenditures |
|---|---|---|---|---|---|
| Corporation for National and Community Service: | | | | | |
| AmeriCorps | 94.006 | 10NDHCA0004 | 8/1/10 - 7/31/13 | $ 970,120 | $ 970,120 |
| Passed Through: | | | | | |
| State of California | | | | | |
| AmeriCorps | 94.006 | 11AFHY19-F153 | 7/1/12 - 12/31/13 | 853,237 | 853,237 |
| AmeriCorps - California Planning Grant | 94.006 | 11AFHCA001 | 7/1/12 - 6/30/13 | 2,211 | 2,211 |
| District of Columbia | | | | | |
| AmeriCorps | 94.006 | 12AFHDC0010003 | 8/1/12 - 7/31/13 | 143,239 | 143,239 |
| State of Pennsylvania | | | | | |
| AmeriCorps | 94.006 | 41000057390-1 | 8/20/12 - 12/31/13 | 127,718 | 127,718 |
| State of New Mexico | | | | | |
| AmeriCorps | 94.006 | 13-690-15408 | 8/30/12 - 8/13/13 | 86,476 | 86,476 |
| State of Mississippi | | | | | |
| AmeriCorps | 94.006 | 12AC140054 | 8/23/12 - 8/22/13 | 32,187 | 32,187 |
| Total Corporation for National and Community Service | | | | 2,215,188 | 2,215,188 |
| TOTAL FEDERAL ASSISTANCE | | | | $ 2,215,188 | $ 2,215,188 |

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Playworks Education Energized under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Playworks Education Energized, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Playworks Education Energized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

# SECTION III

# REPORTS

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

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

BERGER LEWIS
ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Playworks Education Energized (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
December 11, 2013

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

EMERITUS
Alexander W. Berger (1916-2005)
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Robert W. Smiley

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

## Report on Compliance for Each Major Federal Program

We have audited Playworks Education Energized's (a nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Playworks Education Energized's major federal programs for the year ended June 30, 2013. Playworks Education Energized's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Playworks Education Energized's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Playworks Education Energized's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Playworks Education Energized complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of Playworks Education Energized is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Playworks Education Energized's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Playworks Education Energized's internal control over compliance.

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

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
December 11, 2013

# SECTION IV

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Playworks Education Energized.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Playworks Education Energized, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Playworks Education Energized expresses an unmodified opinion on all major federal programs.
6. No audit findings which would be required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was: Corporation for National and Community Service - AmeriCorps - CFDA 94.006.
8. The threshold used for distinguishing between Type A and B programs was $300,000.
9. Playworks Education Energized was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

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

**Item 2012-1 - AmeriCorps: Living Allowances**

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
Name of Program - AmeriCorps
CFDA No. - 94.006
Grant Period 7/1/11 - 6/30/12

Condition

During our audit, we noted that some AmeriCorps members were paid living allowances that exceeded the maximum allowance. Specifically, we noted that an overpayment of $368 each for 24 AmeriCorps members (total $8,832) occurred due to a transposition error in the entry of their final stipend amounts into the payroll system. The final stipend was being modified from previous semi-monthly stipends by $0.02 in order to pay the member the designated annual stipend amount.

Criteria

An effective internal control includes adequate procedures to ensure that Playworks Education Energized complies with 45 CFR § 2522.24 that states that AmeriCorps members be paid amounts less than or equal to the maximum amount that the program allows.

Effect

Playworks Education Energized was not in compliance with 45 CFR § 2522.240 which states that living allowances paid to the AmeriCorps members should not exceed the maximum allowance.

Cause

A transposition error in the entry of the AmeriCorps members final stipend amounts into the payroll system resulted in overpayment of living allowances.

Context

AmeriCorps members were paid living allowances that exceeded the maximum allowance.

Recommendation

We recommend that the Organization comply with 45 CFR § 2522.24 that states that living allowances paid to the AmeriCorps members should not exceed the maximum allowance.

Management's Response

Playworks' most recent audit was completed in November 2012 for the year ended June 30, 2012. The independent audit firm, Berger Lewis Accountancy Corporation, issued an unqualified opinion and found the financial statements to be prepared in accordance with GAAP. In the federal awards portion of the audit, our auditors issued an opinion that Playworks complied in all material respects with the compliance requirements of OMB Circular A-133 and for all major federal programs. The auditors noted a finding as 24 AmeriCorps members were overpaid by $368 each (total $8,832) due to a data entry error in the final paycheck intended to add $0.02 and instead added $368.02. Playworks has modified its procedures to not adjust final living allowance payments for rounding differences resulting from dividing the annual living allowance by the number of payperiods.

Current Status

During our audit for the year ended June 30, 2013 we noted that the above recommendation has been implemented.