

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
CONTENTS
June 30, 2014

INDEPENDENT AUDITOR'S REPORT	1 – 2
COMBINED FINANCIAL STATEMENTS	
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	7 – 39
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position of Alliance for College-Ready Public Schools and Subsidiaries	40 – 41
Consolidating Statement of Activities of Alliance for College-Ready Public Schools and Subsidiaries	42 – 43
Consolidating Statement of Financial Position of Alliance for College-Ready Public Schools Facilities Corporation and Subsidiaries	44 – 45
Consolidating Statement of Activities of Alliance for College-Ready Public Schools Facilities Corporation and Subsidiaries	46 – 47
Combining Statement of Financial Position of Alliance for College-Ready Public Schools and School Affiliates	48 – 49
Combining Statement of Activities of Alliance for College-Ready Public Schools and School Affiliates	50 – 54

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
Alliance for College-Ready Public Schools and School Affiliates
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying combined financial statements of Alliance for College-Ready Public Schools and its combined school affiliates (collectively, the "Alliance," a nonprofit organization) which comprise the combined statement of financial position as of June 30, 2014, the related combined statements of activities, functional expenses and cash flows for the year then ended and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Alliance for College-Ready Public Schools and its combined school affiliates as of June 30, 2014 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying consolidating statements of financial position and statements of activities are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Alliance for College-Ready Public Schools and its combined school affiliates' 2013 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

A handwritten signature in cursive script that reads "SingerLewak LLP".

SingerLewak LLP

Los Angeles, California
December 15, 2014

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**

(A NONPROFIT ORGANIZATION)

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2014

(with Comparative Totals for June 30, 2013)

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 41,137,818	\$ 22,383,414
Grants, contributions and pledges receivable, current portion	1,051,614	1,157,998
Related party receivable, current portion	870,000	1,460,000
Public funding receivables	21,062,097	26,689,309
Assets limited to use, current portion	31,925,428	12,080,831
Prepaid expenses and other current assets	2,333,773	1,177,799
Total current assets	98,380,730	64,949,351
Grants, contributions and pledges receivable, net of current portion	840,486	956,126
Related party receivable, net of current portion	560,870	1,310,750
Notes receivable	22,765,589	16,386,995
Deferred rent receivable	692,970	626,238
Assets limited as to use, net of current portion	9,339,090	7,016,189
Other long-term assets	482,657	158,656
Deferred financing costs, net	6,523,772	3,872,409
Property and equipment, net	178,889,072	141,853,072
Total assets	\$ 318,475,236	\$ 237,129,786

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 12,687,793	\$ 6,572,253
Deferred revenue	7,825,839	8,341,515
Due to beneficiary	3,000	9,500
Related party payable	300,000	300,000
Capital lease obligations, current portion	2,714,685	-
Long-term debt, current portion	1,444,397	10,087,936
Total current liabilities	24,975,714	25,311,204
Capital lease obligations, net of current portion	2,763,546	-
Long-term debt, net of current portion	193,009,271	129,027,009
Liability for asset retirement obligation	281,295	267,976
Deferred rent liability	155,691	63,047
Total liabilities	221,185,517	154,669,236
Commitments and contingencies (Note 14)		
Net assets		
Unrestricted	89,641,719	75,700,440
Temporarily restricted	7,648,000	6,760,110
Total net assets	97,289,719	82,460,550
Total liabilities and net assets	\$ 318,475,236	\$ 237,129,786

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
(with Comparative Totals for the Year Ended June 30, 2013)**

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Revenue and support				
Private grants and contributions	\$ 3,779,347	\$ 4,174,516	\$ 7,953,863	\$ 7,610,765
Management fees	44,617	-	\$ 44,617	\$ -
Federal revenue	15,968,021	-	15,968,021	15,869,986
State revenue	73,881,350	-	73,881,350	61,941,426
Local revenues	16,866,465	-	16,866,465	12,720,451
Rental income	521,695	-	521,695	541,787
Other school revenues	714,466	-	714,466	784,353
Interest and other income	1,668,505	-	1,668,505	1,434,199
Net assets released from restrictions	3,286,626	(3,286,626)	-	-
Total revenue and support	116,731,092	887,890	117,618,982	100,902,967
Functional expenses				
Program services	83,953,481	-	83,953,481	71,741,390
Support services				
General and administrative	18,352,790	-	18,352,790	14,961,367
Fundraising	483,542	-	483,542	420,260
Total functional expenses	102,789,813	-	102,789,813	87,123,017
Change in net assets	13,941,279	887,890	14,829,169	13,779,950
Net assets, beginning of year	75,700,440	6,760,110	82,460,550	68,680,600
Net assets, end of year	\$ 89,641,719	\$ 7,648,000	\$ 97,289,719	\$ 82,460,550

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014
(with Comparative Totals for the Year Ended June 30, 2013)

	Program Services	Support Services		2014 Total	2013 Total
		General and Administrative	Fundraising		
Salaries and services					
Salaries	\$ 39,709,151	5,928,384	\$ 337,292	\$ 45,974,827	\$ 39,835,057
Benefits and payroll taxes	8,738,896	1,323,173	54,501	10,116,570	8,781,615
Total salaries and benefits	<u>48,448,047</u>	<u>7,251,557</u>	<u>391,793</u>	<u>56,091,397</u>	<u>48,616,672</u>
Operating expenses					
Facilities, repairs and other leases	3,415,957	539,488	10,850	3,966,295	4,670,638
Books and supplies	9,945,913	388,957	-	10,334,870	9,614,607
Operations and housekeeping	914,220	5,399,357	9,284	6,322,861	5,238,190
Professional and consulting services	4,614,502	787,464	36,736	5,438,702	4,542,553
Pupil services	2,007,573	98,379	-	2,105,952	1,976,454
Interest	8,229,649	2,773,478	2,914	11,006,041	7,885,786
Depreciation and amortization expense	6,377,620	1,114,110	31,965	7,523,695	4,578,117
Total operating expenses	<u>35,505,434</u>	<u>11,101,233</u>	<u>91,749</u>	<u>46,698,416</u>	<u>38,506,345</u>
Total expenses	<u>\$ 83,953,481</u>	<u>\$ 18,352,790</u>	<u>\$ 483,542</u>	<u>\$ 102,789,813</u>	<u>\$ 87,123,017</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(with Comparative Totals for the Year Ended June 30, 2013)**

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 14,829,169	\$ 13,779,950
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,472,809	4,578,117
Amortization of deferred financing costs and bond discount costs	425,846	178,163
Gain on sale of property and equipment	(358,846)	338,527
Accretion expense	13,319	12,688
Decrease (increase) in		
Grants, contributions and pledges receivable	222,024	(232,083)
Related party receivable	1,339,880	752,637
Public funding receivables	5,627,212	(6,996,220)
Prepaid expenses	(1,155,974)	(177,570)
Deferred rent receivable	(66,732)	(76,119)
Other assets	(324,001)	175,980
Increase (decrease) in		
Accounts payable and accrued expenses	6,115,540	1,458,242
Deferred revenue	(515,676)	(179,365)
Due to beneficiary	(6,500)	450
Deferred rent	92,644	33,649
Accrued interest added to the outstanding principal	-	3,657
Net cash provided by operating activities	<u>33,710,714</u>	<u>13,650,703</u>
Cash flows from investing activities		
Purchases of property and equipment	(39,250,261)	(22,675,310)
Proceeds from sale of property and equipment and refund of deposit	3,642,627	-
Issuance of notes receivable	(6,378,594)	-
Net cash used in investing activities	<u>(41,986,228)</u>	<u>(22,675,310)</u>
Cash flows from financing activities		
Transfers to (from) assets limited as to use	(22,167,498)	11,749,133
Principal payments on long-term debt	(10,186,989)	(1,939,344)
Proceeds from long-term debt	62,448,503	81,998
Payments on capital lease obligations	(3,064,098)	(72,712)
Net cash provided by financing activities	<u>27,029,918</u>	<u>9,819,075</u>
Net (decrease) increase in cash and cash equivalents	18,754,404	794,468
Cash and cash equivalents, beginning of year	<u>22,383,414</u>	<u>21,588,946</u>
Cash and cash equivalents, end of year	<u>\$ 41,137,818</u>	<u>\$ 22,383,414</u>
Supplemental schedule of non-cash investing and financing activities		
Equipment acquired through capital lease obligations	<u>\$ 8,542,329</u>	<u>\$ -</u>
Deferred financing costs acquired through issuance of long-term debt	<u>\$ 3,077,209</u>	<u>\$ 117,913</u>
Schedule of supplemental cash flow information		
Cash paid for interest	<u>\$ 11,006,041</u>	<u>\$ 7,885,786</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 – ORGANIZATION

The Alliance for College-Ready Public Schools (the “Alliance”) is a nonprofit charter management organization committed to creating high-performance, small, college-ready middle schools and high schools in California. The Alliance has had a local presence, an extended history and credibility in the California market and education reform efforts since 1999. The Alliance launched its mission to create small, high-performance charter schools in 2003.

The mission of the Alliance is to open and operate a minimum of fifty excellent, small, public, high-performing middle and high schools in three historically underachieving, low-income, overcrowded target communities within California that will significantly outperform other public schools in preparing students to enter and succeed in college.

Strategies to meet this goal are to create small schools with a consistent brand of rigorous curriculum and instruction in a personalized learning environment, students learning through real-world experiences, internships and parent and community engagement. The Alliance’s goal is to open a total of thirty three small high schools of 500 to 600 students and seventeen small middle schools of 375 to 450 students. The core measure of success is that all students enrolled for four years will pass the high school exit exam, students consistently enrolled in an Alliance high school for four years will graduate and 100% of students who graduate will be ready to successfully enter college.

In August 2004, the first Alliance high school opened its doors to the graduating class of 2012 (Alliance graduates are identified by the year they will graduate from a four-year college or university). As of June 30, 2014, there were eighteen Alliance high schools and ten middle schools in operation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Alliance reports information regarding its financial position and activities on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Alliance did not have any permanently restricted net assets at June 30, 2014 and 2013.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Principles of Consolidation

The consolidated financial statements of the Alliance include the accounts of the Alliance and its wholly-owned subsidiaries:

1. Alliance Schools R.E. Holdings LLC,
2. 2071 HP Saturn LLC,
3. 5151 Titan LLC,
4. 10704 Wilmington LLC,
5. 70th Street Charter Facilities LLC,
6. 6900 8th Avenue Charter Facilities LLC,
7. 9719 Main Street Charter Facilities LLC,
8. 10101 Broadway Charter Facilities LLC,
9. 1918 Broadway Charter Financing LLC,
10. Alliance Community Impact LLC,
11. 1552 Rockwood Street Charter Financing LLC, and
12. 113 S. Rowan Charter Financing LLC.

The consolidated financial statements of the Alliance also include the accounts of the Alliance for College-Ready Public Schools Facilities Corporation and its wholly-owned subsidiaries:

1. 2023 Union LLC,
2. 11410 Avalon LLC,
3. 54th Street Lions LLC,
4. 1918 Broadway Charter Facilities LLC,
5. 4610 S. Main St. Charter Facilities LLC,
6. 7907 Santa Fe Avenue Charter Facilities LLC,
7. 5886 Compton Avenue Charter Facilities LLC,
8. 1552 Rockwood Street Charter Facilities LLC,
9. 49th and Main Charter Facilities LLC,
10. 113 S. Rowan Charter Facilities LLC, and
11. 461 W. 9th Street Charter Facilities LLC.

All twenty-three subsidiaries are set up for the purpose of holding and managing the real estate property built or acquired to house the Alliance-affiliated schools. All material intercompany accounts and transactions of the consolidated subsidiaries have been eliminated in consolidation.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination

The combined financial statements include the consolidated financial statements of the Alliance, Alliance for College-Ready Public Schools Facilities Corporation and its subsidiaries and the assets, liabilities, revenue and support and functional expenses of the following Alliance-affiliated schools:

1. Alliance Gertz-Ressler / Richard Merkin 6-12 Complex, a merger of Alliance Gertz-Ressler High School with Alliance Richard Merkin Middle School,
2. Alliance Collins Family College-Ready Academy High School
3. Alliance Judy Ivie Burton Technology Academy High School,
4. Alliance Marc and Eva Stern Math and Science School,
5. Alliance Dr. Olga Mohan High School,
6. Alliance Patti and Peter Neuwirth Leadership Academy, formerly Alliance College-Ready Academy High School No. 5,
7. Alliance Ouchi – O’Donovan 6-12 Complex, a merger of Alliance William and Carol Ouchi High School with Alliance Chirstine O’Donovan Middle Academy,
8. Alliance Health Services Academy High School,
9. Alliance Media Arts and Entertainment Design High School,
10. Alliance Environmental Science and Technology High School,
11. Alliance Cindy and Bill Simon Technology Academy High School,
12. Alliance Tennenbaum Family Technology Family High School,
13. Alliance Susan and Eric Smidt Technology High School,
14. Alliance College-Ready Academy High School No. 16,
15. Alliance Renee Meyer Luskin Academy High School,
16. Alliance Margaret M. Bloomfield Technology Academy High School,
17. Alliance Alice M. Baxter College-Ready High School, formerly Alliance College-Ready High School No. 20,
18. Alliance Jack H. Skirball Middle School,
19. Alliance College-Ready Middle Academy No. 4,
20. Alliance College-Ready Middle Academy No. 5,
21. Alliance College-Ready Middle Academy No. 7,
22. Alliance College-Ready Middle Academy No. 8,
23. Alliance College-Ready Middle Academy No. 9,
24. Alliance College-Ready Middle Academy No. 10 and
25. Alliance College-Ready Middle Academy No. 12.

All significant intercompany transactions have been eliminated in the combination.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Alliance considers investments with original maturities of less than three months to be cash equivalents.

Grants, Contributions and Pledges Receivable

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions for which the restriction has been satisfied in the same reporting period as the contribution was received are recorded as unrestricted support. Conditional contributions are recorded as support in the period the condition is met. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Pledges for future contributions are recorded as receivables and reported at their estimated realizable values. Advances from exchange transactions are deferred until service is provided or expense incurred. As of June 30, 2014 and 2013, deferred revenue amounted to \$7,825,839 and \$8,341,515, respectively.

Public Funding Receivables

Public funding receivables consist primarily of monies due from federal and state funding sources. The Alliance has not had issues with collectability of the public funding receivables and has not recognized an allowance for uncollectable receivables.

Conditional Promise to Give

The Alliance has received various conditional promises to give from foundations and other contributors, which are to support individual Alliance-affiliated school operations and the opening of ten new schools. As these grants and contributions are contingent upon the satisfaction of certain school and student performance goals, they are not yet recognized as assets in the combined statement of financial position.

Deferred Financing Costs

Costs incurred in obtaining long-term financing are amortized using the straight-line method, which approximates the effective interest rate method. Total financing costs incurred and deferred amounted to \$7,343,741 with \$819,970 related accumulated amortization as of June 30, 2014. Total amortization expense for the year ended June 30, 2014 was \$425,846. Total financing costs incurred and deferred amounted to \$4,270,311 with \$397,902 related accumulated amortization as of June 30, 2013. Total amortization expense for the year ended June 30, 2013 was \$178,163.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Contributed assets are stated at fair market value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are generally two to fifty years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the term of the lease. When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and the resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are charged to operations as incurred, and major improvements are capitalized.

Long-lived Assets

Alliance accounts for its long-lived assets with definite useful lives in accordance with Accounting Standards Codification (“Codification” or “ASC”) Topic No. 360, “Accounting for the Impairment or Disposal of Long-lived Assets.” Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Alliance first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Alliance determined that none of its long-lived assets were impaired during the years ended June 30, 2014 and 2013.

Income Taxes

The Alliance is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Alliance, its subsidiaries and its affiliates file annual informational tax returns in the U.S. federal and California jurisdictions.

ASC Topic No. 740 (“ASC 740”), “Uncertainty in Income Taxes,” clarifies the accounting for uncertainty in income taxes. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with ASC 740, the Alliance recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2014, the Alliance had no unrecognized/derecognized tax benefits or tax penalties or interest. At June 30, 2014, the open tax years for the Alliance were 2009 to 2013.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent

Certain leases include scheduled escalating monthly rent payments. In accordance with accounting principles generally accepted in the United States of America, the Alliance accounted for these leases on a straight-line basis to provide even charges to operations over the lives of the leases.

Sources of Revenue and Major Contributors

The Alliance receives funding from federal, state and municipal sources. A portion of the funding is based upon the average daily attendance (“ADA”) of the schools. The Alliance also receives funding from private donors and foundations committed to creating high-performance, small, college-ready middle schools and high schools in Los Angeles.

State Apportionment, Other State and Local Revenue

The Alliance Schools’ main revenue is received from a combination of local property taxes, state apportionments and other local sources. The Base Revenue Limit is the amount of the general purpose tax revenue, per ADA, that the Alliance is entitled to receive by law. This amount is multiplied by the second-period ADA to derive the Alliance’s total entitlement.

Los Angeles County (the “County”) is responsible for assessing, collecting and apportioning property taxes. Taxes are leveled for each fiscal year on taxable real and personal property in the County. The Los Angeles County Auditor reports the amount of the Alliance’s allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue by the Alliance.

The California Department of Education reduces the Alliance’s entitlement by the Alliance’s local property tax revenue. The balance is paid from the State General Fund and is known as the State Apportionment.

In-kind Donations

Contributed services are recognized by the Alliance if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no recorded contributed services during the years ended June 30, 2014 and 2013.

Contributed items are donated goods that are recognized and recorded at fair value as of the contribution date.

Reclassifications

Certain amounts from the prior year totals have been reclassified to conform to the current year presentation. Such reclassifications did not have an effect on the reported net assets.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of General and Administrative Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Certain expenses that are associated with the program or supporting service have been allocated among the program and supporting services benefited based on management's estimate.

Fair Value of Financial Instruments

FASB ASC Topic No. 820, "Fair Value Measurement and Disclosures" ("ASC 820"), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Alliance's only financial asset or liability measured at fair value is cash and cash equivalents, which have been valued based on quoted prices utilizing market observing inputs for identical assets (Level 1).

The carrying amounts of grants, contributions and pledge receivables, related party receivables, public funding receivables, notes receivable, deferred rent receivable, accounts payable and accrued expenses approximates their fair value due to the short-term maturity of these instruments. The carrying amount of notes receivable, capital lease obligations and long-term debt approximates their fair values, as these financial instruments accrue interest based on prevailing rates.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Risk

Cash and cash equivalents are placed with high-credit, quality financial institutions. At times, certain account balances may exceed insurance coverage limits by the Federal Deposit Insurance Corporation (“FDIC”). The FDIC will insure up to \$250,000 per deposit or per insured banking institution. The Alliance has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of June 30, 2014, the Alliance had deposits in excess of federally insured limits totaling approximately \$69,000,000.

Two contributors accounted for approximately 25% and 13% of total donations and grants from individuals and foundations which is approximately \$2,000,000 and \$2,690,000 of total respective revenue for the years ended June 30, 2014 and 2013, respectively. Federal, state and municipal funding accounted for approximately 92% and 89% of total combined revenue for the years ended June 30, 2014 and 2013, respectively. The Alliance routinely assesses the financial strength of its contributors and believes that its credit risk exposure is limited.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In April 2013, the FASB issued Accounting Standards Update (“ASU”) No. 2013-06, “Not-for-Profit Entities (‘NFP’) (Topic 958): Services Received from Personnel of an Affiliate (a consensus of the FASB Emerging Issues Task Force)” (“ASU 2013-06”). Amendments within this Update specify how not-for-profit entities should recognize and measure services received from personnel of an affiliate. ASU 2013-06 is effective prospectively for fiscal years beginning after June 15, 2014. Alliance is evaluating the effect of adopting this new accounting pronouncement on Alliance’s combined financial statements.

Recently Adopted Accounting Pronouncements

In October 2012, the FASB issued ASU No. 2012-05, “NFP: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows,” which requires an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that, upon receipt, were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. The ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The adoption of this guidance did not impact Alliance’s financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 3 – GRANTS, CONTRIBUTIONS AND PLEDGES RECEIVABLE

Grants, contributions and pledges receivable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Amounts due		
In less than one year	\$ 1,051,614	\$ 1,157,998
In one to five years	<u>863,334</u>	<u>980,000</u>
Total gross grants, contributions and pledge receivables	1,914,948	2,137,998
Less present value discount*	<u>(22,848)</u>	<u>(23,874)</u>
	1,892,100	2,114,124
Less current portion	<u>(1,051,614)</u>	<u>(1,157,998)</u>
Long-Term portion	<u>\$ 840,486</u>	<u>\$ 956,126</u>

*The effective interest rates used to calculate the present value at June 30, 2014 and 2013 ranged from 0.54% to 1.76% and 0.51% to 1.84%, respectively, and were based on the Treasury bill rate at the inception of the promises to give.

NOTE 4 – PUBLIC FUNDING RECEIVABLES

Public funding receivables consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Federal revenue	\$ 3,238,539	\$ 1,794,169
State apportionment and other state revenue	17,823,558	24,601,891
Other revenues	<u>-</u>	<u>293,249</u>
	<u>\$ 21,062,097</u>	<u>\$ 26,689,309</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – ASSETS LIMITED AS TO USE

Assets limited to use consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Facilities maintenance reserve funds held by trustees under the provision of various promissory notes and of various bond indenture agreements to secure payments on facilities maintenance for properties (see Note 10)	\$ 1,147,800	\$ 1,257,961
Sinking funds and bond reserve held by trustees under the provision of various promissory notes and of various bond indenture agreements to secure payments of principal and interest in the case of default (see Note 10)	10,360,002	5,766,485
Investments held by trustees under the provision of bond indenture agreements to secure current payments of principal and interest on various School Facility Revenue Bonds (see Note 10)	3,037,491	1,926,624
Funds held by trustees under the provision of various promissory notes and of bond indenture agreement to secure construction draws and interest payment during construction period	18,209,695	1,361,553
Funds due to beneficiaries for pending disbursements of scholarships designated for specific students	3,000	9,500
Funds due to operation subsidy held by a trustee under the provision of various promissory notes	897,163	896,266
Advances from conditional revenue related to Prop 1D that are deferred until service is provided or expense incurred	<u>7,609,367</u>	<u>7,878,631</u>
	41,264,518	19,097,020
Less current portion	<u>(31,925,428)</u>	<u>(12,080,831)</u>
Long term portion	<u>\$ 9,339,090</u>	<u>\$ 7,016,189</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT

The New Market Tax Credit (“NMTC”) Program is a federal subsidy program for economic development of depressed areas and is designed to stimulate the flow of investment capital into underserved areas by providing tax credits of 39% of an investment in a “low-income community,” which is claimed over a seven year credit allowance (term) period.

1918 Broadway Charter Facilities LLC

On November 11, 2011, 1918 Broadway Charter Facilities LLC (“Broadway Facilities”) entered into a 40 year NMTC loan agreement (the “Agreement”) for approximately \$21,000,000, which represented an equity investment by GSB NMTC Investor LLC (“Investor”) in Alliance Broadway Investment Fund LLC, an unaffiliated organization, which in turn loaned the funds to GLA Sub-CDE X, LLC, New Markets Investment 65, LLC and LIIF Sub-CDE XV, LLC (collectively “CDEs”). CDEs loaned the funds to the Broadway Facilities through two notes: Note A in the amount of \$15,012,675 and Note B in the amount of \$6,020,143.

The proceeds from the loans to the Broadway Facilities were used to purchase land in the amount of approximately \$4,000,000 and a variety of other loan costs and legal fees in the amount of approximately \$2,400,000, which was capitalized as deferred financing costs.

The remaining amount, totaling approximately \$14,632,818, was allocated to pay for the construction costs of the Broadway Facilities.

Pursuant to the Agreement, the Investor is entitled to sell, by written notice 30 days prior to the expiration of the seventh loan year, the Investor’s interest in Note B to Alliance Broadway Charter Financing LLC (“Broadway Financing”) in the amount of \$1,000. However, there are no guarantees that this will occur.

Pursuant to the Agreement, the Broadway Financing is entitled to purchase, by written notice 30 days prior to the expiration of the seventh loan year, the Investor’s interest in the amount equal to the fair market value of the Investor’s interest at the time of the written notice. However, there are no guarantees that this will occur.

113 S. Rowan Charter Financing LLC

On December 5, 2013, 113 S. Rowan Charter Facilities LLC (“Rowan Facilities”) entered into a 30 year NMTC loan agreement (the “Agreement”) for approximately \$6,378,594, which together with the equity investment by Chase Community Equity LLC (“Investor”) in the amount of \$3,107,404 in Chase NMTC Alliance #8 Investment Fund LLC, an unaffiliated organization, which in turn loaned the funds to ExEd Facilities XII LLC and CSCDC 4 LLC, (collectively “CDEs”). CDEs loaned the funds to the Rowan Facilities through three notes: Note A in the amount of \$4,368,067, Note B in the amount of \$2,908,795 and Note C in the amount of \$1,485,406.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT (Continued)

113 S. Rowan Charter Financing LLC (Continued)

The proceeds from the NMTC loan, with the addition of the PCSD loan (Note 10), to the Rowan Facilities were used to purchase land and building in the amount of approximately \$4,503,300 and \$6,285,259, respectively. Also, the proceeds were used on a variety of other loan costs and legal fees in the amount of approximately \$674,477, which was capitalized as deferred financing costs.

As of June 30, 2014, Rowan Facilities holds a construction disbursement account for pending constructions and interest reserve account in the amount of \$593,484 and \$237,680, respectively.

Pursuant to the Agreement, the Investor is entitled to sell, by written notice 30 days prior to the expiration of the seventh loan year, the Investor’s interest to Rowan Facilities in the amount of \$1,000. However, there are no guarantees that this will occur.

Pursuant to the Agreement, Rowan Facilities is entitled to purchase, by written notice 30 days prior to the expiration of the seventh loan year, the Investor’s interest in the amount equal to the fair market value of the Investor’s interest at the time of the written notice. However, there are no guarantees that this will occur.

Notes receivable consisted of the following at June 30:

	2014	2013
A promissory note from Chase NMTC Alliance #8 Investment Fund LLC, an unrelated third party – The note bears interest at a rate of 4.86% per annum and is receivable in monthly interest-only payments until December 1, 2020. The note matures on December 5, 2020, at which time all unpaid principal and interest becomes due. The note is secured by all membership interests in Chase NMTC Alliance #8 Investment Fund LLC.	\$ 6,378,594	\$ -

Continued on next page

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT (Continued)

Continued from previous page

A promissory note from Alliance Broadway Investment Fund LLC, an unrelated third party – The note bears interest at a rate of 5.81% per annum and is receivable in monthly interest-only payments. The note matures on December 1, 2018, at which time all unpaid principal and interest becomes due. The note is secured by all membership interests in Alliance Broadway Investment Fund LLC.

\$ 15,012,675 \$ 15,012,675

A promissory note from Alliance Broadway Investment Fund LLC, an unrelated third party – The note bears interest at a rate of 1% per annum and is receivable in monthly interest-only payments until January 1, 2019. Thereafter, monthly principal and interest payments become due. The note matures on December 1, 2051, at which time all unpaid principal and interest becomes due. The note is secured by all membership interests in Alliance Broadway Investment Fund LLC.

650,000 650,000

A promissory note from Alliance Broadway Investment Fund LLC, an unrelated third party – The note bears interest at a rate of 1% per annum and is receivable in monthly interest-only payments until January 1, 2019. Thereafter, monthly principal and interest payments become due. The note matures on December 1, 2051, at which time all unpaid principal and interest becomes due. The note is secured by real property and all membership interests in Alliance Broadway Investment Fund LLC.

724,320 724,320

\$ 22,765,589 **\$ 16,386,995**

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 46,342,364	\$ 33,059,351
Buildings and building improvements	113,279,461	102,687,506
Construction in progress	15,311,054	6,658,746
Furniture and equipment	21,399,078	10,625,879
Software	<u>559,525</u>	<u>712,853</u>
	196,891,482	153,744,335
Less accumulated depreciation and amortization	<u>(18,002,410)</u>	<u>(11,891,263)</u>
Total	<u>\$178,889,072</u>	<u>\$141,853,072</u>

Construction in progress primarily relates to costs incurred for the building of a school facility and includes capitalized interest of \$1,254,629 and \$469,995 as of June 30, 2014 and 2013, respectively.

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 were \$7,494,109 and \$4,578,117, respectively.

As discussed in Note 14 below, the Alliance has built a school facility on land that is leased from the Trustees of the California State University (the "Trustees"). This lease expires on June 30, 2048, at which point the facility will revert to the Trustees. The carrying value of the facility included in property and equipment at June 30 was as follows:

	<u>2014</u>	<u>2013</u>
Buildings and building improvements	\$ 12,730,483	\$ 12,730,483
Less accumulated depreciation	<u>(1,803,485)</u>	<u>(1,485,223)</u>
Total	<u>\$ 10,926,998</u>	<u>\$ 11,245,260</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8 – CAPITAL LEASES

During the year ended June 30, 2014, the Alliance leased computer equipment under capital leases which expire in 2015. At June 30, 2014, the leased equipment had a capitalized cost of \$8,463,200 with accumulated depreciation of \$1,893,896. Interest expense was approximately \$71,454 for the year ended June 30, 2014. The future minimum lease payment for the capital leases are as follows:

Year Ending <u>June 30,</u>	
2015	\$ 2,714,685
2016	<u>2,911,898</u>
Minimum lease payments	5,626,583
Less amount representing interest	<u>148,352</u>
Present value of future minimum lease payments	5,478,231
Less current portion	<u>2,714,685</u>
Long-term	<u>\$ 2,763,546</u>

NOTE 9 – LINE OF CREDIT

The Alliance has a revolving line of credit with a bank that allows for borrowings of up to \$5,000,000. At the election of Alliance, advances can be made by either i) an Alternate Base Rate Advance with an interest rate equal to the greatest of (a) the Prime Rate in effect on date of advance or (b) the Federal Funds Rate in effect on date of advance plus ½ of 1% of (c) the Applicable Floating Rate on the date of advance or ii) a LIBOR Advance with an interest rate equal to the Bank's LIBOR Rate plus 2%. The line of credit requires monthly interest payments on outstanding balances, with the total outstanding principal and interest due on January 31, 2015. The line is secured by all personal property of the Alliance. As of June 30, 2014 and 2013, no amounts remained outstanding.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	2014	2013
A promissory note to Los Angeles Charter Schools New Market CDE, LLC, bearing interest at a rate of 5.91% per annum, with principal and interest payments due monthly – The note is secured by a trust deed on the 2023 S. Union Avenue property. In March 2014, this note was paid in full.	\$ -	\$ 6,809,227
A promissory note to Low Income Investment Fund, bearing interest at a rate of 6.50% per annum with principal and interest payments due monthly – The note is subordinated to the Los Angeles Charter Schools Market CDE, LLC note as noted above. The note is secured by a trust deed on the 2023 S. Union Avenue property. In May 2014, this note was paid in full.	-	2,457,728
A promissory note to Los Angeles Charter Schools New Market CDE, LLC, bearing interest at a rate equal to LIBOR plus 2.25% per annum (3.69% at June 30, 2013) with principal and interest payments due monthly – The note matures in February 2016 and is secured by a trust deed on the 5151 State University Drive property.	5,140,768	5,315,391
A promissory note to Low Income Investment Fund, bearing interest at a rate of 7% per annum with principal and interest payments due monthly – The note matures on March 1, 2016 and is secured by a trust deed on the 5151 State University Drive property.	2,170,944	2,220,627
California Statewide Communities Development Authority Insured Educational Facilities Revenue Bonds, 2007 Series A – Term bonds of \$4,940,000 mature on July 1, 2030, with an interest rate of 5.15% per annum; term bonds of \$10,225,000 mature July 1, 2042, with an interest rate of 5.25% per annum and is secured by a trust deed on the 2071 Saturn LLC property.	15,165,000	15,165,000

Continued on following page

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – LONG-TERM DEBT (Continued)

	2014	2013
<i>Continued from previous page</i>		
California Statewide Communities Development Authority Insured Educational Facilities Revenue Bonds, 2007 Series B – Term bonds of \$585,000 mature on July 1, 2017, with an interest rate of 8% per annum with mandatory sinking fund payments due annually.	\$ 410,000	\$ 485,000
Various loans payable to the California Department of Education, bearing interest at a rate of 0.53% per annum with principal and interest payments due monthly, commencing the first fiscal year following the fiscal year the funds are received – The total outstanding principal and interest is due in full in August 2015.	140,000	320,000
Promissory notes to NCB Capital Impact, bearing interest at 5.184% per annum with interest only payments due monthly – Term notes of \$4,173,443 mature on July 20, 2018, and term notes of \$1,149,242 mature on July 20, 2041. The notes are secured by a trust deed on the 9719 Main Street Charter Facilities LLC property.	5,322,685	5,322,685
Promissory notes to NCB Capital Impact, bearing interest at 5.153% per annum with interest only payments due monthly – Term notes of \$4,527,954 mature on July 20, 2018, and term notes of \$1,246,863 mature on July 20, 2041. The notes are secured by a trust deed on the 10101 Broadway Charter Facilities LLC property.	5,774,817	5,774,817
Promissory notes to NCB Capital Impact, bearing interest at 5.153% per annum with interest only payments due monthly – Term notes of \$6,315,140 mature on July 20, 2018, and term notes of \$1,726,247 mature on July 20, 2041. The notes are secured by a trust deed on the 10704 Wilmington LLC property.	8,041,387	8,041,387

Continued on following page

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – LONG-TERM DEBT (Continued)

	2014	2013
<i>Continued from previous page</i>		
California Statewide Communities Development Authority School Facility Revenue Bonds, Series 2011 – Term bonds of \$2,750,000 mature on July 1, 2022, with an interest rate of 5.875% per annum; term bonds of \$4,125,000 mature July 1, 2031, with an interest rate of 6.75% per annum; term bonds of \$15,690,000 mature on July 1, 2046, with an interest rate of 7% per annum less an original discount of \$487,008. The notes are secured by a trust deed on the 11410 Avalon LLC and 54 th Street Lions LLC property.	\$ 21,722,992	\$ 21,919,068
Various loans payable to LIIF sub-CDE, LISC Sub-CDE and Genesis Sub-CDE, bearing interest at a rate of 5.15% per annum with principal and interest payments due monthly, commencing the first day of December 2011 – The total outstanding principal and interest is due in full in November 2018. The notes are secured by a trust deed on the 1918 Broadway Charter Facilities LLC property.	15,012,675	15,012,675
Various loans payable to LIIF sub-CDE, LISC Sub-CDE and Genesis Sub-CDE, bearing interest at a rate of 3.80% per annum with principal and interest payments due monthly, commencing the first day of December 2011 – The total outstanding principal and interest is due in full in November 2051. The notes are secured by a trust deed on the 1918 Broadway Charter Facilities LLC property.	6,241,189	6,151,431
Various loans payable to GLA Sub-CDE XI, LLC, New Markets Investment 65, LLC and LIIF Sub-CDE XV, LLC, bearing interest at a rate of 7% to 9% per annum with interest payments due quarterly, commencing the first day of November 2011 – The note matures on September 15, 2030, at which time all unpaid principal and interest becomes due. The notes are secured by a trust deed on the 1918 Broadway Charter Financing LLC property.	15,012,675	15,012,675

Continued on following page

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – LONG-TERM DEBT (Continued)

	2014	2013
<i>Continued from previous page</i>		
Various loans payable to Exed Facilities III, Impact V CDE 2 and Impact V CDE 4, bearing interest at a rate of 7.25% per annum with interest payments due monthly, commencing the first day of September 2011 until June 2016, at which point principal and interest payments become due – The loans mature in June 2039, and all outstanding principal and interest is due in full at that time. The notes are secured by a trust deed on the 6900 8 th Avenue Charter Facilities LLC and 70 th Street Charter Facilities LLC property.	\$ 10,492,186	\$ 10,492,186
Various loans payable to Exed Facilities III, Impact V CDE 2 and Impact V CDE 4, bearing interest at a rate of 1.75% per annum with interest payments due monthly, commencing the first day of September 2011 until June 2016, at which point principal and interest payments become due – The loans mature in June 2039, and all outstanding principal and interest is due in full at that time. The notes are secured by a trust deed on the 6900 8 th Avenue Charter Facilities LLC and 70 th Street Charter Facilities LLC property.	2,676,704	2,723,280
Various loans payable to Exed Facilities III, Impact V CDE 2 and Impact V CDE 4, bearing interest at a rate of 3.01% per annum with interest payments due monthly, commencing the first day of September 2011 until June 2016, at which point, principal and interest payments become due – The loans mature in June 2039, and all outstanding principal and interest is due in full at that time. The notes are secured by a trust deed on the 6900 8 th Avenue Charter Facilities LLC and 70 th Street Charter Facilities LLC property.	900,547	900,547
<i>Continued on following page</i>		

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – LONG-TERM DEBT (Continued)

	2014	2013
<i>Continued from previous page</i>		
Various loans payable to Exed Facilities III, Impact V CDE 2 and Impact V CDE 4, bearing interest at a rate of 6.229% per annum with interest payments due monthly, commencing the first day of September 2011 until June 2016, at which point, principal and interest payments become due – The loans mature in June 2039, and all outstanding principal and interest is due in full at that time. The notes are secured by a trust deed on the 6900 8 th Avenue Charter Facilities LLC and 70 th Street Charter Facilities LLC property.	\$ 5,848,696	\$ 5,848,696
Subordinated loan payable to Charter School Financing Partnership, bearing 0% interest, unless there is default, in which the loan will bear interest of 3% per annum – Principal will be paid monthly, commencing on the first business day of September 2012, with the final installment due in February 2022. The notes are secured by a trust deed on the 4610 S. Main property.	607,425	687,525
California Statewide Communities Development Authority School Facility Revenue Bonds, Series 2012 – Term bonds of \$475,000 mature on July 1, 2022, with an interest rate of 5.125% per annum; term bonds of \$1,820,000 mature July 1, 2032, with an interest rate of 6.100% per annum; term bonds of \$6,160,000 mature on July 1, 2047, with an interest rate of 6.375% per annum. The notes are secured by a trust deed on the 4610 S. Main property.	8,420,000	8,455,000
Promissory notes to Low Income Investment Fund, bearing interest at a rate of 6.75% and 7% per annum with interest only payments due monthly – The notes of \$320,000 and \$569,396 mature on February 1, 2017 and are secured by a trust deed on the 1552 Rockwood Street property.	889,396	-

Continued on following page

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – LONG-TERM DEBT (Continued)

	2014	2013
<i>Continued from previous page</i>		
California School Finance Authority School Facilities Revenue Bonds Statewide Communities Development Authority Insured Educational Facilities Revenue Bonds, 2014 Series A and B – Term bonds of \$15,690,000 and \$85,000 mature on July 1, 2048 and on July 1, 2014, respectively, with an interest rate of 6.40% and 5.50% per annum, respectively, and is secured by a trust deed on the Alliance Gertz-Ressler High School / Richard Merkin 6-12 Complex property.	\$ 15,781,511	\$ -
California School Finance Authority Charter School Revenue Bonds, Series 2013 – Term bonds of \$10,750,000 mature on June 15, 2034, with an interest rate of 6.50% and is secured by a trust deed on the 7907 Santa Fe Avenue Charter Facilities LLC property.	10,750,000	-
A promissory note to Citibank NMTC Corporation, bearing interest at 3.75% per annum, with interest only payments due monthly – The note matures on June 18, 2015, with a six-month extension option at Citibank’s discretion, and is secured by a trust deed on the 5886 Compton LLC property.	7,580,000	-
Promissory notes to Bank of the West, bearing interest at a rate of LIBOR plus 2% per annum with interest only payments due monthly – The notes of \$2,500,000 and \$767,000 mature on December 31, 2015 and are secured by a trust deed on the 49 th Main Charter Facilities LLC property.	3,267,000	-
ExEd Facilities XII LLC promissory notes – Loan A-1 and B-1 of \$2,344,000 and \$898,268 mature on December 5, 2020, with an interest rate of 5% per annum with interest only payments due monthly, and is secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	3,242,268	-

Continued on following page

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – LONG-TERM DEBT (Continued)

	2014	2013
<i>Continued from previous page</i>		
California Statewide Communities Development promissory notes – Loans A-2, B-2 and C-2 of \$2,024,067, \$2,010,527 and \$1,485,406, respectively. Loans A-2 and B-2 mature on December 5, 2020 and Loan C-2 matures on December 5, 2043 and all outstanding principal and interest is due in full at that time. The Loans carry an interest rate of 3.5526%, and is secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	\$ 5,520,000	\$ -
Subordinated loan with PCSD 3640 1 st Street LLC – the \$3,230,780 loan matures on December 5, 2043, bears no interest and is secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	3,230,780	-
Senior loan with JP Morgan Chase Bank – the \$3,200,000 loan matures on December 5, 2020, with an interest rate per annum of 5% with principal and interest payments due monthly and is secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	3,118,608	-
Subordinated promissory note to Loan Initiatives Support Corporation – the \$3,000,000 loan matures on December 5, 2020, with an interest rate per annum of 5% and is secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	3,000,000	-
California School Finance Authority Charter School Revenue Bonds, 2014 Series A and B – Term bonds of \$5,000,000 and \$3,975,000 mature on March 15, 2034, with an interest rate of 5.7375% and 8.75% per annum, respectively, and is secured by a trust deed on the 461 W. 9 th Street Charter Facilities LLC property.	8,973,416	-
Less current portion	194,453,668 <u>(1,444,397)</u>	139,114,945 <u>(10,087,936)</u>
	<u>\$193,009,271</u>	<u>\$129,027,009</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – LONG-TERM DEBT (Continued)

In conjunction with certain of the long-term debt agreements, the Alliance has agreed, among other things, to (1) maintain certain debt coverage ratios, (2) maintain certain insurance coverage limits and (3) limit the amount of liens, except those in favor of the lender. At June 30, 2014, the Alliance was in compliance with all of these covenant requirements.

During May 2007, 2071 HP Saturn LLC issued the 2007 Revenue Bonds with a total borrowing of \$15,750,000. The purpose of issuing the 2007 Revenue Bonds was to finance the acquisition of educational facilities in Huntington Park, California, which is leased to Alliance Collins Family College-Ready Academy High School and an unrelated third party. During the years ended June 30, 2014 and 2013, lease payments totaling \$1,217,036 and \$1,298,464 were collected, respectively.

2071 HP Saturn LLC is required to establish funds with the trustee to pay the principal and interest portion of the 2007 Revenue Bonds. Deposits with the trustee to satisfy mandatory requirements on the 2007 term bonds will be made in annual installments ranging from \$10,000 to \$2,145,000 during the period from July 1, 2008 to July 1, 2042. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$512,066 as of June 30, 2014.

The HP Saturn LLC is also required to set up reserve accounts for bond reserve and facilities maintenance reserve. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$1,115,691 and \$629,984, respectively, as of June 30, 2014.

During August 2011, 54th Street Lions LLC and 11410 Avalon LLC issued the 2011 Revenue Bonds with a total borrowing of \$22,565,000. The purpose of issuing the 2011 Revenue Bonds was to re-finance the corresponding LLCs’ debt. During the years ended June 30, 2014 and 2013, lease payments totaling \$1,875,850 and \$1,867,935 were collected from Alliance-affiliated schools, respectively.

54th Street Lions LLC and 11410 Avalon LLC are required to establish funds with the trustee to pay the principal and interest portion of the 2011 Revenue Bonds. Deposits with the trustee to satisfy mandatory requirements on the 2011 term bonds will be made in annual installments ranging from \$155,000 to \$1,728,050 during the period from September 1, 2011 to July 1, 2046. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$1,006,669 as of June 30, 2014.

The 54th Street Lions LLC and 11410 Avalon LLC are also required to set up a bond reserve and facilities maintenance reserve account for projects. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$1,729,631 and \$142,917, respectively, as of June 30, 2014.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – LONG-TERM DEBT (Continued)

During November 2011, 1918 Broadway Charter Financing LLC issued 2011 Revenue Bonds with total borrowings of \$15,012,675. The purpose of issuing the 2011 Revenue Bonds was to make an equity investment into an investment fund with three community development entities (“CDE’s”), fund a portion of the deposit to the Required Reserved Account of the Revenue Fund and pay for the cost issuance of the Bonds. The required bond reserve account of the revenue fund amounted to \$1,177,583 as of June 30, 2014 and is classified as “assets limited as to use” on the accompanying statement of financial position.

During February 2012, 4610 S. Main Street Charter Facilities LLC issued the 2012 Revenue Bonds with a total borrowing of \$8,455,000. The purpose of issuing the 2012 Revenue Bonds was to finance the acquisition of educational facilities in Los Angeles, California, which is leased to Alliance Patti and Peter Neuwirth Leadership Academy. During the years ended June 30, 2014 and 2013, lease payments totaling \$698,890 and \$700,049 were collected, respectively.

4610 S. Main Street Charter Facilities LLC is required to establish funds with the trustee to pay the principal and interest portion of the 2012 Revenue Bonds. Deposits with the trustee to satisfy mandatory sinking fund requirements on the 2012 term bonds will be made in annual installments ranging from \$35,000 to \$615,000 during the period from July 25, 2012 to June 25, 2047. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$303,147 as of June 30, 2014.

The Alliance is also required to set up reserve accounts for bond reserve and facilities maintenance reserve accounts for construction projects. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$467,828 and \$93,333, respectively, as of June 30, 2014.

7907 Santa Fe Avenue Charter Facilities LLC is required to establish funds with the trustee to pay the principal and interest portion of the 2013 Revenue Bonds. Deposits with the trustee to satisfy mandatory sinking fund requirements on the 2013 term bonds will be made in annual installments ranging from \$58,697 to \$145,177 during the period from July 15, 2014 to June 15, 2034. The Alliance has set up capital interest account to accommodate the installment. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$1,038,670 as of June 30, 2014.

The Alliance is also required to set up reserve accounts for bond reserve and facilities maintenance reserve accounts for construction projects. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$425,222 and \$25,621, respectively, as of June 30, 2014.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 10 – LONG-TERM DEBT (Continued)

2023 Union LLC is required to establish funds with the trustee to pay the principal and interest portion of the 2013 Revenue Bonds. The required bond reserve account of the revenue fund amounted to \$918,433 as of June 30, 2014 and is classified as “assets limited as to use” on the accompanying statement of financial position.

The Alliance is also required to set up a reserve account for facilities maintenance reserve accounts for construction projects. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$200,059 as of June 30, 2014.

There is no sinking fund reserve requirement.

461 W. 9th Street Charter Facilities LLC is required to establish funds with the trustee to pay the principal and interest portion of the 2014 Revenue Bonds. Deposits with the trustee to satisfy mandatory requirements on the 2014 term bonds will be made in annual installments ranging from \$40,370 to \$1,002,745 during the period from June 15, 2014 to March 15, 2034. The Alliance has set up capital interest account to accommodate the installment. These balances are classified as “assets limited as to use” on the accompanying statement of financial position and amounted to \$1,015,965 as of June 30, 2014.

There is no sinking fund or facilities maintenance reserve requirement.

Aggregate future maturities of long-term debt and sinking fund requirements for each of the next five years and thereafter are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 1,110,543
2016	18,722,301
2017	1,984,801
2018	5,357,685
2019	27,079,120
Thereafter	<u>140,199,218</u>
Total	<u>\$194,453,668</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 11 – ASSET RETIREMENT OBLIGATION

The Alliance recognizes a liability at discounted fair value for the future retirement of tangible long-lived assets and associated assets retirement cost associated with an operating lease (see Note 14). The fair value of the liability is capitalized as part of the cost of related asset and amortized to expense over its useful life. The liability accretes until the date of expected settlement of the retirement obligations. The related accretion expense is recognized in the combined statement of activities. Differences between the actual costs incurred and the fair value of the liability recorded are recognized in income in the period the actual costs are incurred.

There are no legally restricted assets for the settlement of asset retirement obligations. A reconciliation of the Alliance's asset retirement obligations from the periods presented is as follows:

Balance at June 30, 2013	\$ 267,976
Incurred during the period	-
Accretion expense	13,319
Balance at June 30, 2014	<u>\$ 281,295</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

Related party receivable includes unrestricted promises to give from board members. The funds are promised to be paid as follows:

In less than one year	\$ 870,000
In one to five years	600,000
Total receivable	1,470,000
Less present value discount*	(39,130)
Less current portion	1,430,870 <u>(870,000)</u>
Long-term portion	<u>\$ 560,870</u>

*The effective interest rates used to calculate the present value at June 30, 2014 was ranged from 0.34% to 1.51% and was based on the Treasury Bill Rate at the inception of the promises to give.

Total contributions pledged by individual members of the board during the year ended June 30, 2013 were \$380,000. There were no additional contributions pledged by individual members of the board during the year ended June 30, 2014. During 2012, an individual board member loaned the Alliance \$300,000. The related party payable is non-interest bearing and is due on demand.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 were restricted by donors for specific programs of the Alliance. The programs are as follows:

	Available June 30, 2013	New Revenues	Expenditures/ Releases from Restrictions	Available June 30, 2014
Capital Projects	\$ -	\$ 800,000	\$ -	\$ 800,000
Graduate scholarships	332,939	239,611	(298,959)	273,590
Technology	1,098,155	1,538,965	(899,115)	1,738,004
School programs	370,003	135,119	(41,507)	463,615
Operations, other than facilities	922,545	1,000,297	(102,315)	1,820,528
Professional development	2,309,787	447,335	(1,064,730)	1,692,392
Restriction due to time	<u>1,726,681</u>	<u>13,190</u>	<u>(880,000)</u>	<u>859,871</u>
	<u>\$ 6,760,110</u>	<u>\$ 4,174,516</u>	<u>\$(3,286,626)</u>	<u>\$ 7,648,000</u>

NOTE 14 – RENTAL INCOME UNDER OPERATING LEASES

An unrelated party leases a portion of the property located at 2021 Saturn Avenue, Huntington Park, California, under a noncancelable operating lease. The lease requires initial monthly payments of \$24,600 plus supplemental rent equal to 20% of all facility reimbursement from the federal and state governments received by the lessee. The lease expires on June 30, 2042 and has two options to extend the terms for ten years each. The future minimum rentals to be received under this noncancelable operating lease at June 30, 2014 were as follows:

Years Ending <u>June 30,</u>	
2015	\$ 394,389
2016	404,248
2017	414,354
2018	419,534
2019	424,778
Thereafter	<u>11,277,711</u>
	<u>\$ 13,335,014</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 14 – RENTAL INCOME UNDER OPERATING LEASES (Continued)

The total carrying value of the Alliance’s investment in property under operating leases included in property and equipment at June 30 was as follows:

	2014	2013
Land	\$ 7,000,000	\$ 7,000,000
Buildings and building improvements	6,845,647	6,841,447
Less accumulated depreciation	(971,714)	(826,976)
	\$ 12,873,933	\$ 13,014,471

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Ground Leases

During the year ended June 30, 2007, the Alliance entered into a ground lease agreement with the Trustees of the California State University (the “Trustees”) for the use of a lot on which the Alliance built a school facility and leased to one of the Alliance schools. The term of the lease is from June 15, 2007 to June 30, 2048. There is no lease payment required under this lease; instead, at the end of the lease term or upon termination, all right, title and interest in and to all improvements and equipment constructed or installed shall be transferred to the Trustees.

In addition, the Alliance is obligated to establish an Extraordinary Repair Fund (the “Fund”) in an interest-bearing state trust account for the purpose of replacement or renewal of the assets constructed on the site or for the cost of demolition. Annual installment payments into the Fund of \$25,000 and \$75,000 start in fiscal years 2017 and 2034, respectively, and will continue until the end of the lease term, or until the Fund reaches \$1,500,000. If the balance in the Fund exceeds the total costs of renewal or demolition upon the termination of the lease, the excess balance is to be refunded to the Alliance. As of June 30, 2014, the Alliance has recorded an asset retirement obligation for \$281,295 relating to this lease (see Note 10).

During the year ended June 30, 2012, the Alliance entered into another ground lease agreement with a third party for the use of a lot on which the Alliance built a school facility. Lease payments required under the lease are payable at a rate ranging from \$12,000 to \$13,200 per month through June 30, 2014. Subsequent to June 30, 2014, lease payments will be the greater of i) the fixed net rent of the previous five year period increased by 10% and ii) the fixed net rent of the previous five year period increased by a CPI adjustment factor. The lease expires on August 31, 2049. Rent expense related to this lease for the years ended June 30, 2014 and 2013 totaled \$144,000 and \$144,000, respectively, and is included within “rent and facilities” on the accompanying combined statement of functional expenses.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

Facility Leases

The Alliance is obligated under various noncancelable operating lease agreements for office and for school facilities. The leases require monthly payments ranging from approximately \$12,000 to \$50,628 and expire through December 31, 2020. Several of the leases have options to extend the terms for one year to five years, depending on the agreement. The future minimum lease payments required under these noncancelable facility leases at June 30, 2014 are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 814,030
2016	693,351
2017	702,457
2018	718,802
2019	735,473
Thereafter	<u>1,159,469</u>
Total	<u>\$ 4,823,582</u>

Rent expense related to these leases for years ended June 30, 2014 and 2013 was \$1,647,181 and \$2,103,849, respectively, and is included within “rent and facilities” on the accompanying combined statement of functional expenses.

Equipment Lease

At June 30, 2014, the Alliance was obligated under various noncancelable operating lease agreements for office equipment. The leases require monthly payments ranging from \$25 to \$2,046 and expire through June 2017. The future minimum lease payments required under these noncancelable equipment leases at June 30, 2014 are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 174,128
2016	109,714
2017	<u>32,254</u>
	<u>\$ 316,096</u>

Rent expense related to these leases for years ended June 30, 2014 and 2013 was \$280,849 and \$212,730, respectively, and is included within “rent and facilities” on the accompanying combined statement of functional expenses.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

Construction

During the year ended June 30, 2014, the Alliance had entered into four construction contracts for a total commitment of \$21,067,305. As of June 30, 2014, the total construction costs incurred amounted to approximately \$6,066,230 resulting in \$15,001,075 remaining to be completed in fiscal year 2015.

Legal Proceedings

The Alliance is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. The Alliance has insurance coverage to provide protection against certain contingencies. In the opinion of management, resolution of these matters will not have a material adverse effect on the Alliance's financial position or results of operations.

NOTE 16 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California (the "State"). Academic employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

The risks of participating in these multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law and the Public Employees' Retirement Law, and (c) if Alliance-affiliated schools choose to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Alliance-affiliated schools have no plans to withdraw from these multiemployer plans.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 16 – EMPLOYEE RETIREMENT PLANS (Continued)

State Teachers’ Retirement System (“STRS”)

Plan Description

The Alliance-affiliated schools contribute to the State Teachers’ Retirement System (“STRS”), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law (Part 13 of the California Education Code, Sec. 22000 et seq.). STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2013, total plan net assets are \$194.2 billion, the total actuarial present value of accumulated plan benefits is \$208.4 billion, contributions from all employers totaled \$2.3 billion, and the plan is 67% funded. The Alliance-affiliated schools did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.00% of their salaries, and the Alliance-affiliated schools are required to contribute at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2013 – 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

The Alliance-affiliated schools’ contributions to STRS for each of the last three fiscal years were as follows:

<u>Years Ended June 30,</u>	<u>Required Contribution</u>	<u>Employer Contribution</u>	<u>Percent Contributed</u>
2012	\$ 2,171,527	8.25%	100%
2013	\$ 2,554,016	8.25%	100%
2014	\$ 2,980,691	8.25%	100%

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 16 – EMPLOYEE RETIREMENT PLANS (Continued)

Public Employees’ Retirement System (“CalPERS”)

Plan Description

The Alliance-affiliated schools contribute to the School Employer Pool under the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. According to the most recently available Schools Pool Actuarial Valuation Report for the year ended June 30, 2013, the Schools Pool total plan assets are \$49.5 billion, the total actuarial present value of accumulated plan benefits is \$72.3 billion, contributions from all employers totaled \$1.2 billion, and the plan is 80.5% funded. The Alliance-affiliated schools did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members are required to contribute 7.00% of their salaries; currently, the Alliance-affiliated schools contribute the employees’ portion for California School Employees Association and confidential staff members. The Alliance-affiliated schools are required to contribute at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The Alliance-affiliated schools’ contribution rate to CalPERS for fiscal year 2013 – 2014 was 11.417%.

The Alliance-affiliated schools’ contributions to CalPERS for each of the last three fiscal years were as follows:

<u>Years Ended June 30,</u>	<u>Required Contribution</u>	<u>Employer Contribution</u>	<u>Percent Contributed</u>
2012	\$ 398,838	10.923%	100%
2013	\$ 475,145	11.417%	100%
2014	\$ 468,533	11.442%	100%

The State of California may make additional direct payments for retirement benefits to STRS or CalPERS on behalf of all participating employers in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 16 – EMPLOYEE RETIREMENT PLANS (Continued)

Defined Contribution Plan

Eligible employees of the Alliance can participate in a 403(b) plan sponsored by the Alliance. Participants can elect to contribute up to 5% of their pretax annual compensation, as defined in the plan, subject to Section 403(b) of the Internal Revenue Code contribution limitations. For corporate participants, the Alliance makes a matching contribution of 5% of the participant's eligible salary. The Alliance's total contribution for the years ended June 30, 2014 and 2013 was \$190,590 and \$184,906, respectively.

NOTE 17 – SUBSEQUENT EVENTS

The following schools are newly operational beginning August 4, 2014:

- Alliance College-Ready Middle Academy No. 8
- Alliance College-Ready Middle Academy No. 9
- Alliance Margaret M. Bloomfield Technology Academy High School
- Alliance Alice M. Baxter College-Ready High School

Subsequent events have been evaluated through December 15, 2014, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

ASSETS	Alliance for College-Ready Public Schools	Alliance Schools R.E. Holdings LLC	2071 HP Saturn LLC	5151 Titan LLC	10704 Wilmington LLC	9719 Main Street Charter Facilities LLC	10101 Broadway Charter Facilities LLC
	<i>(continued on the next page)</i>						
Current assets							
Cash and cash equivalents	\$ 4,522,794	\$ -	\$ 164,933	\$ 195,505	\$ 117,608	\$ 154,112	\$ 104,400
Grants, contributions and pledges receivable, current portion	1,051,614	-	-	-	-	-	-
Related party receivable, current portion	1,032,979	-	-	-	-	-	-
Public funding receivables	594,763	-	-	-	-	-	-
Due from related parties	3,854,185	-	56,464	-	-	207,040	-
Related party note receivable, current portion	1,950,000	-	-	-	-	-	-
Assets limited as to use, current portion	8,506,530	-	512,066	-	-	-	-
Prepaid expenses	980,249	-	40,671	-	-	-	-
Total current assets	22,493,114	-	774,134	195,505	117,608	361,152	104,400
Grants, contributions and pledges receivable, net of current portion	840,486	-	-	-	-	-	-
Related party receivable, net of current portion	560,870	-	-	-	-	-	-
Related party note receivable	2,187,500	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-	-
Deferred rent receivable	-	-	1,627,434	929,491	678,421	47,634	185,055
Assets limited as to use, net of current portion	2,276,888	-	1,745,675	106,824	-	-	-
Other long-term assets	50,628	-	20,020	-	-	-	6,000
Deferred financing costs	-	-	659,856	-	-	-	-
Investment in affiliates	11,945,671	-	-	-	-	-	-
Property and equipment, net	4,894,231	1,668,455	12,873,933	11,093,020	7,628,504	5,378,571	5,652,920
Total assets	\$ 45,249,388	\$ 1,668,455	\$ 17,701,052	\$ 12,324,840	\$ 8,424,533	\$ 5,787,357	\$ 5,948,375
	LIABILITIES AND NET ASSETS						
Liabilities							
Accounts payable and accrued expenses	\$ 1,422,248	\$ -	\$ 416,719	\$ -	\$ 34,531	\$ 23,140	\$ 24,947
Due to related parties	-	-	-	13,101	19,038	12,656	242,397
Deferred revenue	7,825,839	-	-	-	-	-	-
Related party note payable	5,300,000	-	-	-	-	-	-
Capital lease obligations, current portion	129,564	-	-	-	-	-	-
Long-term debt, current portion	-	-	100,000	234,451	-	-	-
Total current liabilities	14,677,651	-	516,719	247,552	53,569	35,796	267,344
Capital lease obligations, net of current portion	131,895	-	-	-	-	-	-
Long-term debt, net of current portion	320,000	-	15,475,000	7,077,261	8,041,387	5,322,685	5,774,817
Liability for asset retirement obligation	-	-	-	281,295	-	-	-
Deferred rent liability	111,623	-	-	-	-	-	-
Total liabilities	15,241,169	-	15,991,719	7,606,108	8,094,956	5,358,481	6,042,161
Commitments and contingencies							
Net assets (deficit)							
Unrestricted	25,263,343	-	-	-	-	-	-
Members' equity	-	1,668,455	1,709,333	4,718,732	329,577	428,876	(93,786)
Temporarily restricted	4,744,876	-	-	-	-	-	-
Total net assets (deficit)	30,008,219	1,668,455	1,709,333	4,718,732	329,577	428,876	(93,786)
Total liabilities and net assets	\$ 45,249,388	\$ 1,668,455	\$ 17,701,052	\$ 12,324,840	\$ 8,424,533	\$ 5,787,357	\$ 5,948,375

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

ASSETS	70th Street Charter Facilities LLC	6900 8th Avenue Charter Facilities LLC	1918 Broadway Charter Financing LLC	113 South Rowan Charter Financing LLC	Alliance Community Impact LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools
	<i>(continued from the previous page)</i>							
Current assets								
Cash and cash equivalents	\$ 151,487	\$ 168,780	\$ -	\$ 87,445	\$ -	\$ 5,667,064	\$ -	\$ 5,667,064
Grants, contributions and pledges receivable, current portion	-	-	-	-	-	1,051,614	-	1,051,614
Related party receivable, current portion	-	-	-	-	-	1,032,979	-	1,032,979
Public funding receivables	-	-	-	-	-	594,763	-	594,763
Due from related parties	1,929	-	-	-	-	4,119,618	(68,596)	4,051,022
Related party note receivable, current portion	-	-	-	-	-	1,950,000	-	1,950,000
Assets limited as to use, current portion	-	-	16,989	-	-	9,035,585	-	9,035,585
Prepaid expenses	59,420	53,118	73,813	25,833	-	1,233,104	-	1,233,104
Total current assets	212,836	221,898	90,802	113,278	-	24,684,727	(68,596)	24,616,131
Grants, contributions and pledges receivable, net of current portion	-	-	-	-	-	840,486	-	840,486
Related party receivable, net of current portion	-	-	-	-	-	560,870	-	560,870
Related party note receivable	-	-	-	-	-	2,187,500	-	2,187,500
Note receivable	-	-	16,386,995	6,378,594	-	22,765,589	-	22,765,589
Deferred rent receivable	-	-	-	-	-	3,468,035	-	3,468,035
Assets limited as to use, net of current portion	-	185,313	1,177,583	-	-	5,492,283	-	5,492,283
Other long-term assets	-	-	-	-	-	76,648	-	76,648
Deferred financing costs	-	-	344,444	214,662	-	1,218,962	-	1,218,962
Investment in affiliates	-	-	-	-	-	11,945,671	(11,945,671)	-
Property and equipment, net	10,221,875	8,948,450	-	-	-	68,359,959	-	68,359,959
Total assets	\$ 10,434,711	\$ 9,355,661	\$ 17,999,824	\$ 6,706,534	\$ -	\$ 141,600,730	\$ (12,014,267)	\$ 129,586,463
	LIABILITIES AND NET ASSETS							
Liabilities								
Accounts payable and accrued expenses	\$ 50,893	\$ 49,020	\$ 46,639	\$ 417	\$ -	\$ 2,068,554	\$ -	\$ 2,068,554
Due to related parties	-	-	1,818	112,443	1,600	403,053	(68,596)	334,457
Deferred revenue	-	-	-	-	-	7,825,839	-	7,825,839
Related party note payable	-	-	-	-	-	5,300,000	-	5,300,000
Capital lease obligations, current portion	-	-	-	-	-	129,564	-	129,564
Long-term debt, current portion	47,409	-	-	148,325	-	530,185	-	530,185
Total current liabilities	98,302	49,020	48,457	261,185	1,600	16,257,195	(68,596)	16,188,599
Capital lease obligations, net of current portion	-	-	-	-	-	131,895	-	131,895
Long-term debt, net of current portion	10,406,902	9,463,822	15,012,675	5,970,283	-	82,864,832	-	82,864,832
Liability for asset retirement obligation	-	-	-	-	-	281,295	-	281,295
Deferred rent liability	-	-	-	-	-	111,623	-	111,623
Total liabilities	10,505,204	9,512,842	15,061,132	6,231,468	1,600	99,646,840	(68,596)	99,578,244
Commitments and contingencies								
Net assets (deficit)								
Unrestricted	-	-	-	-	-	25,263,343	-	25,263,343
Members' equity	(70,493)	(157,181)	2,938,692	475,066	(1,600)	11,945,671	(11,945,671)	-
Temporarily restricted	-	-	-	-	-	4,744,876	-	4,744,876
Total net assets (deficit)	(70,493)	(157,181)	2,938,692	475,066	(1,600)	41,953,890	(11,945,671)	30,008,219
Total liabilities and net assets	\$ 10,434,711	\$ 9,355,661	\$ 17,999,824	\$ 6,706,534	\$ -	\$ 141,600,730	\$ (12,014,267)	\$ 129,586,463

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Alliance for College-Ready Public Schools	Alliance Schools R.E. Holdings LLC	2071 HP Saturn LLC	5151 Titan LLC	10704 Wilmington LLC	9719 Main Street Charter Facilities LLC	10101 Broadway Charter Facilities LLC
	<i>(continued on the next page)</i>						
Revenue and support							
Private grants and contributions	\$ 5,756,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management fees	7,510,541	-	-	-	-	-	-
Federal revenue	2,182,915	-	-	-	-	-	-
State revenue	517,219	-	-	-	-	-	-
Rent income	12,790	-	1,217,036	919,576	575,570	662,333	888,001
Interest and other income	6,920,878	-	549	-	-	-	-
Investment gain in subsidiaries	960,488	-	-	-	-	-	-
Total revenue and support	23,861,516	-	1,217,585	919,576	575,570	662,333	888,001
Functional expenses							
Program services	10,056,697		978,660	594,678	555,525	351,850	451,563
Support services							
Management and general	13,234,259	71,891	144,529	91,022	77,879	64,600	76,023
Fundraising	593,285	-	-	-	-	-	-
Total functional expenses	23,884,241	71,891	1,123,189	685,700	633,404	416,450	527,586
Change in net assets	(22,725)	(71,891)	94,396	233,876	(57,834)	245,883	360,415
Member contributions	-	321	117,937	-	-	-	-
Member distributions	-	-	(150,000)	(300,000)	(328,456)	(251,872)	(914,772)
Net assets (deficit), beginning of year	30,030,944	1,740,025	1,647,000	4,784,856	715,867	434,865	460,571
Net assets, end of year	\$ 30,008,219	\$ 1,668,455	\$ 1,709,333	\$ 4,718,732	\$ 329,577	\$ 428,876	\$ (93,786)

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	70th Street Charter Facilities LLC	6900 8th Avenue Charter Facilities LLC	1918 Broadway Charter Financing LLC	113 South Rowan Charter Financing LLC	Alliance Community Impact LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools
<i>(continued from the previous page)</i>								
Revenue and support								
Private grants and contributions	\$ -	\$ -	\$ -	\$ 9,200	\$ -	\$ 5,765,885	\$ -	\$ 5,765,885
Management fees	-	-	-	-	-	7,510,541	-	7,510,541
Federal revenue	-	-	710,586	-	-	2,893,501	-	2,893,501
State revenue	-	-	-	-	-	517,219	-	517,219
Rent income	690,000	616,000	-	-	-	5,581,306	-	5,581,306
Interest and other income	-	185	885,856	179,112	-	7,986,580	-	7,986,580
Investment gain in subsidiaries	-	-	-	-	-	960,488	(960,488)	-
Total revenue and support	690,000	616,185	1,596,442	188,312	-	31,215,520	(960,488)	30,255,032
Functional expenses								
Program services	711,017	599,640	-	105,355	-	14,404,985	-	14,404,985
Support services								
Management and general	108,241	108,354	1,195,734	105,355	1,600	15,279,487	-	15,279,487
Fundraising	-	-	-	-	-	593,285	-	593,285
Total functional expenses	819,258	707,994	1,195,734	210,710	1,600	30,277,757	-	30,277,757
Change in net assets	(129,258)	(91,809)	400,708	(22,398)	(1,600)	937,763	(960,488)	(22,725)
Member contributions	-	-	56,151	497,464	-	671,873	(671,873)	-
Member distributions	-	-	-	-	-	(1,945,100)	1,945,100	-
Net assets (deficit), beginning of year	58,765	(65,372)	2,481,833	-	-	42,289,354	(12,258,410)	30,030,944
Net assets, end of year	\$ (70,493)	\$ (157,181)	\$ 2,938,692	\$ 475,066	\$ (1,600)	\$ 41,953,890	\$ (11,945,671)	\$ 30,008,219

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

	Alliance for College-Ready Public Schools Facilities Corporation	54th Street Lions LLC	11410 Avalon LLC	1918 Broadway Charter Facilities LLC	1610 S. Main Street Charter Facilities LLC	7907 Santa Fe Avenue Charter Facilities LLC	5886 Compton Avenue Charter Facilities LLC
<i>(continued on the next page)</i>							
ASSETS							
Current assets							
Cash and cash equivalents	\$ -	\$ 172,307	\$ 103,851	\$ 120,332	\$ 143,677	\$ 16	\$ -
Grants, contributions and pledges receivable, current portion	-	-	-	-	-	-	-
Related party receivable, current portion	-	-	-	-	-	-	-
Public funding receivables	-	-	-	-	-	-	-
Due from related parties	-	17,862	-	10,737	-	-	-
Assets limited as to use, current portion	-	675,291	331,378	159,437	306,358	8,180,541	4,627,678
Prepaid expenses	-	56,824	2,912	128,214	45,109	-	-
Total current assets	-	922,284	438,141	418,720	495,144	8,180,557	4,627,678
Assets limited as to use, net of current portion	-	1,309,909	562,639	524,517	561,161	450,842	-
Deferred rent receivable	-	-	-	1,735,157	25,347	-	-
Other long-term assets	-	-	-	8,100	-	-	-
Deferred financing costs	-	550,578	235,962	1,855,533	650,774	611,415	96,286
Investment in affiliates	13,731,569	-	-	-	-	-	-
Property and equipment, net	-	17,577,208	6,292,548	17,399,483	8,485,490	3,665,640	6,896,974
Total assets	\$ 13,731,569	\$ 20,359,979	\$ 7,529,290	\$ 21,941,510	\$ 10,217,916	\$ 12,908,454	\$ 11,620,938
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ 542,005	\$ 226,931	\$ 268,205	\$ 268,903	\$ 533,336	\$ 1,480,407
Due to related parties	-	-	213,154	154,173	-	31,357	296,453
Related party note payable	-	-	-	-	-	-	-
Long-term debt, current portion	-	143,500	61,500	-	115,100	-	-
Total current liabilities	-	685,505	501,585	422,378	384,003	564,693	1,776,860
Related party note payable, net of current portion	-	-	-	-	-	1,297,500	-
Long-term debt, net of current portion	-	15,062,094	6,455,898	21,253,864	8,912,325	10,750,000	7,580,000
Deferred rent liability	-	21,501	4,716	-	-	-	-
Total liabilities	-	15,769,100	6,962,199	21,676,242	9,296,328	12,612,193	9,356,860
Commitments and contingencies							
Net assets (deficit)							
Unrestricted	13,731,569	-	-	-	-	-	-
Members' equity	-	4,590,879	567,091	265,268	921,588	296,261	2,264,078
Temporarily restricted	-	-	-	-	-	-	-
Total net assets (deficit)	13,731,569	4,590,879	567,091	265,268	921,588	296,261	2,264,078
Total liabilities and net assets	\$ 13,731,569	\$ 20,359,979	\$ 7,529,290	\$ 21,941,510	\$ 10,217,916	\$ 12,908,454	\$ 11,620,938

The accompanying notes are an integral part of these financial statements.

ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2014

	1552 Rockwood Street Charter Facilities LLC	49th and Main Charter Facilities LLC	113 South Rowan Charter Facilities LLC	161 West 9th Street Charter Facilities LLC	2023 Union LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools Facilities Corporation
<i>(continued from the previous page)</i>								
ASSETS								
Current assets								
Cash and cash equivalents	\$ 576,882	\$ 155,141	\$ 426,642	\$ 70,968	\$ 320,850	\$ 2,090,666	\$ -	\$ 2,090,666
Grants, contributions and pledges receivable, current portion	-	-	-	-	-	-	-	-
Related party receivable, current portion	-	-	-	-	-	-	-	-
Public funding receivables	-	-	-	-	-	-	-	-
Due from related parties	-	-	75,792	-	-	104,391	-	104,391
Assets limited as to use, current portion	-	-	593,484	6,181,815	1,733,802	22,789,784	-	22,789,784
Prepaid expenses	-	-	-	-	3,910	236,969	-	236,969
Total current assets	576,882	155,141	1,095,918	6,252,783	2,058,562	25,221,810	-	25,221,810
Assets limited as to use, net of current portion	-	-	237,680	-	200,059	3,846,807	-	3,846,807
Deferred rent receivable	-	71,739	35,562	-	-	1,867,805	-	1,867,805
Other long-term assets	-	-	-	-	-	8,100	-	8,100
Deferred financing costs	177,748	18,698	665,392	767,716	639,699	6,269,801	-	6,269,801
Investment in affiliates	-	-	-	-	-	13,731,569	(13,731,569)	-
Property and equipment, net	3,185,572	5,499,392	10,729,903	5,583,111	13,404,732	98,720,053	-	98,720,053
Total assets	\$ 3,940,202	\$ 5,744,970	\$ 12,764,455	\$ 12,603,610	\$ 16,303,052	\$ 149,665,945	\$ (13,731,569)	\$ 135,934,376
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable and accrued expenses	\$ 23,313	\$ 1,467	\$ -	\$ 1,658,193	\$ 575,207	\$ 5,577,967	\$ -	\$ 5,577,967
Due to related parties	756,560	235,093	444,168	450,886	385,837	2,967,681	-	2,967,681
Related party note payable	-	-	150,000	12,979	-	162,979	-	162,979
Long-term debt, current portion	-	-	-	19,112	435,000	774,212	-	774,212
Total current liabilities	779,873	236,560	594,168	2,141,170	1,396,044	9,482,839	-	9,482,839
Related party note payable, net of current portion	-	-	-	890,000	-	2,187,500	-	2,187,500
Long-term debt, net of current portion	569,395	3,267,000	11,993,048	8,954,304	15,346,511	110,144,439	-	110,144,439
Deferred rent liability	-	-	-	-	361,812	388,029	-	388,029
Total liabilities	1,349,268	3,503,560	12,587,216	11,985,474	17,104,367	122,202,807	-	122,202,807
Commitments and contingencies								
Net assets (deficit)								
Unrestricted	-	-	-	-	-	13,731,569	-	13,731,569
Members' equity	2,590,934	2,241,410	177,239	618,136	(801,315)	13,731,569	(13,731,569)	-
Temporarily restricted	-	-	-	-	-	-	-	-
Total net assets (deficit)	2,590,934	2,241,410	177,239	618,136	(801,315)	27,463,138	(13,731,569)	13,731,569
Total liabilities and net assets	\$ 3,940,202	\$ 5,744,970	\$ 12,764,455	\$ 12,603,610	\$ 16,303,052	\$ 149,665,945	\$ (13,731,569)	\$ 135,934,376

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Alliance for College-Ready Public Schools Facilities Corporation	54th Street Lions LLC	11410 Avalon LLC	1918 Broadway Charter Facilities LLC	4610 S. Main Street Charter Facilities LLC	7907 Santa Fe Avenue Charter Facilities LLC	5886 Compton Avenue Charter Facilities LLC
							<i>(continued on the next page)</i>
Revenue and support							
Private grants and contributions	\$ 9,957,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-	431,628	-
Rent income	-	1,343,144	532,707	1,708,148	698,890	-	-
Interest and other income	-	-	-	80	-	689	5,415
Investment (loss) in subsidiaries	(1,783,009)	-	-	-	-	-	-
Total revenue and support	<u>8,174,243</u>	<u>1,343,144</u>	<u>532,707</u>	<u>1,708,228</u>	<u>698,890</u>	<u>432,317</u>	<u>5,415</u>
Functional expenses							
Program services		1,288,698	509,781	2,088,007	582,398	486,663	76,917
Support services							
Management and general	6,485,706	213,815	89,570	277,117	121,172	164,736	50,936
Total functional expenses	<u>6,485,706</u>	<u>1,502,513</u>	<u>599,351</u>	<u>2,365,124</u>	<u>703,570</u>	<u>651,399</u>	<u>127,853</u>
Change in net assets	1,688,537	(159,369)	(66,644)	(656,896)	(4,680)	(219,082)	(122,438)
Member contributions	-	-	-	438,732	100,000	-	47,950
Member distributions	-	(150,000)	-	-	-	(2,033,530)	(47,950)
Net assets, beginning of year	12,043,032	4,900,248	633,735	483,432	826,268	2,548,873	2,386,516
Net assets (deficit), end of year	<u>\$ 13,731,569</u>	<u>\$ 4,590,879</u>	<u>\$ 567,091</u>	<u>\$ 265,268</u>	<u>\$ 921,588</u>	<u>\$ 296,261</u>	<u>\$ 2,264,078</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION
AND SUBSIDIARIES
(A NONPROFIT ORGANIZATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	1552 Rockwood Street Charter Facilities LLC	49th and Main Charter Facilities LLC	113 South Rowan Charter Facilities LLC	461 West 9th Street Charter Facilities LLC	2023 Union LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools Facilities Corporation
	<i>(continued from the previous page)</i>							
Revenue and support								
Private grants and contributions	\$ -	\$ -	\$ 167,193	\$ -	\$ -	\$ 10,124,445	\$ -	\$ 10,124,445
Federal revenue	-	-	-	-	-	431,628	-	431,628
Rent income	446	236,739	333,062	70,968	1,236,600	6,160,704	-	6,160,704
Interest and other income	-	-	956	23	618	7,781	-	7,781
Investment (loss) in subsidiaries	-	-	-	-	-	(1,783,009)	1,783,009	-
Total revenue and support	446	236,739	501,211	70,991	1,237,218	14,941,549	1,783,009	16,724,558
Functional expenses								
Program services	29,755	155,841	270,930	5,133	1,389,953	6,884,076	-	6,884,076
Support services								
Management and general	5,842	71,909	272,180	4,411	394,551	8,151,945	-	8,151,945
Total functional expenses	35,597	227,750	543,110	9,544	1,784,504	15,036,021	-	15,036,021
Change in net assets	(35,151)	8,989	(41,899)	61,447	(547,286)	(94,472)	1,783,009	1,688,537
Member contributions	2,462,125	2,132,922	746,628	556,689	6,716,400	13,201,446	(13,201,446)	-
Member distributions	-	(501)	(527,490)	-	(10,487,350)	(13,246,821)	13,246,821	-
Net assets, beginning of year	163,960	100,000	-	-	3,516,921	27,602,985	(15,559,953)	12,043,032
Net assets (deficit), end of year	\$ 2,590,934	\$ 2,241,410	\$ 177,239	\$ 618,136	\$ (801,315)	\$ 27,463,138	\$ (13,731,569)	\$ 13,731,569

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

	Consolidated Alliance for College-Ready Public Schools	Consolidated Alliance for College-Ready Public Schools Facilities Corporation	Alliance Gertz- Ressler / Richard Merkin 6-12 Complex	Alliance Collins Family College-Ready Academy High School	Alliance Judy Ivie Burton Technology Academy High School	Alliance Marc and Eva Stern Math and Science School	Alliance Dr. Olga Mohan High School	Alliance Patti and Peter Neuwirth Leadership Academy	Alliance Ouchi - O'Donovan 6-12 Complex	Alliance Health Services Academy High School	Alliance Media Arts and Entertainment Design High School	Alliance Environmental Science and Technology High School	Alliance Cindy and Bill Simon Technology High School	Alliance Tennenbaum Family Technology High School
<i>(continued on the next page)</i>														
ASSETS														
Current assets														
Cash and cash equivalents	\$ 5,667,064	\$ 2,090,666	\$ 4,163,599	\$ 2,555,607	\$ 3,240,364	\$ 3,062,581	\$ 2,725,531	\$ 1,157,651	\$ 4,198,477	\$ 1,213,674	\$ 747,981	\$ 1,021,345	\$ 473,021	\$ 547,214
Grants, contributions and pledges receivable, current portion	1,051,614	-	-	-	-	-	-	-	-	-	-	-	-	-
Related party receivable	1,032,979	-	-	-	-	-	-	-	-	-	-	-	-	-
Public funding receivables	594,763	-	2,536,221	1,201,157	1,113,566	1,141,731	788,318	1,325,545	2,947,687	868,238	553,166	947,644	970,741	461,577
Due from related parties	4,051,022	104,391	367,551	-	225,691	9,546	28,813	14,250	89,848	735	43,531	35,757	-	5,999
Related party note receivable, current portion	1,950,000	-	-	2,500,000	-	-	-	-	2,500,000	-	-	-	-	-
Assets limited to use, current portion	9,035,585	22,789,784	-	-	-	-	-	-	-	100,059	-	-	-	-
Prepaid expenses	1,233,104	236,969	43,005	23,438	42,623	21,989	33,918	93,706	52,629	13,227	22,895	66,297	12,968	70,893
Total current assets	24,616,131	25,221,810	7,110,376	6,280,202	4,622,244	4,235,847	3,576,580	2,591,152	9,788,641	2,195,933	1,367,573	2,071,043	1,456,730	1,085,683
Grants, contributions and pledges receivable, net of current portion	840,486	-	-	-	-	-	-	-	-	-	-	-	-	-
Related party, net of current portion	560,870	-	-	-	-	-	-	-	-	-	-	-	-	-
Related party note receivable	2,187,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Note receivable	22,765,589	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred rent receivable	3,468,035	1,867,805	358,821	-	-	-	-	-	21,501	-	-	-	-	-
Assets limited as to use, net of current portion	5,492,283	3,846,807	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	76,648	8,100	3,000	-	-	-	-	7,200	-	54,167	-	-	11,950	-
Deferred financing costs	1,218,962	6,269,801	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	68,359,959	98,720,053	1,001,382	514,568	584,851	693,439	483,604	763,164	1,220,348	336,585	448,911	493,089	520,435	558,036
Total assets	\$ 129,586,463	\$ 135,934,376	\$ 8,473,579	\$ 6,794,770	\$ 5,207,095	\$ 4,929,286	\$ 4,060,184	\$ 3,361,516	\$ 11,030,490	\$ 2,586,685	\$ 1,816,484	\$ 2,564,132	\$ 1,989,115	\$ 1,643,719
LIABILITIES AND NET ASSETS														
Liabilities														
Accounts payable and accrued expenses	\$ 2,068,554	\$ 5,577,967	\$ 611,549	\$ 209,020	\$ 176,683	\$ 195,592	\$ 476,672	\$ 236,189	\$ 654,769	\$ 126,331	\$ 296,885	\$ 361,712	\$ 208,637	\$ 101,212
Due to related parties	334,457	2,967,681	54,896	12,891	329,513	100,806	-	116,307	490,882	4,886	182	36,296	101,202	10,920
Deferred revenue	7,825,839	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to beneficiary	-	-	3,000	-	-	-	-	-	-	-	-	-	-	-
Related party note payable, current portion	5,300,000	162,979	-	-	-	-	-	750,000	-	-	-	-	-	-
Capital lease obligations, current portion	129,564	-	252,658	127,140	118,064	181,674	124,089	143,423	253,426	103,504	66,256	115,236	114,353	106,642
Long-term debt, current portion	530,185	774,212	-	-	-	20,000	-	-	-	20,000	20,000	20,000	-	-
Total current liabilities	16,188,599	9,482,839	922,103	349,051	624,260	498,072	600,761	1,245,919	1,399,077	254,721	383,323	533,244	424,192	218,774
Capital lease obligations, net of current portion	131,895	-	257,205	129,429	120,189	184,944	126,322	146,005	257,987	105,367	67,449	117,310	116,411	108,562
Long-term related party note payable	-	2,187,500	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt, net of current portion	82,864,832	110,144,439	-	-	-	-	-	-	-	-	-	-	-	-
Liability for asset retirement obligation	281,295	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred rent liabilities	111,623	388,029	-	934,465	226,131	929,491	-	25,347	-	-	35,562	-	678,421	-
Total liabilities	99,578,244	122,202,807	1,179,308	1,412,945	970,580	1,612,507	727,083	1,417,271	1,657,064	360,088	486,334	650,554	1,219,024	327,336
Commitments and contingencies														
Net assets (deficit)														
Unrestricted (deficit)	25,263,343	13,731,569	7,243,794	5,381,825	4,233,490	3,300,706	3,333,101	1,941,911	9,183,534	2,083,774	1,330,150	1,913,578	757,814	1,315,933
Temporarily restricted	4,744,876	-	50,477	-	3,025	16,073	-	2,334	189,892	142,823	-	-	12,277	450
Total net assets (deficit)	30,008,219	13,731,569	7,294,271	5,381,825	4,236,515	3,316,779	3,333,101	1,944,245	9,373,426	2,226,597	1,330,150	1,913,578	770,091	1,316,383
Total liabilities and net assets	\$ 129,586,463	\$ 135,934,376	\$ 8,473,579	\$ 6,794,770	\$ 5,207,095	\$ 4,929,286	\$ 4,060,184	\$ 3,361,516	\$ 11,030,490	\$ 2,586,685	\$ 1,816,484	\$ 2,564,132	\$ 1,989,115	\$ 1,643,719

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

	Alliance Susan and Eric Smidt Technology High School	Alliance College-Ready Academy High School No. 16	Alliance Renee and Meyer Luskin Academy High School	Alliance Margaret M. Bloomfield Technology Academy High School	Alliance Alice M. Baxter College-Ready High School	Alliance Jack H. Skirball Middle School	Alliance College-Ready Middle Academy No. 4	Alliance College-Ready Middle Academy No. 5	Alliance College-Ready Middle Academy No. 7	Alliance College-Ready Middle Academy No. 8	Alliance College-Ready Middle Academy No. 9	Alliance College-Ready Middle Academy No. 10	Alliance College-Ready Middle Academy No. 12	Eliminating Entries	Combined Total
<i>(continued from the previous page)</i>															
ASSETS															
Current assets															
Cash and cash equivalents	\$ 710,853	\$ 354,440	\$ 458,374	\$ 394,590	\$ 153,573	\$ 1,367,580	\$ 2,652,733	\$ 340,060	\$ 816,573	\$ 237,252	\$ 225,878	\$ 232,227	\$ 328,910	\$ -	\$ 41,137,818
Grants, contributions and pledges receivable, current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,051,614
Related party receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	(162,979)	870,000
Public funding receivables	548,527	449,999	868,259	74,375	64,541	690,043	780,131	744,945	749,735	53,708	115,118	-	472,362	-	21,062,097
Due from related parties	-	-	-	-	117,747	-	167,005	-	-	-	-	-	66,745	(5,328,631)	-
Related party note receivable, current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,950,000)	-
Assets limited to use, current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,925,428
Prepaid expenses	10,625	8,718	27,696	-	2,500	50,606	126,872	24,091	97,649	150	-	-	17,205	-	2,333,773
Total current assets	1,270,005	813,157	1,354,329	468,965	338,361	2,108,229	3,726,741	1,109,096	1,663,957	291,110	340,996	232,227	885,222	(12,441,610)	98,380,730
Grants, contributions and pledges receivable, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	840,486
Related party, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	560,870
Related party note receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,187,500)	-
Note receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,765,589
Deferred rent receivable	-	-	-	-	-	4,716	-	-	-	-	-	-	-	(5,027,908)	692,970
Assets limited as to use, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,339,090
Other long-term assets	-	-	-	49,874	162,708	600	9,050	-	-	39,488	57,172	-	2,700	-	482,657
Deferred financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	(964,991)	6,523,772
Property and equipment, net	460,483	249,362	436,785	149,002	166,043	631,378	357,964	611,449	476,010	141,360	149,824	-	360,988	-	178,889,072
Total assets	\$ 1,730,488	\$ 1,062,519	\$ 1,791,114	\$ 667,841	\$ 667,112	\$ 2,744,923	\$ 4,093,755	\$ 1,720,545	\$ 2,139,967	\$ 471,958	\$ 547,992	\$ 232,227	\$ 1,248,910	\$ (20,622,009)	\$ 318,475,236
LIABILITIES AND NET ASSETS															
Liabilities															
Accounts payable and accrued expenses	\$ 71,476	\$ 124,912	\$ 137,898	\$ 46,693	\$ 55,316	\$ 213,262	\$ 212,133	\$ 104,348	\$ 216,258	\$ 41,890	\$ 35,272	\$ -	\$ 126,563	\$ -	\$ 12,687,793
Due to related parties	67,275	10,982	63,127	113,759	-	29,922	214,371	80,884	52,160	69,248	64,759	1,225	-	(5,328,631)	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,825,839
Due to beneficiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Related party note payable, current portion	-	-	500,000	-	250,000	-	-	300,000	-	-	-	-	150,000	(7,112,979)	300,000
Capital lease obligations, current portion	-	87,008	109,360	28,935	36,562	119,860	133,178	104,045	126,523	28,851	32,471	-	71,863	-	2,714,685
Long-term debt, current portion	-	-	-	-	-	20,000	20,000	20,000	-	-	-	-	-	-	1,444,397
Total current liabilities	138,751	222,902	810,385	189,387	341,878	383,044	579,682	609,277	394,941	139,989	132,502	1,225	348,426	(12,441,610)	24,975,714
Capital lease obligations, net of current portion	-	88,574	111,328	29,456	37,220	122,018	135,575	105,918	128,801	29,370	33,055	-	73,156	-	2,763,546
Long-term related party note payable	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,187,500)	-
Long-term debt, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	193,009,271
Liability for asset retirement obligation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	281,295
Deferred rent liabilities	1,416,706	-	-	-	-	-	47,634	318,451	-	-	-	-	71,739	(5,027,908)	155,691
Total liabilities	1,555,457	311,476	921,713	218,843	379,098	505,062	762,891	1,033,646	523,742	169,359	165,557	1,225	493,321	(19,657,018)	221,185,517
Commitments and contingencies															
Net assets (deficit)															
Unrestricted (deficit)	175,031	751,043	633,401	6,096	(68,826)	2,239,861	3,327,987	598,389	1,616,225	2,577	50,554	(18,998)	278,848	(964,991)	89,641,719
Temporarily restricted	-	-	236,000	442,902	356,840	-	2,877	88,510	-	300,022	331,881	250,000	476,741	-	7,648,000
Total net assets (deficit)	175,031	751,043	869,401	448,998	288,014	2,239,861	3,330,864	686,899	1,616,225	302,599	382,435	231,002	755,589	(964,991)	97,289,719
Total liabilities and net assets	\$ 1,730,488	\$ 1,062,519	\$ 1,791,114	\$ 667,841	\$ 667,112	\$ 2,744,923	\$ 4,093,755	\$ 1,720,545	\$ 2,139,967	\$ 471,958	\$ 547,992	\$ 232,227	\$ 1,248,910	\$ (20,622,009)	\$ 318,475,236

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Consolidated Alliance for College-Ready Public Schools	Consolidated Alliance for College-Ready Facilities Corporation	Alliance Gertz-Ressler High School / Richard Merkin 6-12 Complex	Alliance Collins Family College-Ready Academy High School	Alliance Judy Ivie Burton Technology Academy High School
					<i>(continued on the next page)</i>
Revenue and support					
Private grants and contributions	\$ 5,765,885	\$ 10,124,445	\$ 101,975	\$ 53,876	\$ 49,794
Management fees	7,510,541	-	-	-	-
Federal revenue	2,893,501	431,628	1,325,265	645,673	681,859
State revenue	517,219	-	7,194,381	4,559,394	4,642,409
Local revenues	-	-	1,713,553	1,051,644	989,097
Rent income	5,581,306	6,160,704	-	-	-
Other school revenues	-	-	62,680	55,321	56,522
Interest and other income	7,986,580	7,781	60,660	42,397	136,283
	<u>30,255,032</u>	<u>16,724,558</u>	<u>10,458,514</u>	<u>6,408,305</u>	<u>6,555,964</u>
Total revenue and support					
Functional expenses					
Program services	14,404,985	6,884,076	7,426,021	4,974,703	5,243,424
Support services					
Management and general	15,279,487	8,151,945	1,434,640	609,277	698,339
Fundraising	593,285	-	-	-	-
	<u>30,277,757</u>	<u>15,036,021</u>	<u>8,860,661</u>	<u>5,583,980</u>	<u>5,941,763</u>
Total functional expenses					
Change in net assets	(22,725)	1,688,537	1,597,853	824,325	614,201
Net assets (deficit), beginning of year	<u>30,030,944</u>	<u>12,043,032</u>	<u>5,696,418</u>	<u>4,557,500</u>	<u>3,622,314</u>
Net assets (deficit)end of year	<u>\$ 30,008,219</u>	<u>\$ 13,731,569</u>	<u>\$ 7,294,271</u>	<u>\$ 5,381,825</u>	<u>\$ 4,236,515</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Alliance Marc and Eve Stern Math and Science School	Alliance Dr. Olga Mohan High School	Alliance Patti and Peter Neuwirth Leadership Academy	Alliance Ouchi – O'Donovan 6-12 Complex	Alliance Health Services Academy High School	Alliance Media Arts and Entertainment Design High School
	<i>(continued on the next page)</i>					
Revenue and support						
Private grants and contributions	\$ 94,413	\$ 53,293	\$ 102,178	\$ 135,877	\$ 138,737	\$ 10,340
Management fees	-	-	-	-	-	-
Federal revenue	545,264	518,812	846,144	1,209,357	518,672	388,868
State revenue	4,574,340	3,049,390	5,297,466	7,651,332	3,153,817	2,306,420
Local revenues	1,051,505	778,215	1,087,245	1,745,142	809,440	521,105
Rent income	-	-	-	-	-	-
Other school revenues	77,320	51,512	57,873	77,957	44,005	52,381
Interest and other income	36,300	24,962	21,360	94,381	15,331	14,869
Total revenue and support	<u>6,379,142</u>	<u>4,476,184</u>	<u>7,412,266</u>	<u>10,914,046</u>	<u>4,680,002</u>	<u>3,293,983</u>
Functional expenses						
Program services	4,981,801	3,685,795	6,449,972	8,060,778	3,454,153	2,706,422
Support services						
Management and general	625,589	304,471	918,859	1,050,255	453,883	408,508
Fundraising	-	-	-	-	-	-
Total functional expenses	<u>5,607,390</u>	<u>3,990,266</u>	<u>7,368,831</u>	<u>9,111,033</u>	<u>3,908,036</u>	<u>3,114,930</u>
Change in net assets	771,752	485,918	43,435	1,803,013	771,966	179,053
Net assets (deficit), beginning of year	<u>2,545,027</u>	<u>2,847,183</u>	<u>1,900,810</u>	<u>7,570,413</u>	<u>1,454,631</u>	<u>1,151,097</u>
Net assets (deficit)end of year	<u>\$ 3,316,779</u>	<u>\$ 3,333,101</u>	<u>\$ 1,944,245</u>	<u>\$ 9,373,426</u>	<u>\$ 2,226,597</u>	<u>\$ 1,330,150</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Alliance Environmental Science and Technology High School	Alliance Cindy and Bill Simon Technology High School	Alliance Tennenbaum Family Technology High School	Alliance Susan and Eric Smidt Technology High School	Alliance College-Ready Academy High School No. 16	Alliance Renee and Meyer Luskin Academy High School
	<i>(continued on the next page)</i>					
Revenue and support						
Private grants and contributions	\$ 67,918	\$ 36,000	\$ 7,399	\$ 710,232	\$ 15,002	\$ 53,876
Management fees	-	-	-	-	-	-
Federal revenue	620,052	503,936	203,066	647,462	497,618	883,384
State revenue	3,904,263	3,985,315	2,481,942	2,159,931	1,734,695	3,595,138
Local revenues	910,819	806,183	657,534	407,228	423,602	768,947
Rent income	-	-	-	-	-	-
Other school revenues	71,991	44,359	4,928	3,064	3,657	15,982
Interest and other income	38,592	16,128	8,104	6,976	8,297	28,484
Total revenue and support	<u>5,613,635</u>	<u>5,391,921</u>	<u>3,362,973</u>	<u>3,934,893</u>	<u>2,682,871</u>	<u>5,345,811</u>
Functional expenses						
Program services	4,311,362	4,387,621	2,551,639	2,995,489	2,107,596	3,593,839
Support services						
Management and general	598,188	558,914	419,505	351,232	268,148	1,014,134
Fundraising	-	-	-	-	-	-
Total functional expenses	<u>4,909,550</u>	<u>4,946,535</u>	<u>2,971,144</u>	<u>3,346,721</u>	<u>2,375,744</u>	<u>4,607,973</u>
Change in net assets	704,085	445,386	391,829	588,172	307,127	737,838
Net assets (deficit), beginning of year	<u>1,209,493</u>	<u>324,705</u>	<u>924,554</u>	<u>(413,141)</u>	<u>443,916</u>	<u>131,563</u>
Net assets (deficit)end of year	<u>\$ 1,913,578</u>	<u>\$ 770,091</u>	<u>\$ 1,316,383</u>	<u>\$ 175,031</u>	<u>\$ 751,043</u>	<u>\$ 869,401</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Alliance Margaret M. Bloomfield Technology Academy High School	Alliance Alice M. Baxter College-Ready High School	Alliance Jack H. Skirball Middle School	Alliance College-Ready Middle Academy No. 4	Alliance College-Ready Middle Academy No. 5	Alliance College-Ready Middle Academy No. 7
						<i>(continued on the next page)</i>
Revenue and support						
Private grants and contributions	\$ 250,000	\$ 402,500	\$ 73,879	\$ 45,342	\$ 18,139	\$ 20,681
Management fees	-	-	-	-	-	-
Federal revenue	74,524	65,145	565,968	531,301	340,513	489,628
State revenue	-	-	3,002,859	3,288,754	2,716,307	3,074,838
Local revenues	-	-	759,038	827,754	604,322	763,423
Rent income	-	-	-	-	-	-
Other school revenues	-	-	836	11,355	17,586	3,647
Interest and other income	1,706	3	7,060	6,775	15,449	18,182
Total revenue and support	<u>326,230</u>	<u>467,648</u>	<u>4,409,640</u>	<u>4,711,281</u>	<u>3,712,316</u>	<u>4,370,399</u>
Functional expenses						
Program services	72,101	118,376	3,653,186	3,377,874	3,543,550	3,413,677
Support services						
Management and general	33,213	60,388	508,086	512,157	345,085	532,578
Fundraising	-	-	-	-	-	-
Total functional expenses	<u>105,314</u>	<u>178,764</u>	<u>4,161,272</u>	<u>3,890,031</u>	<u>3,888,635</u>	<u>3,946,255</u>
Change in net assets	220,916	288,884	248,368	821,250	(176,319)	424,144
Net assets (deficit), beginning of year	<u>228,082</u>	<u>(870)</u>	<u>1,991,493</u>	<u>2,509,614</u>	<u>863,218</u>	<u>1,192,081</u>
Net assets (deficit)end of year	<u>\$ 448,998</u>	<u>\$ 288,014</u>	<u>\$ 2,239,861</u>	<u>\$ 3,330,864</u>	<u>\$ 686,899</u>	<u>\$ 1,616,225</u>

The accompanying notes are an integral part of these financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
(A NONPROFIT ORGANIZATION)
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

	Alliance College-Ready Middle Academy No. 8	Alliance College-Ready Middle Academy No. 9	Alliance College-Ready Middle Academy No. 10	Alliance College-Ready Middle Academy No. 12	Eliminating Entries	Combined Total
	<i>(continued from the previous page)</i>					
Revenue and support						
Private grants and contributions	\$ 125,000	\$ 375,000	\$ 250,000	\$ 548,000	\$ (11,675,918)	\$ 7,953,863
Management fees	-	-	-	-	(7,465,924)	44,617
Federal revenue	53,708	115,118	-	371,555	-	15,968,021
State revenue	-	-	-	991,140	-	73,881,350
Local revenues	-	-	-	190,669	-	16,866,465
Rent income	-	-	-	-	(11,220,315)	521,695
Other school revenues	45	-	-	1,445	-	714,466
Interest and other income	108	3,847	2	10,982	(6,943,094)	1,668,505
	<u>178,861</u>	<u>493,965</u>	<u>250,002</u>	<u>2,113,791</u>	<u>(37,305,251)</u>	<u>117,618,982</u>
Total revenue and support						
Functional expenses						
Program services	66,262	83,324	17,501	1,155,192	(19,767,238)	83,953,481
Support services						
Management and general	42,500	28,206	1,499	209,882	(17,066,178)	18,352,790
Fundraising	-	-	-	-	(109,743)	483,542
	<u>108,762</u>	<u>111,530</u>	<u>19,000</u>	<u>1,365,074</u>	<u>(36,943,159)</u>	<u>102,789,813</u>
Total functional expenses						
Change in net assets	70,099	382,435	231,002	748,717	(362,092)	14,829,169
Net assets (deficit), beginning of year	<u>232,500</u>	<u>-</u>	<u>-</u>	<u>6,872</u>	<u>(602,899)</u>	<u>82,460,550</u>
Net assets (deficit)end of year	<u>\$ 302,599</u>	<u>\$ 382,435</u>	<u>\$ 231,002</u>	<u>\$ 755,589</u>	<u>\$ (964,991)</u>	<u>\$ 97,289,719</u>

The accompanying notes are an integral part of these financial statements.