

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



**COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2018  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)**

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES**  
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**June 30, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Alliance for College-Ready Public Schools

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Alliance for College-Ready Public Schools and affiliates (“Alliance”), which comprise the combined statement of financial position as of June 30, 2018, 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 (collectively, the “financial statements”).

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

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Alliance’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alliance’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 financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Alliance for College-Ready Public Schools and its affiliates as of June 30, 2018, and the changes in their combined net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Alliance's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Singer Lewak LLP*

December 13, 2018

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINED STATEMENTS OF FINANCIAL POSITION  
June 30, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 73,614,105	\$ 73,463,840
Promises to give and grants receivable, current portion	1,860,400	1,399,910
Related party receivable, current portion	316,440	333,333
Public funding receivables	16,469,717	12,273,235
Notes receivable, current portion	15,012,675	-
Assets limited as to use, current portion	22,079,112	48,844,576
Prepaid expenses and other current assets	3,494,939	2,218,196
	132,847,388	138,533,090
<b>Noncurrent assets</b>		
Promises to give and grants receivable, net of current portion	1,176,250	1,070,500
Notes receivable, noncurrent portion	7,816,073	22,885,256
Deferred rent receivable	866,450	834,483
Assets limited as to use, noncurrent portion	37,729,085	39,276,507
Other noncurrent assets	268,163	339,046
Property and equipment, net	252,016,860	243,439,618
	299,872,881	307,845,410
	<b>\$ 432,720,269</b>	<b>\$ 446,378,500</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 13,730,326	\$ 12,926,461
Deferred revenue	-	235,448
Debt, current portion	36,162,352	5,268,033
	49,892,678	18,429,942
<b>Long-term liabilities</b>		
Debt, net	244,893,279	291,282,894
Liability for asset retirement obligation	342,463	326,248
Deferred rent liability	158,752	179,331
	245,394,494	291,788,473
	<b>295,287,172</b>	<b>310,218,415</b>
<b>Net assets</b>		
Unrestricted	128,947,535	124,566,702
Temporarily restricted	8,485,562	11,593,383
	137,433,097	136,160,085
	<b>\$ 432,720,269</b>	<b>\$ 446,378,500</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINED STATEMENTS OF ACTIVITIES  
Year Ended June 30, 2018  
(Summarized Totals for the Year Ended June 30, 2017)**

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
<b>Revenue and support</b>				
Federal revenue	\$ 18,290,871	\$ -	\$ 18,290,871	\$ 19,210,834
State revenue	127,508,667	150,683	127,659,350	124,434,130
Local revenues	30,492,262	-	30,492,262	25,708,157
Private grants and contributions	7,466,321	2,428,647	9,894,968	4,454,853
Rental income	466,056	-	466,056	469,805
Other school revenues	913,864	-	913,864	939,575
Interest and other income	2,690,631	-	2,690,631	2,901,365
Net assets released from restrictions	5,687,151	(5,687,151)	-	-
<b>Total revenue and support</b>	<u>193,515,823</u>	<u>(3,107,821)</u>	<u>190,408,002</u>	<u>178,118,719</u>
<b>Expenses</b>				
Program services	174,778,631	-	174,778,631	164,706,985
Support services				
General and administrative	13,063,790	-	13,063,790	10,437,249
Fundraising	1,292,569	-	1,292,569	1,136,760
<b>Total expenses</b>	<u>189,134,990</u>	<u>-</u>	<u>189,134,990</u>	<u>176,280,994</u>
<b>Change in net assets</b>	4,380,833	(3,107,821)	1,273,012	1,837,725
<b>Net assets, beginning of year</b>	<u>124,566,702</u>	<u>11,593,383</u>	<u>136,160,085</u>	<u>134,322,360</u>
<b>Net assets, end of year</b>	<u><b>\$ 128,947,535</b></u>	<u><b>\$ 8,485,562</b></u>	<u><b>\$ 137,433,097</b></u>	<u><b>\$ 136,160,085</b></u>

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

# ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS AND SCHOOL AFFILIATES

## COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

(Summarized Totals for the Year Ended June 30, 2017)

	Program Services	Support Services		2018 Total	2017 Total
		General and Administrative	Fundraising		
<b>Salaries and services</b>					
Salaries	\$ 82,800,130	\$ 5,083,666	\$ 649,097	\$ 88,532,893	\$ 82,812,678
Benefits and payroll taxes	23,947,985	1,235,165	129,520	25,312,670	19,559,650
Total salaries and benefits	106,748,115	6,318,831	778,617	113,845,563	102,372,328
<b>Other expenses</b>					
Books and supplies	14,626,265	96,619	4,171	14,727,055	16,929,980
Depreciation and amortization	9,122,564	164,380	-	9,286,944	9,385,469
Facilities, repairs and other leases	4,839,292	933,416	140,025	5,912,733	6,013,306
Interest	13,194,501	1,555	-	13,196,056	12,989,644
Operations and housekeeping	8,814,803	1,647,229	100,764	10,562,796	10,573,645
Professional and consulting services	7,776,547	3,841,230	268,992	11,886,769	12,698,467
Pupil services	9,656,544	60,530	-	9,717,074	5,318,155
Total other expenses	68,030,516	6,744,959	513,952	75,289,427	73,908,666
<b>Total expenses</b>	<b>\$ 174,778,631</b>	<b>\$ 13,063,790</b>	<b>\$ 1,292,569</b>	<b>\$ 189,134,990</b>	<b>\$ 176,280,994</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINED STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2018 and 2017**

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,273,012	\$ 1,837,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,233,883	8,688,035
Amortization of deferred financing costs and bond discount/premium costs	1,053,061	697,434
Accretion expense	16,215	15,447
Loss/(gain) on building improvements abandonment	249,207	(1,025,766)
Amount added to principal	496,824	96,130
Decrease (increase) in:		
Promises to give and grants receivable	(566,240)	1,159,000
Related party receivable	16,893	341,780
Public funding receivables	(4,196,482)	2,481,732
Prepaid expenses and other current assets	(1,276,743)	764,323
Deferred rent receivable	(31,967)	(37,127)
Other noncurrent assets	70,883	(6,083)
Increase (decrease) in:		
Accounts payable and accrued expenses	803,865	607,007
Deferred revenue	(235,448)	(1,787,702)
Deferred rent liability	(20,579)	(8,807)
Net cash provided by operating activities	5,886,384	13,823,128
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(17,242,180)	(31,305,152)
Proceeds from sale of property and equipment	181,847	6,237,600
Proceeds from notes receivable	56,508	50,333
Net cash used in investing activities	(17,003,825)	(25,017,219)
<b>Cash flows from financing activities</b>		
Transfers (to)/from assets limited as to use	28,312,886	(47,350,922)
Principal payments on debt	(17,045,180)	(15,564,978)
Proceeds from issuance of debt	-	89,144,945
Net cash provided by financing activities	11,267,706	26,229,045
<b>Net increase in cash and cash equivalents</b>	150,265	15,034,954
<b>Cash and cash equivalents, beginning of year</b>	73,463,840	58,428,886
<b>Cash and cash equivalents, end of year</b>	<b>\$ 73,614,105</b>	<b>\$ 73,463,840</b>
<b>Supplemental schedule of noncash financing activities</b>		
Deferred financing costs acquired through issuance of debt	\$ -	\$ 1,901,011
<b>Schedule of supplemental cash flow information</b>		
Cash paid for interest	<b>\$ 6,633,018</b>	<b>\$ 12,500,670</b>

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



**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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**NOTE 1 – ORGANIZATION**

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

The mission of Alliance is to open and operate a network of small, high-performing high schools and middle schools in low income communities in California with historically under-performing schools that will annually demonstrate student academic achievement growth, and graduate students ready for success 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. Alliance’s goal is to open high schools of 500 to 600 students and 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, 2018, there were 18 high schools and 10 middle schools in operation.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Summarized Comparative Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Alliance’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

# ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS AND SCHOOL AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 2018 and 2017

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## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Principles of Consolidation

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

1. Alliance for College-Ready Public Schools
2. Alliance Schools R.E. Holdings LLC
3. 1918 Broadway Charter Financing LLC
4. 113 S. Rowan Charter Financing LLC
5. Alliance Community Impact LLC

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

1. Alliance for College-Ready Public Schools Facilities Corporation
2. 54th Street Lions LLC
3. 5151 Titan LLC
4. 11410 Avalon LLC
5. 1918 Broadway Charter Facilities LLC
6. 4610 S. Main Street Charter Facilities LLC
7. 7907 Santa Fe Avenue Charter Facilities LLC
8. 5886 Compton Avenue Charter Facilities LLC
9. 1552 Rockwood Street Charter Facilities LLC
10. 49th And Main Charter Facilities LLC
11. 113 S. Rowan Charter Facilities LLC
12. 461 W. 9th Street Charter Facilities LLC
13. 2023 Union LLC
14. 11933 Allegheny Charter Facilities LLC
15. 1111 W. Manchester Charter Facilities LLC
16. 2071 HP Saturn LLC
17. 10704 Wilmington LLC
18. 9719 Main Street Charter Facilities LLC
19. 10101 Broadway Charter Facilities LLC
20. 70<sup>th</sup> Street Charter Facilities LLC
21. 3640 East 1<sup>st</sup> Street Charter Facilities LLC

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Principles of Combination

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

1. Alliance Gertz-Ressler High School/ Richard Merkin 6–12 Complex
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
7. Alliance Ouchi – O’Donovan 6–12 Complex
8. Alliance Piera Barbaglia Shaheen Health Services Academy
9. Alliance Morgan McKinzie High School
10. Alliance Leichtman-Levine Family Foundation Environmental Science High School
11. Alliance Cindy and Bill Simon Technology Academy High School
12. Alliance Tennenbaum Family Technology High School
13. Alliance Susan and Eric Smidt Technology High School
14. Alliance Ted K. Tajima High School
15. Alliance Renee and Meyer Luskin Academy High School
16. Alliance Margaret M. Bloomfield Technology Academy High School
17. Alliance Alice M. Baxter College-Ready High School
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. 8
22. Alliance Kory Hunter Middle School
23. Alliance Virgil Roberts Leadership Academy, formally known as, Alliance Leadership Middle Academy
24. Alliance College-Ready Middle Academy No. 12
25. Alliance Marine – Innovation and Technology 6-12 Complex

All significant intercompany transactions have been eliminated in the combination.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Classes of Net Assets

Alliance reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets. Alliance did not have any permanently restricted net assets at June 30, 2018 and 2017.

- Unrestricted net assets are either not restricted by donors or the donor-imposed restrictions have expired.
- Temporary restricted net assets contain contributor-imposed restrictions that permit Alliance to use or expend the net assets as specified as the restrictions are satisfied either by the passage of time or by action of Alliance.
- Permanently restricted net assets (“endowment funds”) contain donor-imposed restrictions that stipulate that resources must be maintained in perpetuity. Income from permanently restricted investments is recorded as unrestricted, except where the instructions of the donor specify otherwise.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, Alliance considers all cash and highly liquid investments with purchased maturities of three months or less and which are neither held for nor restricted by donors for long-term purposes to be cash equivalents.

Promises to Give and Grants Receivable

Promises to give and grants 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. Promises to give 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.

Related Party Receivables

Related party receivables include unrestricted promises to give from board members totaling \$316,440 and \$333,333 for the years ended June 30, 2018 and 2017, respectively.

Public Funding Receivables

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Financing Costs

Costs incurred in obtaining long-term financing are amortized over the life of the bond using the effective interest rate method. Total financing costs incurred and deferred amounted to \$10,522,684 with \$3,527,001 related accumulated amortization as of June 30, 2018. Total financing costs incurred and deferred amounted to \$11,027,185 with \$2,987,023 related accumulated amortization as of June 30, 2017. Total amortization expenses for the years ended June 30, 2018 and 2017 was \$1,053,061 and \$697,434, respectively. Amortization of deferred financing costs is included in interest expense.

For the years ended June 30, 2018 and 2017, the debt issuance costs associated with a recognized debt liability are shown on the Statement of Financial Position as a direct deduction from the face amount of the note.

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. Property and equipment are capitalized when a single item or building related service is over \$1,000 or the total capitalizable items purchased are over \$5,000. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining lease term.

	<u>Useful Life</u>
Buildings and building improvements	2 to 50 years
Furniture and equipment	2 to 10 years
Software	3 to 5 years

Impairment 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, 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. Alliance determined that none of its long-lived assets were impaired during the years ended June 30, 2018 and 2017.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

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

As of and for the years ended June 30, 2018 and 2017, Alliance had no material unrecognized/derecognized tax benefits or tax penalties or interest.

Deferred Rent

Certain leases include scheduled escalating monthly rent payments. 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

Alliance receives funding from federal, state, and local sources. A portion of the funding is based upon the average daily attendance (ADA) of each school. 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

Alliance affiliates 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 Alliance is entitled to receive by law. This amount is multiplied by the second-period ADA to derive 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 Alliance's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue by Alliance.

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

In-kind Donations

Contributed services are recognized by 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. Contributed items are donated goods that are recognized and recorded at fair value as of the contribution date. There were no recorded contributed services or donated goods during June 30, 2018 and June 30, 2017.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reclassifications

Certain amounts from the prior year totals have been reclassified to conform to the current year presentation. The reclassifications have no impact on previously reported net assets.

Functional Allocation of 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

U.S. GAAP 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, U.S. GAAP 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. Alliance's 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).

Alliance's financial instruments in the statement of financial position also include assets limited as to use, the carrying amounts represent a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Investments are reflected at estimated fair value as described above (Level 2).

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value of Financial Instruments (Continued)

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.

Concentrations of Risk

Cash and cash equivalents are placed with high-credit, quality financial institutions. At times, certain account balances may exceed Federal insurance coverage limits. However, 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.

Federal, state, and local funding accounted for approximately 92% and 95% of total combined revenue for the years ended June 30, 2018 and 2017, respectively. Alliance routinely assesses the financial strength of its contributors and believes that its credit risk exposure is limited. Further, there is no guarantee that funding from federal, state and local sources will be available in the future.

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.



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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for Alliance for fiscal years beginning after December 15, 2017 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The adoption of ASU 2014-19 is not expected to have a material impact on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception will be available for equity investments that do not have readily determinable fair values; however, the exception requires Alliance to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. ASU 2016-01 will be effective for Alliance for fiscal years beginning after December 15, 2018. Alliance is in the process of evaluating the impact of this accounting pronouncement.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for Alliance for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Alliance is in the process of evaluating the impact of this accounting pronouncement.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Issued Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Alliance does not expect the impact to be significant.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. Alliance is in the process of evaluating the impact of this accounting pronouncement on Alliance’s financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. This Update is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. Alliance is in the process of evaluating the impact of this accounting pronouncement.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recently Issued Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for Alliance on July 1, 2019. Alliance is currently evaluating the impact of the adoption of this guidance will have on its financial statements.

**NOTE 3 – PROMISES TO GIVE AND GRANTS RECEIVABLE**

Unconditional promises to give are estimated to be collected as follows at June 30:

	<u>2018</u>	<u>2017</u>
Amounts due		
In less than one year	\$ 1,860,400	\$1,070,500
In one to five years	<u>1,250,000</u>	<u>1,500,000</u>
Total	3,110,400	2,570,500
Present value discount*	<u>(73,750)</u>	<u>(100,090)</u>
	3,036,650	2,470,410
Less current portion	<u>(1,860,400)</u>	<u>(1,399,910)</u>
<b>Noncurrent portion</b>	<b><u>\$ 1,176,250</u></b>	<b><u>\$1,070,500</u></b>

\* The effective interest rates used to calculate the present value at June 30, 2018 and 2017 ranged from 1.02% to 1.92% and 0.94% to 2.14% respectively, and were based on the Treasury bill rate at the inception of the promise to give.

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**NOTE 4 – PUBLIC FUNDING RECEIVABLES**

Public funding receivables consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Federal revenue	\$ 4,155,126	\$ 2,090,351
State apportionment and other state revenue	10,035,070	8,921,112
Other revenues	<u>2,279,521</u>	<u>1,261,772</u>
	<b><u>\$ 16,469,717</u></b>	<b><u>\$ 12,273,235</u></b>

**NOTE 5 – ASSETS LIMITED AS TO USE**

Assets limited to use consists of cash and cash equivalents held for reserve fund requirements for long-term debt (see Note 9) and consisted of the following at June 30:

	<u>2018</u>	<u>2017</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	\$ 1,430,124	\$ 3,711,812
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	36,298,961	35,564,695
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	7,004,100	21,917,878
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	7,586,566	20,496,851
Funds restricted to support specific initiatives	3,913,035	2,307,326

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 5 – ASSETS LIMITED AS TO USE (Continued)**

	2018	2017
Advances related to Prop 1D that are restricted until service is provided or expense incurred	\$ 3,575,411	\$ 4,122,521
Less current portion	59,808,197 <u>(22,079,112)</u>	88,121,083 <u>(48,844,576)</u>
<b>Noncurrent portion</b>	<b>\$ 37,729,085</b>	<b>\$ 39,276,507</b>

**NOTE 6 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT**

The New Market Tax Credit (NMTTC) 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% for an investment in a “low-income community,” which is claimed over a seven-year credit allowance (term) period. Due to new market tax credit requirements, certain property is restricted and secured for the related debt, and cannot be sold until seven years have lapsed. See Note 7 for further details.

1918 Broadway Charter Facilities LLC

On November 11, 2011, 1918 Broadway Charter Facilities LLC (“Broadway Facilities”) entered into a 40-year NMTTC loan agreement for approximately \$21,000,000, which represented an equity investment by GSB NMTTC Investor LLC 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, “CDE”). CDE loaned the funds to 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 of approximately \$4,000,000 and a variety of other loan costs and legal fees of approximately \$2,400,000, which was capitalized as deferred financing costs.

The remaining amount, totaling \$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.

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

1918 Broadway Charter Facilities LLC (Continued)

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 for \$6,378,594, which together with the equity investment by Chase Community Equity LLC 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 "CDE"). CDE loaned the funds to 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.

The proceeds from the NMTC loan, with the addition of the Pacific Charter School Development ("PCSD") loan, to the Rowan Facilities were used to purchase land and building in the amount of \$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 \$674,477, which was capitalized as deferred financing costs.

As of June 30, 2018, Rowan Facilities holds an interest reserve account in the amount of \$105,479. This balance is classified as "assets limited as to use" on the accompanying statements of financial position

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 for \$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.

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

As of June 30, 2018, one note receivable totaling \$15,012,675 is a current asset expected to be received in November 2018 and the remaining notes receivable are noncurrent assets with two notes receivable due within five years and the remaining two due over five years. Notes receivable consisted of the following at June 30:

	2018	2017
<p>A promissory note from SFV 8926 Sunland LLC, an unrelated third party – The note bears interest at a rate of 3% per annum and is receivable in monthly interest-only payments from August 1, 2016. Thereafter, monthly principal and interest payments become due. The note matures on December 1, 2030, at which time all unpaid principal and interest becomes due. The note is secured by development of charter school facilities on the real property commonly known as 923 Sunland Avenue, Los Angeles, California 91352.</p>	\$ 15,012,675	\$ 15,012,675
<p>A promissory note from SFV 8926 Sunland LLC, an unrelated third party – The note bears interest at a rate of 3% per annum and is receivable in monthly interest-only payments from August 1, 2016. Thereafter, monthly principal and interest payments become due. The note matures on July 1, 2019, at which time all unpaid principal and interest becomes due. The note is secured by development of charter school facilities on the real property commonly known as 8923 Sunland Avenue, Los Angeles, California 91352.</p>	63,159	119,667
<p>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.</p>	6,378,594	6,378,594

# ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS AND SCHOOL AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS June 30, 2018 and 2017

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

	2018	2017
<p>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.</p>	\$ 650,000	\$ 650,000
<p>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.</p>	<u>724,320</u>	<u>724,320</u>
<p>Less current portion</p>	<u>22,828,748</u> <u>(15,012,675)</u>	<u>22,885,256</u> <u>-</u>
<b>Total long-term notes receivable</b>	<b><u>\$ 7,816,073</u></b>	<b><u>\$ 22,885,256</u></b>

### NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
<p>Land</p>	\$ 55,588,015	\$ 55,145,317
<p>Buildings and building improvements</p>	175,660,792	157,814,023
<p>Construction in progress</p>	37,663,269	41,474,626
<p>Furniture and equipment</p>	14,713,124	18,069,815
<p>Software</p>	<u>1,550,268</u>	<u>851,114</u>
<p>Accumulated depreciation and amortization</p>	<u>285,175,468</u> <u>(33,158,608)</u>	<u>273,354,895</u> <u>(29,915,277)</u>
<b>Total</b>	<b><u>\$252,016,860</u></b>	<b><u>\$243,439,618</u></b>



**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 7 – PROPERTY AND EQUIPMENT (Continued)**

Construction in progress primarily relates to costs incurred for the building of a school facility and includes capitalized interest of \$1,225,504 and \$785,567 as of June 30, 2018 and 2017, respectively.

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 were \$8,233,883 and \$8,688,035, respectively.

As discussed in Note 13, 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 is as follows:

	2018	2017
Buildings and building improvements	\$ 12,730,483	\$ 12,730,483
Accumulated depreciation	(3,076,533)	(2,758,271)
<b>Total</b>	<b>\$ 9,653,950</b>	<b>\$ 9,972,212</b>

As of June 30, 2018, Alliance has contractually restricted land, property, and leasehold improvements totaling \$29,294,237. The restrictions end on November 11, 2018 for 1918 Broadway Charter Facilities and December 5, 2020 for 113 S. Rowan Charter Facilities LLC.

**NOTE 8 – LINE OF CREDIT**

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 A) 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 0.5% of (c) the Applicable Floating Rate on the date of advance or, B) a LIBOR Advance with an interest rate equal to the Bank’s LIBOR Rate (1.84%) plus 2%. The line of credit requires monthly interest payments on outstanding balances, with the total outstanding principal and interest expiring on March 31, 2018. The line is secured by all personal property of Alliance. As of June 30, 2018 and 2017, no amounts were outstanding.

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**NOTE 9 – DEBT**

Debt consisted of the following at June 30:

	2018	2017
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. During the year ended June 30, 2018, the bond was fully paid.	\$ -	\$ 20,000
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
ExEd Facilities XII LLC promissory notes – Loan A-1 and B-1 of \$2,344,000 and \$898,268 mature on December 5, 2020 and December 5, 2043, respectively, with an interest rate of 4.21% per annum with interest-only payments due monthly, secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	3,242,268	3,242,268
Senior loan with JP Morgan Chase Bank totaling \$3,200,000, maturing on December 5, 2020; with an interest rate per annum of 5%. Principal and interest payments due monthly, secured by a trust deed on the 113 S. Rowan Charter Financing LLC property.	2,478,173	2,664,819
Subordinated promissory note to Loan Initiatives Support Corporation totaling \$3,000,000 maturing on December 5, 2020. Interest rate per annum of 5%, and is secured by a trust deed on the 113 S. Rowan Charter Financing LLC property.	3,000,000	3,000,000

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**NOTE 9 – DEBT (Continued)**

	2018	2017
Subordinated loan payable totaling \$280,250 to Charter School Financing Partnership, bearing 0% interest, unless there is default, at which time the loan will bear interest of 3% per annum. Principal will be paid monthly, with the final installment due in February 2022. The loan is secured by a trust deed on the 4610 S. Main Street property.	\$ 280,350	\$ 360,450
Various loans payable, including Genesis Loan A-2006 and A-2009, New Market Loan A, and LIIF Loan A totaling \$6,286,634, \$659,653, \$4,132,750, and \$3,933,638, respectively, to GLA Sub-CDE XI, LLC, New Markets Investment 65, LLC and LIIF Sub-CDE XV, LLC, bearing interest at rates of 7% to 9% per annum with interest payments due quarterly. 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
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 5.74% and 8.75% per annum, respectively; secured by a trust deed on the 461 W. 9 <sup>th</sup> Street Charter Facilities LLC property.	8,888,619	8,912,042
California School Finance Authority Charter School Revenue Bonds, Series 2013 – Term bonds of \$10,750,000 maturing on June 15, 2034, with an interest rate of 6.50%, secured by a trust deed on the 7907 Santa Fe Avenue Charter Facilities LLC property.	10,750,000	10,750,000
Promissory notes to NCB Capital Impact, bearing interest at 5.2% 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

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**NOTE 9 – DEBT (Continued)**

	2018	2017
Promissory notes to NCB Capital Impact, bearing interest at 5.2% 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 5.2% 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
California Statewide Communities Development Authority Insured Educational Facilities Revenue Bonds, 2007 Series A – Term bonds of \$4,940,000 maturing 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, secured by a trust deed on the 2071 Saturn LLC property. For the year ended June 30, 2018, the bond has been fully paid.	-	15,165,000
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 3.55%, and are secured by a trust deed on the 113 S. Rowan Charter Facilities LLC property.	5,520,000	5,520,000

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**NOTE 9 – DEBT (Continued)**

	2018	2017
California School Finance Authority School Facility Revenue Bonds:		

Issued in the year ended June 30, 2016: Series 2015A – Term bonds of \$55,260,000 mature from July 1, 2017 to July 1, 2045, with an interest rate of 3% to 5% plus an original premium of \$3,216,960. Series 2015B – Term bond of \$330,000 matures on July 1, 2017, with an interest rate of 3.875%. These bond series are secured by trust deeds on the 5151 Titan LLC property, 1552 Rockwood Street Charter Facilities LLC property, 49<sup>th</sup> and Main Charter Facilities LLC property, 5886 Compton Avenue Charter Facilities LLC property, 70<sup>th</sup> Street Charter Facilities LLC property, HP 2071 Saturn LLC property, 10101 Broadway Charter Facilities LLC property, 9719 Main Street Charter Facilities LLC property, 10704 Wilmington LLC property, 1111 W. Manchester Charter Facilities LLC property, and 11933 Allegheny Charter Facilities LLC property.

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**NOTE 9 – DEBT (Continued)**

	2018	2017
<p>Issued in the year ended June 30, 2017: Series 2016A – Term bonds of \$19,100,000 mature from July 1, 2019 to July 1, 2051 with an interest rate of 3% to 5% plus an original premium of \$2,766,371. Series 2016B – Term bond of \$425,000 matures on July 1, 2019, with an interest rate of 3.75%. Series 2016C – Term bonds of \$57,995,000 mature from July 1, 2019 to July 1, 2052, with an interest rate of 3% to 5.00% less an original discount of \$109,096.25. Series 2016D – Term bond of \$335,000 matures on July 1, 2020, with an interest rate of 5.25%. These bond series are secured by trust deeds on the 5151 Titan LLC property, 1552 Rockwood Street Charter Facilities LLC property, 49<sup>th</sup> and Main Charter Facilities LLC property, 5886 Compton Avenue Charter Facilities LLC property, 70<sup>th</sup> Street Charter Facilities LLC property, HP 2071 Saturn LLC property, 10101 Broadway Charter Facilities LLC property, 9719 Main Street Charter Facilities LLC property, 10704 Wilmington LLC property, 1111 W. Manchester Charter Facilities LLC property, and 11933 Allegheny Charter Facilities LLC property. These bond series are secured by the intercept payments from the public funding sources.</p>	\$137,900,104	\$139,013,533
<p>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 maturing 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 bonds are secured by a trust deed on the 11410 Avalon LLC and 54th Street Lions LLC property.</p>	20,850,324	21,091,743

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**NOTE 9 – DEBT (Continued)**

	2018	2017
California Statewide Communities Development Authority School Facility Revenue Bonds, Series 2012 – Term bonds of \$475,000 maturing 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 6.1% 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.	\$ 8,260,000	\$ 8,305,000
California School Finance Authority School Facilities Revenue Bonds Statewide Communities Development Authority Insured Educational Facilities Revenue Bonds, 2014 Series A – Term bonds of \$15,690,000 mature on July 1, 2048 with an interest rate of 5.25% to 6.40%. The bonds are secured by a trust deed on the Alliance Gertz-Ressler High School / Richard Merkin 6–12 Complex property.	14,860,746	15,030,937
Various loans payable, including Genesis Loan B-2006 and B-2009, New Market Loan B, and LIIF Loan B totaling \$2,788,621, \$292,608, \$1,833,202, and \$1,744,879, respectively, 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, – 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.	6,659,310	6,539,735
Charter School Facilities Grant totaling \$4,612,506 and \$10,134,671, respectively, bearing interest at a rate of 2% per annum. Payment terms to be determined upon operations of charter school facilities in which the proceeds were used.	14,747,177	14,361,323

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 9 – DEBT (Continued)**

	2018	2017
Promissory note to PCSD 1111 West Manchester Ave LLC for \$1,450,000 maturing on July 1, 2024, The note is non-interest bearing and principal payments of \$207,000 are due annually commencing on July 1, 2018; secured by trust deeds on the 5151 Titan LLC property, 1552 Rockwood Street Charter Facilities LLC property, 49 <sup>th</sup> and Main Charter Facilities LLC property, 5886 Compton Avenue Charter Facilities LLC property, 70 <sup>th</sup> Street Charter Facilities LLC property, HP 2071 Saturn LLC property, 10101 Broadway Charter Facilities LLC property, 9719 Main Street Charter Facilities LLC property, 10704 Wilmington LLC property, 1111 W. Manchester Charter Facilities LLC property, and 11933 Allegheny Charter Facilities LLC property.	<u>\$ 1,450,000</u>	<u>\$ 1,450,000</u>
Less deferred financing cost	288,051,310	304,591,089
Less current portion	(6,995,679)	(8,040,162)
	<u>(36,162,352)</u>	<u>(5,268,033)</u>
<b>Total long-term debt</b>	<b><u>\$244,893,279</u></b>	<b><u>\$291,282,894</u></b>

In conjunction with certain long-term debt agreements, 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, 2018, Alliance was in compliance with the consolidated covenant requirements, although three individual schools did not meet a particular covenant. An independent consultant may be engaged if a majority of the debt holders so choose. At June 30, 2018, Alliance has complied with all of its reporting requirements under its debt agreements.

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, 2018 and 2017, lease payments totaling \$1,198,146 and \$1,272,901, respectively, were collected.



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**NOTE 9 – DEBT (Continued)**

During August 2011, 54<sup>th</sup> 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 refinance the corresponding LLCs' debt. During the years ended June 30, 2018 and 2017, lease payments totaling \$1,842,739 and \$1,904,055 were collected from Alliance-affiliated schools, respectively.

54<sup>th</sup> 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 statements of financial position and totaled \$1,141,025 and \$1,176,364 as of June 30, 2018 and 2017, respectively.

The 54<sup>th</sup> 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 statements of financial position and amounted to \$1,729,631 and \$250,000, respectively, as of June 30, 2018.

During November 2011, 1918 Broadway Charter Financing LLC issued 2011 Revenue Bonds with total borrowings of \$15,012,675, for 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 \$3,061,715 and \$2,590,682 as of June 30, 2018 and 2017, respectively, 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 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, 2018 and 2017, lease payments totaling \$658,193 and \$685,041, respectively, were collected.

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 statements of financial position and amounted to \$356,194 and \$357,123 as of June 30, 2018 and 2017, respectively.

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**NOTE 9 – DEBT (Continued)**

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 statements of financial position and amounted to \$147,902 and \$519,926, respectively, as of June 30, 2018.

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. Alliance has set up a capital interest account to accommodate the installment. These balances are classified as “assets limited as to use” on the accompanying statements of financial position and amounted to \$2,469,035 and \$1,956,610 as of June 30, 2018 and 2017, respectively.

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 statements of financial position and amounted to \$158,825 and \$85,467, respectively, as of June 30, 2018.

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 \$671,142 and \$652,667 as of June 30, 2018 and 2017, and is classified as “assets limited as to use” on the accompanying statements of financial position.

Alliance is also required to set up a reserve account for facilities maintenance reserve account for construction projects. This balance is classified as “assets limited as to use” on the accompanying statements of financial position and amounted to \$203,770 and \$201,487 as of June 30, 2018 and 2017, respectively.

There is no sinking fund reserve requirement.

461 W. 9<sup>th</sup> 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. Alliance has set up a capital interest account to accommodate the installment. These balances are classified as “assets limited as to use” on the accompanying statements of financial position and amounted to \$140,231 and \$204,008 as of June 30, 2018 and 2017, respectively.

There is no sinking fund or facilities maintenance reserve requirement.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 9 – DEBT (Continued)**

During April 2015, Alliance for College-Ready Public Schools Facilities Corporation issued the 2012 Revenue Bonds with a total borrowing of \$55,590,000 to finance the acquisition of educational facilities in Los Angeles, California, leased by various Alliance schools. The proceeds were also used to pay off various debts. Lease payments collected by various LLCs are then distributed to Alliance Facilities Corporation for debt service payment.

Alliance Facilities Corporation is required to establish funds with the trustee to pay the principal and interest portion of the 2015 Revenue Bonds. Deposits with the trustee to satisfy mandatory sinking fund requirements on the 2015 term bonds will be made in annual installments ranging from \$840,000 to \$3,450,000 during the period from January 1, 2016 to July 1, 2045. These balances are classified as “assets limited as to use” on the accompanying statements of financial position and amounted to \$4,484,081 and \$3,839,547 as of June 30, 2018 and 2017, respectively.

Alliance for College-Ready Public Schools Facilities Corporation is also required to set up reserve accounts for bond reserve account. The balance is classified as “assets limited as to use” on the accompanying statements of financial position and amounted to \$23,726,311 and \$26,204,836 as of June 30, 2018 and 2017, respectively.

There is no facilities maintenance reserve requirement.

As of June 30, 2018, aggregate future maturities of long-term debt and sinking fund requirements for each of the next five years ending June 30 and thereafter are as follows:

2019	\$ 36,162,352
2020	3,432,343
2021	15,247,973
2022	3,787,900
2023	5,545,265
Thereafter	<u>218,874,304</u>
	283,050,137
Bond premiums, net	<u>5,001,173</u>
<b>Total</b>	<b><u>\$288,051,310</u></b>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 10 – ASSET RETIREMENT OBLIGATION**

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 13). The fair value of the liability is capitalized as part of the cost of related assets 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 Alliance’s asset retirement obligations from the periods presented is as follows:

Balance at June 30, 2017	\$ 326,248
Accretion expense	16,215
Balance at June 30, 2018	<b>\$ 342,463</b>

**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 were restricted by donors for specific programs of Alliance. The programs are as follows:

	Available June 30, 2017	New Revenues	Releases from Restrictions	Available June 30, 2018
Graduate scholarships	\$ 970,419	\$ 646,190	\$ (639,910)	\$ 976,699
Technology	1,837,991	-	(268,386)	1,569,605
School programs	542,064	384,990	(226,786)	700,268
Operations, other than facilities	92,686	1,310,000	(811,396)	591,290
Professional development	1,272,637	-	(869,272)	403,365
Facilities	4,112,842	193,150	(1,859,401)	2,446,591
Restricted as to time	2,764,744	45,000	(1,012,000)	1,797,744
	<b>\$11,593,383</b>	<b>\$ 2,579,330</b>	<b>\$(5,687,151)</b>	<b>\$ 8,485,562</b>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 12 – 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 monthly base payments of \$24,600, plus supplemental rent equal to 20% of all facility reimbursement from the federal and state government received by the lessee. The lease expires on June 30, 2042 and has two options to extend with terms of ten years each. The future minimum rentals to be received under this noncancelable operating lease at June 30, 2018 are as follows:

Years Ending <u>June 30,</u>	
2019	\$ 424,778
2020	430,088
2021	435,464
2022	440,907
2023	446,419
Thereafter	<u>9,524,834</u>
	<b><u>\$ 11,702,490</u></b>

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

	<u>2018</u>	<u>2017</u>
Land	\$ 7,000,000	\$ 7,000,000
Buildings and building improvements	6,845,647	6,845,647
Accumulated depreciation	<u>(1,550,951)</u>	<u>(1,406,142)</u>
	<b><u>\$ 12,294,696</u></b>	<b><u>\$ 12,439,505</u></b>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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June 30, 2018 and 2017

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

Ground Leases

During the year ended June 30, 2007, 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 Alliance built a school facility and leased to one of the Alliance-affiliated 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. The related party income and expense has been eliminated upon consolidation.

In addition, 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 Alliance. As of June 30, 2018 and June 30, 2017, the Alliance has recorded an asset retirement obligation of \$342,463 and \$326,248, respectively, relating to this lease (see Note 10).

During the year ended June 30, 2012, Alliance entered into another ground lease agreement with a third party for the use of a lot on which Alliance built a school facility. Lease payments required under the lease are payable at a rate of \$13,200 per month through June 30, 2019. The lease expires on August 31, 2049. Net rent expense related to this lease totaled \$155,736 for both fiscal years ended June 30, 2018 and 2017, and is included within “Facilities, repairs and other leases” on the accompanying combined statements of functional expenses.

Facility Leases

Alliance is obligated under various noncancelable operating lease agreements for office and school facilities. The leases require monthly payments ranging from \$13,200 to \$54,167 and expire through December 31, 2020. Several of the leases have options to extend the terms from one to five years, per the agreement. The future minimum lease payments required under these noncancelable leases at June 30, 2018 are as follows:

Years Ending <u>June 30,</u>	
2019	\$ 1,510,321
2020	849,831
2021	<u>390,888</u>
<b>Total</b>	<b><u>\$ 2,751,040</u></b>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)**

Rent expense related to these leases for years ended June 30, 2018 and 2017 was \$2,536,380 and \$3,159,535, respectively, and is included within “Facilities, repairs and other leases” on the accompanying combined statements of functional expenses.

Equipment Leases

At June 30, 2018, Alliance was obligated under various noncancelable operating lease agreements for office equipment. The leases require monthly payments ranging from \$32 to \$671 and expire through September 2021. The future minimum lease payments required under these noncancelable equipment leases at June 30, 2018 are as follows:

Years Ending <u>June 30,</u>		
2019		\$ 224,843
2020		183,198
2021		94,378
2022		<u>8,677</u>
		<b><u>\$ 511,096</u></b>

Rent expense related to these leases for years ended June 30, 2018 and 2017 was \$292,201 and \$364,080, respectively, and is included within “Facilities, repairs and other leases” on the accompanying combined statements of functional expenses.

Construction

During the year ended June 30, 2018, Alliance had two construction contracts ongoing for a total commitment of \$9,190,100. As of June 30, 2018, the total construction costs incurred amounted to \$1,603,534, resulting in \$7,586,566 remaining to be completed in fiscal year 2019.

Legal Proceedings

Alliance is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. 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.

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**June 30, 2018 and 2017**

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**NOTE 14 – 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 (STRS), and classified employees are members of the Public Employees’ Retirement System.

The risks of participating in these multiemployer defined-benefit pension plans 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.

Copies of the STRS annual financial report may be obtained from the STRS’s headquarter, 100 Waterfront Place, West Sacramento, California 95605 and [www.calstrs.com](http://www.calstrs.com).

*Funding Policy*

Active plan members hired on or before December 31, 2012 and on or after January 1, 2013 are required to contribute 9.20% and 8.56% of their salaries, respectively. 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 years 2018 and 2017 was 14.43% and 12.58% of annual payroll, respectively. The contribution requirements of the plan members are established and may be amended by State statute.

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

<u>Years Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Employer</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2016	\$ 6,313,185	10.73%	100%
2017	\$ 7,783,835	12.58%	100%
2018	\$ 9,016,913	14.43%	100%



**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
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**NOTES TO COMBINED FINANCIAL STATEMENTS**

**June 30, 2018 and 2017**

**NOTE 14 – EMPLOYEE RETIREMENT PLANS (Continued)**

Public Employees’ Retirement System (“CalPERS”)

*Plan Description*

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, 2016, which was utilized to establish the required contributions for fiscal year 2018, the Schools Pool total plan assets are \$55.8 billion, the total actuarial present value of accumulated plan benefits is \$91.1 billion, contributions from all employers totaled \$2.0 billion, and the plan is 71.9% 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 Q Street, Sacramento, California 95811 and [www.calpers.ca.gov](http://www.calpers.ca.gov).

*Funding Policy*

Active plan members are required to contribute 7.00% of their salaries for PEPR or Classic status, respectively; 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 years 2018 and 2017 was 15.531% and 13.888%, respectively.

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

<u>Years Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Employer</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2016	\$ 947,871	11.847%	100%
2017	\$ 1,524,295	13.888%	100%
2018	\$ 2,346,116	15.531%	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  
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**NOTE 14 – EMPLOYEE RETIREMENT PLANS (Continued)**

Defined Contribution Plan

Eligible employees of Alliance can participate in a 403(b) plan sponsored by 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, Alliance makes a matching contribution of 5% of the participant's eligible salary. Alliance's total contribution for the years ended June 30, 2018 and 2017 was \$420,592 and \$343,926, respectively.

**NOTE 15 – SUBSEQUENT EVENTS**

Alliance has evaluated subsequent events and transactions through December 13, 2018, the date on which the financial statements were available to be issued.

On October 12, 2018, Alliance paid in full the outstanding principal balances on three of its NMTC promissory notes by utilizing cash on hand related to proceeds from its 2016 Obligated Group bond financing. The payments were as follows:

- 9719 Main Street Charter Facilities LLC principal amount of \$4,173,443
- 19191 Broadway Charter Facilities LLC principal amount of \$4,527,954
- 10704 Wilmington LLC principal amount of \$6,315,140

In November 2011, the Independent Cities Finance Authority issued Qualified School Construction Bonds (the "Bonds") in an aggregate amount of \$15,012,675 and lent the proceeds of the Bonds to 1918 Broadway Charter Financing LLC. In November 2018, Alliance successfully remarketed \$11,705,965 of the Bonds and \$3,356,704 of the Bonds were redeemed. The transactions resulted in a reduction of 1918 Broadway Charter Financing LLC's outstanding indebtedness to \$11,705,965.

## **SUPPLEMENTARY INFORMATION**

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**

	Alliance for College-Ready Public Schools	Alliance Schools R.E. Holdings LLC	1918 Broadway Charter Financing LLC	113 S. Rowan Charter Financing LLC
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 10,918,910	\$ -	\$ -	\$ 2,021
Promises to give and grants receivable, current portion	1,860,400	-	-	-
Related party receivable, current portion	316,440	-	-	-
Public funding receivables	199,848	-	-	-
Note receivable, current portion	-	-	15,012,675	-
Due from related parties	7,389,890	-	-	-
Related party note receivable, current portion	9,901,884	-	-	-
Assets limited as to use, current portion	7,423,782	-	52,601	-
Prepaid expenses and other current assets	1,006,875	-	73,813	25,833
Total current assets	39,018,029	-	15,139,089	27,854
<b>Noncurrent assets</b>				
Promises to give and grants receivable, net of current portion	1,176,250	-	-	-
Related party note receivable, net of current portion	2,513,060	-	-	-
Note receivable	63,159	-	1,374,320	6,378,594
Deferred rent receivable	-	-	-	-
Assets limited as to use, net of current portion	4,460,396	-	3,061,715	-
Other long-term assets	60,295	-	-	-
Deferred financing costs	-	-	-	-
Investment in affiliates	7,123,799	-	-	-
Property and equipment, net	2,600,937	1,382,172	-	-
<b>Total assets</b>	<b>\$ 57,015,925</b>	<b>\$ 1,382,172</b>	<b>\$ 19,575,124</b>	<b>\$ 6,406,448</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 2,461,730	\$ -	\$ 46,639	\$ 37,805
Deferred revenue	-	-	-	-
Due to related party	-	-	-	-
Related party note payable, current portion	-	-	-	-
Debt, current portion	3,591,073	-	-	181,414
Total current liabilities	6,052,803	-	46,639	219,219
<b>Long-term liabilities</b>				
Capital lease obligations, net of current portion	-	-	-	-
Related party note payable, net of current portion	1,396,448	-	-	-
Debt, net of current portion	1,021,433	-	14,752,586	5,221,501
Liability for asset retirement obligation	-	-	-	-
Deferred rent liability	125,811	-	-	-
Total long-term liabilities	2,543,692	-	14,752,586	5,221,501
Total liabilities	8,596,495	-	14,799,225	5,440,720
<b>Net assets</b>				
Unrestricted	43,497,653	-	-	-
Member's equity	-	1,382,172	4,775,899	965,728
Temporarily restricted	4,921,777	-	-	-
Total net assets	48,419,430	1,382,172	4,775,899	965,728
<b>Total liabilities and net assets</b>	<b>\$ 57,015,925</b>	<b>\$ 1,382,172</b>	<b>\$ 19,575,124</b>	<b>\$ 6,406,448</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**

	Alliance Community Impact LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ -	\$ 10,920,931	\$ -	\$ 10,920,931
Promises to give and grants receivable, current portion	-	1,860,400	-	1,860,400
Related party receivable, current portion	-	316,440	-	316,440
Public funding receivables	-	199,848	-	199,848
Note receivable, current portion	-	15,012,675	-	15,012,675
Due from related parties	-	7,389,890	-	7,389,890
Related party note receivable, current portion	-	9,901,884	-	9,901,884
Assets limited as to use, current portion	-	7,476,383	-	7,476,383
Prepaid expenses and other current assets	-	1,106,521	-	1,106,521
Total current assets	-	54,184,972	-	54,184,972
<b>Noncurrent assets</b>				
Promises to give and grants receivable, net of current portion	-	1,176,250	-	1,176,250
Related party note receivable, net of current portion	-	2,513,060	-	2,513,060
Note receivable	-	7,816,073	-	7,816,073
Deferred rent receivable	-	-	-	-
Assets limited as to use, net of current portion	-	7,522,111	-	7,522,111
Other long-term assets	-	60,295	-	60,295
Deferred financing costs	-	-	-	-
Investment in affiliates	-	7,123,799	(7,123,799)	-
Property and equipment, net	-	3,983,109	-	3,983,109
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 84,379,669</b>	<b>\$ (7,123,799)</b>	<b>\$ 77,255,870</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ -	\$ 2,546,174	\$ -	\$ 2,546,174
Deferred revenue	-	-	-	-
Due to related party	-	-	-	-
Related party note payable, current portion	-	-	-	-
Debt, current portion	-	3,772,487	-	3,772,487
Total current liabilities	-	6,318,661	-	6,318,661
<b>Long-term liabilities</b>				
Capital lease obligations, net of current portion	-	-	-	-
Related party note payable, net of current portion	-	1,396,448	-	1,396,448
Debt, net of current portion	-	20,995,520	-	20,995,520
Liability for asset retirement obligation	-	-	-	-
Deferred rent liability	-	125,811	-	125,811
Total long-term liabilities	-	22,517,779	-	22,517,779
Total liabilities	-	28,836,440	-	28,836,440
<b>Net assets</b>				
Unrestricted	-	43,497,653	-	43,497,653
Member's equity	-	7,123,799	(7,123,799)	-
Temporarily restricted	-	4,921,777	-	4,921,777
Total net assets	-	55,543,229	(7,123,799)	48,419,430
<b>Total liabilities and net assets</b>	<b>\$ -</b>	<b>\$ 84,379,669</b>	<b>\$ (7,123,799)</b>	<b>\$ 77,255,870</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES  
Ended June 30, 2018**

	Alliance for College-Ready Public Schools	Alliance Schools R.E. Holdings LLC	1918 Broadway Charter Financing LLC	113 S. Rowan Charter Financing LLC	Alliance Community Impact LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools
<b>Revenue and support</b>								
Federal revenue	\$ 711,810	\$ -	\$ 687,919	\$ -	\$ -	\$ 1,399,729	\$ -	\$ 1,399,729
State revenue	(365,695)	-	-	-	-	(365,695)	-	(365,695)
Private grants and contributions	9,008,134	-	-	16,000	-	9,024,134	-	9,024,134
Management fees	17,542,269	-	-	-	-	17,542,269	-	17,542,269
Local revenues	-	-	-	-	-	-	-	-
Rent income	-	-	-	-	-	-	-	-
Interest and other income	327,350	1,850	911,242	314,306	-	1,554,748	-	1,554,748
Investment gain in subsidiaries	354,007	-	-	-	-	354,007	(354,007)	-
Total revenue and support	27,577,875	1,850	1,599,161	330,306	-	29,509,192	(354,007)	29,155,185
<b>Expenses</b>								
Program services	6,905,031	73,982	1,166,497	334,428	2,403	8,482,341	-	8,482,341
Support services								
Management and general	13,235,386	-	-	-	-	13,235,386	-	13,235,386
Fundraising	1,337,032	-	-	-	-	1,337,032	-	1,337,032
Total expenses	21,477,449	73,982	1,166,497	334,428	2,403	23,054,759	-	23,054,759
<b>Change in net assets</b>	6,100,426	(72,132)	432,664	(4,122)	(2,403)	6,454,433	(354,007)	6,100,426
<b>Member contributions</b>	-	458	26,570	145,245	2,403	174,676	(174,676)	-
<b>Member distributions</b>	-	-	-	-	-	-	-	-
<b>Net assets (deficit), beginning of year</b>	42,319,004	1,453,846	4,316,665	824,605	-	48,914,120	(6,595,116)	42,319,004
<b>Net assets (deficit), end of year</b>	<b>\$ 48,419,430</b>	<b>\$ 1,382,172</b>	<b>\$ 4,775,899</b>	<b>\$ 965,728</b>	<b>\$ -</b>	<b>\$ 55,543,229</b>	<b>\$ (7,123,799)</b>	<b>\$ 48,419,430</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES  
CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

	Alliance for College-Ready Public Schools Facilities Corporation	54th Street Lions LLC	5151 Titan LLC	11410 Avalon LLC	1918 Broadway Charter Facilities LLC	4610 S. Main Street Charter Facilities LLC
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 376,625	\$ 230,794	\$ 518,738	\$ 36,965	\$ 95,401	\$ 76,198
Due from related parties	-	18,608	5,874	431,200	59,304	-
Assets limited as to use, current portion	11,616,080	780,709	-	360,316	-	356,194
Prepaid expenses and other current assets	-	106	-	-	6,076	2,042
Total current assets	11,992,705	1,030,217	524,612	828,481	160,781	434,434
<b>Noncurrent assets</b>						
Related party note receivable, net of current portion	1,396,448	-	-	-	-	-
Deferred rent receivable	-	-	88,215	-	3,750,042	30,680
Assets limited as to use, net of current portion	23,863,762	1,385,742	85,608	593,889	746,395	667,828
Other long-term assets	-	-	-	-	8,100	-
Investment in affiliates	119,168,902	-	-	-	-	-
Property and equipment, net	-	16,440,042	9,800,440	5,903,364	19,906,434	8,109,898
<b>Total assets</b>	<b>\$ 156,421,817</b>	<b>\$ 18,856,001</b>	<b>\$ 10,498,875</b>	<b>\$ 7,325,734</b>	<b>\$ 24,571,752</b>	<b>\$ 9,242,840</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 3,221,431	\$ 521,857	\$ -	\$ 222,040	\$ 27,106	\$ 259,035
Due to related parties	263,405	-	-	-	-	-
Debt, current portion	1,125,000	185,500	-	79,500	15,058,538	125,100
Total current liabilities	4,609,836	707,357	-	301,540	15,085,644	384,135
<b>Long-term liabilities</b>						
Related party note payable, net of current portion	-	-	-	-	-	-
Debt, net of current portion	133,602,735	13,978,415	-	5,991,463	5,523,512	7,892,212
Liability for asset retirement obligation	-	-	342,463	-	-	-
Deferred rent liability	-	28,919	-	7,151	-	-
Total long-term liabilities	-	-	-	-	-	-
Total liabilities	138,212,571	14,714,691	342,463	6,300,154	20,609,156	8,276,347
<b>Net assets (deficit)</b>						
Unrestricted	18,209,246	-	-	-	-	-
Member's equity	-	4,141,310	10,156,412	1,025,580	3,962,596	966,493
Total net assets (deficit)	18,209,246	4,141,310	10,156,412	1,025,580	3,962,596	966,493
<b>Total liabilities and net assets</b>	<b>\$ 156,421,817</b>	<b>\$ 18,856,001</b>	<b>\$ 10,498,875</b>	<b>\$ 7,325,734</b>	<b>\$ 24,571,752</b>	<b>\$ 9,242,840</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

	7907 Santa Fe Avenue Charter Facilities LLC	5886 Compton Avenue Charter Facilities LLC	1552 Rockwood Street Charter Facilities LLC	49th and Main Charter Facilities LLC	113 S. Rowan Charter Facilities LLC	461 W. 9th Street Facilities LLC
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 84,801	\$ 119,534	\$ 627,985	\$ 298,306	\$ 1,034,954	\$ 156,660
Due from related parties	-	-	-	-	-	-
Assets limited as to use, current portion	158,825	-	-	-	32	140,231
Prepaid expenses and other current assets	-	-	-	60,708	-	-
Total current assets	243,626	119,534	627,985	359,014	1,034,986	296,891
<b>Noncurrent assets</b>						
Related party note receivable, net of current portion	-	-	-	-	-	-
Deferred rent receivable	826,138	253,369	568,646	135,490	121,926	826,138
Assets limited as to use, net of current portion	2,554,502	-	-	-	105,479	-
Other long-term assets	-	-	12,503	-	-	-
Investment in affiliates	-	-	-	-	-	-
Property and equipment, net	11,438,922	8,685,948	12,734,677	11,151,929	6,995,152	8,240,588
<b>Total assets</b>	<b>\$ 15,063,188</b>	<b>\$ 9,058,851</b>	<b>\$ 13,943,811</b>	<b>\$ 11,646,433</b>	<b>\$ 8,257,543</b>	<b>\$ 9,363,617</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 58,229	\$ -	\$ -	\$ -	\$ 27,703	\$ 26,208
Due to related parties	1,822,962	1,715	4,771	1,402	1,750	44,697
Debt, current portion	-	-	-	-	-	25,260
Total current liabilities	1,881,191	1,715	-	1,402	29,453	96,165
<b>Long-term liabilities</b>						
Related party note payable, net of current portion	1,298,581	-	4,771	-	-	1,214,479
Debt, net of current portion	10,259,857	-	-	-	8,368,387	8,309,196
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liability	-	-	-	-	-	-
Total long-term liabilities	-	-	4,771	-	-	-
Total liabilities	13,439,629	1,715	4,771	1,402	8,397,840	9,619,840
<b>Net assets (deficit)</b>						
Unrestricted	-	-	-	-	-	-
Member's equity	1,623,559	9,057,136	13,939,040	11,645,031	(140,297)	(256,223)
Total net assets (deficit)	1,623,559	9,057,136	13,939,040	11,645,031	(140,297)	(256,223)
<b>Total liabilities and net assets</b>	<b>\$ 15,063,188</b>	<b>\$ 9,058,851</b>	<b>\$ 13,943,811</b>	<b>\$ 11,646,433</b>	<b>\$ 8,257,543</b>	<b>\$ 9,363,617</b>

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



**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES  
CORPORATION  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

	2023 Union LLC	11933 Allegheny Charter Facilities LLC	1111 W. Manchester Charter Facilities LLC	2071 HP Saturn LLC	10704 Wilmington LLC	9719 Main Street Charter Facilities LLC
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 423,360	\$ 44,838	\$ -	\$ 1,342,775	\$ 138,841	\$ 543,872
Due from related parties	-	-	-	-	-	-
Assets limited as to use, current portion	1,125,678	-	-	-	-	-
Prepaid expenses and other current assets	108,896	-	-	2,655	-	120,533
Total current assets	1,657,934	44,838	-	1,345,430	138,841	664,405
<b>Noncurrent assets</b>						
Related party note receivable, net of current portion	-	-	-	-	-	-
Deferred rent receivable	-	303,656	-	1,949,666	337,004	102,073
Assets limited as to use, net of current portion	203,769	-	-	-	-	-
Other long-term assets	-	-	-	20,020	-	-
Investment in affiliates	-	-	-	-	-	-
Property and equipment, net	11,490,787	21,881,506	12,876,385	12,294,696	6,929,687	4,877,192
<b>Total assets</b>	<b>\$ 13,352,490</b>	<b>\$ 22,230,000</b>	<b>\$ 12,876,385</b>	<b>\$ 15,609,812</b>	<b>\$ 7,405,532</b>	<b>\$ 5,643,670</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 469,486	\$ 16	\$ -	\$ 713	\$ 34,531	\$ 24,040
Due to related parties	721,946	778,762	1,679,841	86,470	19,058	2,419
Debt, current portion	180,000	-	207,000	-	6,349,547	4,196,158
Total current liabilities	1,371,432	778,778	1,886,841	87,183	6,403,136	4,222,617
<b>Long-term liabilities</b>						
Related party note payable, net of current portion	-	-	-	-	-	-
Debt, net of current portion	14,099,295	-	1,243,000	-	1,691,840	1,126,527
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liability	318,864	-	-	-	-	-
Total long-term liabilities	14,418,159	-	1,243,000	-	1,691,840	1,126,527
Total liabilities	15,789,591	778,778	3,129,841	87,183	8,094,976	5,349,144
<b>Net assets (deficit)</b>						
Unrestricted	-	-	-	-	-	-
Member's equity	(2,437,101)	21,451,222	9,746,544	15,522,629	(689,444)	294,526
Total net assets (deficit)	(2,437,101)	21,451,222	9,746,544	15,522,629	(689,444)	294,526
<b>Total liabilities and net assets</b>	<b>\$ 13,352,490</b>	<b>\$ 22,230,000</b>	<b>\$ 12,876,385</b>	<b>\$ 15,609,812</b>	<b>\$ 7,405,532</b>	<b>\$ 5,643,670</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES  
CORPORATION  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

	10101 Broadway Charter Facilities LLC	70th Street Charter Facilities LLC	3640 East 1st Street Charter Facilities LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools Facilities Corporation
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 396,353	\$ 247,289	\$ -	\$ 6,794,289	\$ -	\$ 6,794,289
Due from related parties	-	-	-	514,986	-	514,986
Assets limited as to use, current portion	-	-	-	14,538,065	-	14,538,065
Prepaid expenses and other current assets	141,766	507,089	-	949,871	-	949,871
Total current assets	538,119	754,378	-	22,797,211	-	22,797,211
<b>Noncurrent assets</b>						
Related party note receivable, net of current portion	-	-	-	1,396,448	-	1,396,448
Deferred rent receivable	396,546	-	-	9,689,589	-	9,689,589
Assets limited as to use, net of current portion	-	-	-	30,206,974	-	30,206,974
Other long-term assets	6,000	-	-	46,623	-	46,623
Investment in affiliates	-	-	-	119,168,902	(119,168,902)	-
Property and equipment, net	4,902,923	19,701,037	-	214,361,607	-	214,361,607
<b>Total assets</b>	<b>\$ 5,843,588</b>	<b>\$ 20,455,415</b>	<b>\$ -</b>	<b>\$ 397,667,354</b>	<b>\$ (119,168,902)</b>	<b>\$ 278,498,452</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 24,947	\$ -	\$ -	\$ 4,917,445	\$ -	\$ 4,917,445
Due to related parties	3,644	1,246,561	-	6,679,403	-	6,679,403
Debt, current portion	4,552,707	-	-	32,084,310	-	32,084,310
Total current liabilities	4,581,298	1,246,664	-	43,681,158	-	43,681,158
<b>Long-term liabilities</b>						
Related party note payable, net of current portion	-	-	-	2,513,060	-	2,513,060
Debt, net of current portion	1,222,110	-	-	213,308,549	-	213,308,549
Liability for asset retirement obligation	-	-	-	342,463	-	342,463
Deferred rent liability	-	89,042	-	443,976	-	443,976
Total long-term liabilities	1,222,110	89,042	-	216,608,048	-	216,608,048
Total liabilities	5,803,408	1,335,706	-	260,289,206	-	260,289,206
<b>Net assets (deficit)</b>						
Unrestricted	-	-	-	18,209,246	-	18,209,246
Member's equity	40,180	19,119,709	-	119,168,902	(119,168,902)	-
Total net assets (deficit)	40,180	19,119,709	-	137,378,148	(119,168,902)	18,209,246
<b>Total liabilities and net assets</b>	<b>\$ 5,843,588</b>	<b>\$ 20,455,415</b>	<b>\$ -</b>	<b>\$ 397,667,354</b>	<b>\$ (119,168,902)</b>	<b>\$ 278,498,452</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION  
AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Ended June 30, 2018**

	Alliance for College-Ready Public Schools Facilities Corporation	54th Street Lions LLC	5151 Titan 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
<b>Revenue and support</b>								
Federal revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,713	\$ -
State revenue	-	-	-	-	-	-	-	-
Local revenues	-	-	-	-	-	-	-	-
Private grants and contributions	4,002	-	-	500,000	-	-	-	-
Management fees	-	-	-	-	-	-	-	-
Rent income	-	1,325,031	724,606	517,707	1,765,801	658,192	619,035	476,559
Interest and other income	465,255	31,879	-	-	-	-	27,724	-
Investment (loss) in subsidiaries	4,146,550	-	-	-	-	-	-	-
<b>Total revenue and support</b>	<b>4,615,807</b>	<b>1,356,910</b>	<b>724,606</b>	<b>1,017,707</b>	<b>1,765,801</b>	<b>658,192</b>	<b>1,176,472</b>	<b>476,559</b>
<b>Expenses</b>								
Program services	5,524,609	1,518,452	341,669	582,130	1,850,558	718,548	913,165	142,170
Support services								
Management and general	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>5,524,609</b>	<b>1,518,452</b>	<b>341,669</b>	<b>582,130</b>	<b>1,850,558</b>	<b>718,548</b>	<b>913,165</b>	<b>142,170</b>
<b>Change in net assets</b>	<b>(908,802)</b>	<b>(161,542)</b>	<b>382,937</b>	<b>435,577</b>	<b>(84,757)</b>	<b>(60,356)</b>	<b>263,307</b>	<b>334,389</b>
<b>Member contributions</b>	-	-	47,861	-	4,142,192	-	-	506,539
<b>Member distributions</b>	-	-	(689,181)	-	-	-	-	(516,886)
<b>Net assets (deficit), beginning of year</b>	<b>19,118,048</b>	<b>4,302,852</b>	<b>10,414,795</b>	<b>590,003</b>	<b>(94,839)</b>	<b>1,026,849</b>	<b>1,360,252</b>	<b>8,733,094</b>
<b>Net assets (deficit), end of year</b>	<b>\$ 18,209,246</b>	<b>\$ 4,141,310</b>	<b>\$ 10,156,412</b>	<b>\$ 1,025,580</b>	<b>\$ 3,962,596</b>	<b>\$ 966,493</b>	<b>\$ 1,623,559</b>	<b>\$ 9,057,136</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION  
AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Ended June 30, 2018**

	1552 Rockwood Street Charter Facilities LLC	49th and Main Charter Facilities LLC	113 S. Rowan Charter Facilities LLC	461 W. 9th Street Charter Facilities LLC	2023 Union LLC	11933 Allegheny Charter Facilities LLC	1111 Manchester Charter Facilities LLC	2071 HP Saturn LLC
<b>Revenue and support</b>								
Federal revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-	-	-	-
Local revenues	-	-	-	-	-	-	-	-
Private grants and contributions	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-
Rent income	638,045	479,637	570,964	619,035	1,296,729	1,253,673	212,985	1,198,146
Interest and other income	10	-	303	3,777	12,044	10	-	70,288
Investment (loss) in subsidiaries	-	-	-	-	-	-	-	-
Total revenue and support	<u>638,055</u>	<u>479,637</u>	<u>571,267</u>	<u>622,812</u>	<u>1,308,773</u>	<u>1,253,683</u>	<u>212,985</u>	<u>1,268,434</u>
<b>Expenses</b>								
Program services	227,948	186,613	566,839	917,740	1,678,288	21,953	111,286	703,630
Support services								
Management and general	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
Total expenses	<u>227,948</u>	<u>186,613</u>	<u>566,839</u>	<u>917,740</u>	<u>1,678,288</u>	<u>21,953</u>	<u>111,286</u>	<u>703,630</u>
<b>Change in net assets</b>	410,107	293,024	4,428	(294,928)	(369,515)	1,231,730	101,699	564,804
<b>Member contributions</b>	28,336	1,308,917	-	172,309	-	2,540,966	4,707,520	48,174
<b>Member distributions</b>	(574,318)	(516,886)	-	-	-	(1,574,951)	(5,985)	(1,128,263)
<b>Net assets (deficit), beginning of year</b>	<u>14,074,915</u>	<u>10,559,976</u>	<u>(144,725)</u>	<u>\$ (133,604)</u>	<u>\$ (2,067,586)</u>	<u>\$ 19,253,477</u>	<u>\$ 4,943,310</u>	<u>\$ 16,037,914</u>
<b>Net assets (deficit), end of year</b>	<u>\$ 13,939,040</u>	<u>\$ 11,645,031</u>	<u>\$ (140,297)</u>	<u>\$ (256,223)</u>	<u>\$ (2,437,101)</u>	<u>\$ 21,451,222</u>	<u>\$ 9,746,544</u>	<u>\$ 15,522,629</u>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES CORPORATION  
AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Ended June 30, 2018**

	10704 Wilmington LLC	9719 Main Street Charter Facilities LLC	10101 Broadway Charter Facilities LLC	70th Street Charter Facilities LLC	3640 East 1st Street Charter Facilities LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools Facilities Corporation
<b>Revenue and support</b>								
Federal revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,713	\$ -	\$ 529,713
State revenue	-	-	-	-	-	-	-	-
Local revenues	-	-	-	-	-	-	-	-
Private grants and contributions	-	-	-	-	-	504,002	-	504,002
Management fees	-	-	-	-	-	-	-	-
Rent income	581,923	571,623	651,131	1,126,732	-	15,287,554	-	15,287,554
Interest and other income	1,311	862	935	-	-	614,398	-	614,398
Investment (loss) in subsidiaries	-	-	-	-	-	4,146,550	(4,146,550)	-
Total revenue and support	<u>583,234</u>	<u>572,485</u>	<u>652,066</u>	<u>1,126,732</u>	<u>-</u>	<u>21,082,217</u>	<u>(4,146,550)</u>	<u>16,935,667</u>
<b>Expenses</b>								
Program services	581,835	412,409	477,121	365,726	1,780	17,844,469	-	17,844,469
Support services								
Management and general	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
Total expenses	<u>581,835</u>	<u>412,409</u>	<u>477,121</u>	<u>365,726</u>	<u>1,780</u>	<u>17,844,469</u>	<u>-</u>	<u>17,844,469</u>
<b>Change in net assets</b>	1,399	160,076	174,945	761,006	(1,780)	3,237,748	(4,146,550)	(908,802)
<b>Member contributions</b>	-	-	-	120,149	1,780	13,624,743	(13,624,743)	-
<b>Member distributions</b>	(236,121)	(157,754)	(165,706)	(1,206,067)	-	(6,772,118)	6,772,118	-
<b>Net assets (deficit), beginning of year</b>	<u>(454,722)</u>	<u>292,204</u>	<u>30,941</u>	<u>19,444,621</u>	<u>-</u>	<u>127,287,775</u>	<u>(108,169,727)</u>	<u>19,118,048</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (689,444)</u>	<u>\$ 294,526</u>	<u>\$ 40,180</u>	<u>\$ 19,119,709</u>	<u>\$ -</u>	<u>\$ 137,378,148</u>	<u>\$ (119,168,902)</u>	<u>\$ 18,209,246</u>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2018**

	Consolidated Alliance for College-Ready Public Schools	Consolidated Alliance for College-Ready Facilities Corporation	Consolidated 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	Alliance Marc and Eva Stern Math and Science School
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 10,920,931	\$ 6,794,289	\$ 3,674,597	\$ 7,182,342	\$ 6,360,030	\$ 4,002,655
Promises to give and grants receivable, current portion						
current portion	1,860,400	-	-	-	-	-
Related party receivable	316,440	-	-	-	-	-
Public funding receivables	199,848	-	1,227,119	743,669	711,767	721,815
Due from related parties	7,389,890	514,986	479,644	628	-	-
Related party note receivable, current portion	9,901,884	-	-	-	-	-
Assets limited to use, current portion	7,476,383	14,538,065	-	-	-	-
Prepaid expenses and other current assets	1,106,521	949,871	45,708	16,319	63,895	21,193
<b>Total current assets</b>	<b>54,184,972</b>	<b>22,797,211</b>	<b>5,427,068</b>	<b>7,942,958</b>	<b>7,135,692</b>	<b>4,745,663</b>
Promises to give and grants receivable, net of current portion	1,176,250	-	-	-	-	-
Related party note receivable, net of current portion	2,513,060	1,396,448	-	-	-	-
Note receivable	7,816,073	-	-	-	-	-
Deferred rent receivable	-	9,689,589	316,344	-	-	-
Assets limited as to use, net of current portion	7,522,111	30,206,974	-	-	-	-
Other long-term assets	60,295	46,623	-	-	-	-
Property and equipment, net	3,983,109	214,361,607	3,228,564	715,738	530,427	486,133
<b>Total assets</b>	<b>\$ 77,255,870</b>	<b>\$ 278,498,452</b>	<b>\$ 8,971,976</b>	<b>\$ 8,658,696</b>	<b>\$ 7,666,119</b>	<b>\$ 5,231,796</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 2,546,174	\$ 4,917,445	\$ 508,189	\$ 257,451	\$ 210,033	\$ 231,544
Deferred revenue	-	-	-	-	-	-
Due to related party	-	6,679,403	-	-	111,695	83,819
Related party note payable, current portion	-	-	-	-	-	-
Capital lease obligations, current portion	-	-	-	-	-	-
Debt, current portion	3,772,487	32,084,310	-	-	-	-
<b>Total current liabilities</b>	<b>6,318,661</b>	<b>43,681,158</b>	<b>508,189</b>	<b>257,451</b>	<b>321,728</b>	<b>315,363</b>
<b>Long-term liabilities</b>						
Capital lease obligations, net of current portion	-	-	-	-	-	-
Long-term related party note payable	1,396,448	2,513,060	-	-	-	-
Debt, net of current portion	20,995,520	213,308,549	-	-	-	-
Liability for asset retirement obligation	-	342,463	-	-	-	-
Deferred rent liabilities	125,811	443,976	-	1,083,216	426,966	88,215
<b>Total long-term liabilities</b>	<b>22,517,779</b>	<b>216,608,048</b>	<b>-</b>	<b>1,083,216</b>	<b>426,966</b>	<b>88,215</b>
<b>Total liabilities</b>	<b>28,836,440</b>	<b>260,289,206</b>	<b>508,189</b>	<b>1,340,667</b>	<b>748,694</b>	<b>403,578</b>
<b>Net assets (deficit)</b>						
Unrestricted net assets (deficit)	43,497,653	18,209,246	8,205,836	7,317,529	6,825,276	4,636,519
Temporarily restricted	4,921,777	-	257,951	500	92,149	191,699
<b>Total net assets (deficit)</b>	<b>48,419,430</b>	<b>18,209,246</b>	<b>8,463,787</b>	<b>7,318,029</b>	<b>6,917,425</b>	<b>4,828,218</b>
<b>Total liabilities and net assets</b>	<b>\$ 77,255,870</b>	<b>\$ 278,498,452</b>	<b>\$ 8,971,976</b>	<b>\$ 8,658,696</b>	<b>\$ 7,666,119</b>	<b>\$ 5,231,796</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2018**

	Alliance Dr. Olga Mohan High School	Alliance Patti and Peter Neuwirth Leadership Academy	Alliance Ouchi - O'Donovan 6-12 Complex	Alliance Piera Barbaglia Shaheen Health Services Academy	Alliance Morgan McKinzie High School	Leichtmann- Levine Family Foundation Environmental Science High School
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 4,583,563	\$ 1,624,892	\$ 9,844,840	\$ 580,651	\$ 698,070	\$ 2,554,755
Promises to give and grants receivable, current portion	-	-	-	-	-	-
current portion	-	-	-	-	-	-
Related party receivable	-	-	-	-	-	-
Public funding receivables	354,391	746,583	1,299,461	656,077	388,862	598,436
Due from related parties	-	-	-	-	-	-
Related party note receivable, current portion	-	-	-	-	-	-
Assets limited to use, current portion	-	-	-	2	64,662	-
Prepaid expenses and other current assets	8,266	74,240	142,408	36,842	209,182	68,179
<b>Total current assets</b>	<b>4,946,220</b>	<b>2,445,715</b>	<b>11,286,709</b>	<b>1,273,572</b>	<b>1,360,776</b>	<b>3,221,370</b>
Promises to give and grants receivable, net of current portion	-	-	-	-	-	-
Related party note receivable, net of current portion	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-
Deferred rent receivable	-	-	28,918	-	-	-
Assets limited as to use, net of current portion	-	-	-	-	-	-
Other long-term assets	9,840	7,200	-	22,300	7,640	-
Property and equipment, net	313,001	618,453	1,173,878	188,588	20,609,086	199,011
<b>Total assets</b>	<b>\$ 5,269,061</b>	<b>\$ 3,071,368</b>	<b>\$ 12,489,505</b>	<b>\$ 1,484,460</b>	<b>\$ 21,977,502</b>	<b>\$ 3,420,381</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 591,233	\$ 354,614	\$ 437,313	\$ 230,704	\$ 190,547	\$ 230,238
Deferred revenue	-	-	-	-	-	-
Due to related party	56,407	128,953	187,287	397,992	335,165	109,681
Related party note payable, current portion	-	-	-	200,058	1,400,403	-
Capital lease obligations, current portion	-	-	-	-	-	-
Debt, current portion	-	-	-	-	305,555	-
<b>Total current liabilities</b>	<b>647,640</b>	<b>483,567</b>	<b>624,600</b>	<b>828,754</b>	<b>2,231,670</b>	<b>339,919</b>
<b>Long-term liabilities</b>						
Capital lease obligations, net of current portion	-	-	-	-	-	-
Long-term related party note payable	-	-	-	-	-	-
Debt, net of current portion	-	-	-	-	9,829,117	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	-	30,680	-	-	-	-
<b>Total long-term liabilities</b>	<b>-</b>	<b>30,680</b>	<b>-</b>	<b>-</b>	<b>9,829,117</b>	<b>-</b>
<b>Total liabilities</b>	<b>647,640</b>	<b>514,247</b>	<b>624,600</b>	<b>828,754</b>	<b>12,060,787</b>	<b>339,919</b>
<b>Net assets (deficit)</b>						
Unrestricted net assets (deficit)	4,422,354	2,374,500	11,569,785	153,618	9,508,034	3,020,062
Temporarily restricted	199,067	182,621	295,120	502,088	408,681	60,400
<b>Total net assets (deficit)</b>	<b>4,621,421</b>	<b>2,557,121</b>	<b>11,864,905</b>	<b>655,706</b>	<b>9,916,715</b>	<b>3,080,462</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,269,061</b>	<b>\$ 3,071,368</b>	<b>\$ 12,489,505</b>	<b>\$ 1,484,460</b>	<b>\$ 21,977,502</b>	<b>\$ 3,420,381</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2018**

	Alliance Cindy and Bill Simon Technology High School	Alliance Tennenbaum Family Technology High School	Alliance Susan and Eric Smidt Technology High School	Alliance Ted K. Tajima High School	Alliance Renee and Meyer Luskin Academy High School	Alliance Margaret M. Bloomfield Technology Academy High School
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 887,717	\$ 627,718	\$ 746,033	\$ 516,421	\$ 601,540	\$ 548,864
Promises to give and grants receivable, current portion	-	-	-	-	-	-
current portion	-	-	-	-	-	-
Related party receivable	-	-	-	-	-	-
Public funding receivables	601,509	253,064	714,055	567,060	676,856	784,868
Due from related parties	-	-	-	23,454	718,645	136,356
Related party note receivable, current portion	-	-	-	-	-	-
Assets limited to use, current portion	-	-	-	-	-	-
Prepaid expenses and other current assets	24,146	55,228	26,066	103,363	11,434	54,868
<b>Total current assets</b>	<b>1,513,372</b>	<b>936,010</b>	<b>1,486,154</b>	<b>1,210,298</b>	<b>2,008,475</b>	<b>1,524,956</b>
Promises to give and grants receivable, net of current portion	-	-	-	-	-	-
Related party note receivable, net of current portion	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-
Deferred rent receivable	-	-	-	-	249	-
Assets limited as to use, net of current portion	-	-	-	-	-	-
Other long-term assets	12,500	-	-	33,950	-	34,460
Property and equipment, net	500,815	94,785	530,297	232,752	782,989	458,599
<b>Total assets</b>	<b>\$ 2,026,687</b>	<b>\$ 1,030,795</b>	<b>\$ 2,016,451</b>	<b>\$ 1,477,000</b>	<b>\$ 2,791,713</b>	<b>\$ 2,018,015</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 214,889	\$ 201,532	\$ 260,449	\$ 303,660	\$ 242,171	\$ 190,193
Deferred revenue	-	-	-	-	-	-
Due to related party	91,950	119,786	267,579	-	-	-
Related party note payable, current portion	-	-	1,000,158	1,990,392	150,004	300,086
Capital lease obligations, current portion	-	-	-	-	-	-
Debt, current portion	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>306,839</b>	<b>321,318</b>	<b>1,528,186</b>	<b>2,294,052</b>	<b>392,175</b>	<b>490,279</b>
<b>Long-term liabilities</b>						
Capital lease obligations, net of current portion	-	-	-	-	-	-
Long-term related party note payable	-	-	-	-	-	-
Debt, net of current portion	-	-	-	-	-	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	337,004	-	2,794,690	568,646	-	826,138
<b>Total long-term liabilities</b>	<b>337,004</b>	<b>-</b>	<b>2,794,690</b>	<b>568,646</b>	<b>-</b>	<b>826,138</b>
<b>Total liabilities</b>	<b>643,843</b>	<b>321,318</b>	<b>4,322,876</b>	<b>2,862,698</b>	<b>392,175</b>	<b>1,316,417</b>
<b>Net assets (deficit)</b>						
Unrestricted net assets (deficit)	1,259,492	507,449	(2,540,554)	(1,490,801)	2,343,952	691,598
Temporarily restricted	123,352	202,028	234,129	105,103	55,586	10,000
<b>Total net assets (deficit)</b>	<b>1,382,844</b>	<b>709,477</b>	<b>(2,306,425)</b>	<b>(1,385,698)</b>	<b>2,399,538</b>	<b>701,598</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,026,687</b>	<b>\$ 1,030,795</b>	<b>\$ 2,016,451</b>	<b>\$ 1,477,000</b>	<b>\$ 2,791,713</b>	<b>\$ 2,018,015</b>

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



**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2018**

	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
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 849,108	\$ 1,024,637	\$ 3,539,111	\$ 387,169	\$ -	\$ 1,248,307
Promises to give and grants receivable, current portion	-	-	-	-	-	-
current portion	-	-	-	-	-	-
Related party receivable	-	-	-	-	-	-
Public funding receivables	292,164	541,201	580,713	401,560	-	601,558
Due from related parties	-	-	-	-	-	-
Related party note receivable, current portion	-	-	-	-	-	-
Assets limited to use, current portion	-	-	-	-	-	-
Prepaid expenses and other current assets	18,410	44,217	67,093	10,256	-	14,794
<b>Total current assets</b>	<b>1,159,682</b>	<b>1,610,055</b>	<b>4,186,917</b>	<b>798,985</b>	<b>-</b>	<b>1,864,659</b>
Promises to give and grants receivable, net of current portion	-	-	-	-	-	-
Related party note receivable, net of current portion	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-
Deferred rent receivable	-	7,151	-	-	-	-
Assets limited as to use, net of current portion	-	-	-	-	-	-
Other long-term assets	4,000	600	9,050	-	-	1,690
Property and equipment, net	459,506	706,945	576,937	298,702	-	465,980
<b>Total assets</b>	<b>\$ 1,623,188</b>	<b>\$ 2,324,751</b>	<b>\$ 4,772,904</b>	<b>\$ 1,097,687</b>	<b>\$ -</b>	<b>\$ 2,332,329</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 107,434	\$ 172,430	\$ 259,506	\$ 143,396	\$ -	\$ 215,178
Deferred revenue	-	-	-	-	-	-
Due to related party	53,499	527,891	71,956	243,914	-	90,637
Related party note payable, current portion	1,050,329	-	-	750,125	-	-
Capital lease obligations, current portion	-	-	-	-	-	-
Debt, current portion	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>1,211,262</b>	<b>700,321</b>	<b>331,462</b>	<b>1,137,435</b>	<b>-</b>	<b>305,815</b>
<b>Long-term liabilities</b>						
Capital lease obligations, net of current portion	-	-	-	-	-	-
Long-term related party note payable	-	-	-	-	-	-
Debt, net of current portion	-	-	-	-	-	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	826,138	-	102,073	955,352	-	121,926
<b>Total long-term liabilities</b>	<b>826,138</b>	<b>-</b>	<b>102,073</b>	<b>955,352</b>	<b>-</b>	<b>121,926</b>
<b>Total liabilities</b>	<b>2,037,400</b>	<b>700,321</b>	<b>433,535</b>	<b>2,092,787</b>	<b>-</b>	<b>427,741</b>
<b>Net assets (deficit)</b>						
Unrestricted net assets (deficit)	(505,920)	1,558,404	4,290,624	(1,075,247)	-	1,749,815
Temporarily restricted	91,708	66,026	48,745	80,147	-	154,773
<b>Total net assets (deficit)</b>	<b>(414,212)</b>	<b>1,624,430</b>	<b>4,339,369</b>	<b>(995,100)</b>	<b>-</b>	<b>1,904,588</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,623,188</b>	<b>\$ 2,324,751</b>	<b>\$ 4,772,904</b>	<b>\$ 1,097,687</b>	<b>\$ -</b>	<b>\$ 2,332,329</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2018**

	Alliance Kory Hunter Middle School	Alliance Virgil Roberts Leadership Academy	Alliance College-Ready Middle Academy No. 12	Alliance Marine-Innovation and Technology 6-12 Complex	Eliminating Entries	Combined Total
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 948,464	\$ 394,545	\$ 2,007,315	\$ 465,541	\$ -	\$ 73,614,105
Promises to give and grants receivable, current portion	-	-	-	-	-	1,860,400
Related party receivable	-	-	-	-	-	316,440
Public funding receivables	601,486	649,384	637,595	918,616	-	16,469,717
Due from related parties	-	24,325	-	340,333	(9,628,261)	-
Related party note receivable, current portion	-	-	-	-	(9,901,884)	-
Assets limited to use, current portion	-	-	-	-	-	22,079,112
Prepaid expenses and other current assets	116,559	17,964	159,460	28,457	-	3,494,939
<b>Total current assets</b>	<b>1,666,509</b>	<b>1,086,218</b>	<b>2,804,370</b>	<b>1,752,947</b>	<b>(19,530,145)</b>	<b>132,847,388</b>
Promises to give and grants receivable, net of current portion	-	-	-	-	-	1,176,250
Related party note receivable, net of current portion	-	-	-	-	(3,909,508)	-
Note receivable	-	-	-	-	-	7,816,073
Deferred rent receivable	-	88,793	-	-	(9,264,594)	866,450
Assets limited as to use, net of current portion	-	-	-	-	-	37,729,085
Other long-term assets	11,815	-	2,700	3,500	-	268,163
Property and equipment, net	361,225	311,237	170,042	544,462	(886,008)	252,016,860
<b>Total assets</b>	<b>\$ 2,039,549</b>	<b>\$ 1,486,248</b>	<b>\$ 2,977,112</b>	<b>\$ 2,300,909</b>	<b>\$ (33,590,255)</b>	<b>\$ 432,720,269</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 163,694	\$ 174,638	\$ 139,562	\$ 236,109	\$ -	\$ 13,730,326
Deferred revenue	-	-	-	-	-	-
Due to related party	28,953	-	41,694	-	(9,628,261)	-
Related party note payable, current portion	-	740,000	-	2,320,329	(9,901,884)	-
Capital lease obligations, current portion	-	-	-	-	-	-
Debt, current portion	-	-	-	-	-	36,162,352
<b>Total current liabilities</b>	<b>192,647</b>	<b>914,638</b>	<b>181,256</b>	<b>2,556,438</b>	<b>(19,530,145)</b>	<b>49,892,678</b>
<b>Long-term liabilities</b>						
Capital lease obligations, net of current portion	-	-	-	-	-	-
Long-term related party note payable	-	-	-	-	(3,909,508)	-
Debt, net of current portion	-	-	-	-	760,093	244,893,279
Liability for asset retirement obligation	-	-	-	-	-	342,463
Deferred rent liabilities	253,369	-	135,490	303,656	(9,264,594)	158,752
<b>Total long-term liabilities</b>	<b>253,369</b>	<b>-</b>	<b>135,490</b>	<b>303,656</b>	<b>(12,414,009)</b>	<b>245,394,494</b>
<b>Total liabilities</b>	<b>446,016</b>	<b>914,638</b>	<b>316,746</b>	<b>2,860,094</b>	<b>(31,944,154)</b>	<b>295,287,172</b>
<b>Net assets (deficit)</b>						
Unrestricted net assets (deficit)	1,588,164	571,610	2,481,675	(577,034)	(1,646,101)	128,947,538
Temporarily restricted	5,369	-	178,691	17,849	-	8,485,559
<b>Total net assets (deficit)</b>	<b>1,593,533</b>	<b>571,610</b>	<b>2,660,366</b>	<b>(559,185)</b>	<b>(1,646,101)</b>	<b>137,433,097</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,039,549</b>	<b>\$ 1,486,248</b>	<b>\$ 2,977,112</b>	<b>\$ 2,300,909</b>	<b>\$ (33,590,255)</b>	<b>\$ 432,720,269</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF ACTIVITIES  
Ended June 30, 2018**

	Consolidated Alliance for College-Ready Public Schools	Consolidated Alliance for College-Ready Public Schools 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	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 Piera Barbaglia Shaheen Health Services Academy
<b>Revenue and support</b>										
Federal revenue	\$ 1,399,729	\$ 529,713	\$ 1,275,367	\$ 802,256	\$ 801,734	\$ 692,896	\$ 575,705	\$ 900,065	\$ 1,374,146	\$ 512,514
State revenue	(365,695)	-	9,785,103	6,270,509	6,319,634	6,169,040	4,270,901	6,179,013	9,909,880	4,828,002
Local revenues	-	-	2,377,767	1,447,461	1,471,469	1,391,258	1,054,468	1,406,386	2,474,395	1,082,448
Private grants and contributions	9,024,134	504,002	12,000	6,000	11,000	7,130	11,000	6,300	13,000	17,638
Management fees	17,542,269	-	-	-	-	-	-	-	-	-
Rent income	-	15,287,554	-	-	-	-	-	-	-	-
Other school revenues	-	-	78,723	60,513	42,764	77,133	30,416	69,273	67,227	29,214
Interest and other income	1,554,748	614,398	70,018	30,787	68,711	33,918	35,752	47,384	39,861	35,520
<b>Total revenue and support</b>	<b>29,155,185</b>	<b>16,935,667</b>	<b>13,598,978</b>	<b>8,617,526</b>	<b>8,715,312</b>	<b>8,371,375</b>	<b>5,978,242</b>	<b>8,608,421</b>	<b>13,878,509</b>	<b>6,505,336</b>
<b>Expenses</b>										
Program services	8,482,341	17,844,469	13,996,196	8,581,445	7,998,772	8,177,251	6,058,460	8,852,123	13,611,233	7,428,806
Support services										
Management and general	13,235,386	-	-	-	-	-	-	-	-	-
Fundraising	1,337,032	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>23,054,759</b>	<b>17,844,469</b>	<b>13,996,196</b>	<b>8,581,445</b>	<b>7,998,772</b>	<b>8,177,251</b>	<b>6,058,460</b>	<b>8,852,123</b>	<b>13,611,233</b>	<b>7,428,806</b>
<b>Change in net assets</b>	<b>6,100,426</b>	<b>(908,802)</b>	<b>(397,218)</b>	<b>36,081</b>	<b>716,540</b>	<b>194,124</b>	<b>(80,218)</b>	<b>(243,702)</b>	<b>267,276</b>	<b>(923,470)</b>
<b>Net assets (deficit), beginning of year</b>	<b>42,319,004</b>	<b>19,118,048</b>	<b>8,861,005</b>	<b>7,281,948</b>	<b>6,200,885</b>	<b>4,634,094</b>	<b>4,701,639</b>	<b>2,800,823</b>	<b>11,597,629</b>	<b>1,579,176</b>
<b>Net assets (deficit) end of year</b>	<b>\$ 48,419,430</b>	<b>\$ 18,209,246</b>	<b>\$ 8,463,787</b>	<b>\$ 7,318,029</b>	<b>\$ 6,917,425</b>	<b>\$ 4,828,218</b>	<b>\$ 4,621,421</b>	<b>\$ 2,557,121</b>	<b>\$ 11,864,905</b>	<b>\$ 655,706</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF ACTIVITIES  
Ended June 30, 2018**

	Alliance Morgan McKinzie High School	Alliance Leichtmann- Levine Family Foundation Environmental Science 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 Ted K. Tajima High School	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
<b>Revenue and support</b>										
Federal revenue	\$ 436,525	\$ 574,058	\$ 578,136	\$ 402,256	\$ 669,543	\$ 419,335	\$ 677,964	\$ 624,589	\$ 292,902	\$ 605,350
State revenue	4,118,978	5,136,042	5,346,932	3,105,051	5,691,929	3,711,514	5,639,271	5,351,421	3,331,012	3,994,438
Local revenues	945,463	1,181,868	1,197,569	756,221	1,287,048	820,524	1,272,178	1,174,339	770,781	1,049,427
Private grants and contributions	93,785	6,000	9,014	7,000	11,092	37,355	6,300	16,000	192,711	6,000
Management fees	-	-	-	-	-	-	-	-	-	-
Rent income	-	-	-	-	-	-	-	-	-	-
Other school revenues	42,308	94,335	39,930	46,020	12,531	18,844	41,089	26,783	31,554	13,550
Interest and other income	28,155	31,041	24,631	32,571	12,740	15,507	34,892	14,457	15,223	20,364
<b>Total revenue and support</b>	<b>5,665,214</b>	<b>7,023,344</b>	<b>7,196,212</b>	<b>4,349,119</b>	<b>7,684,883</b>	<b>5,023,079</b>	<b>7,671,694</b>	<b>7,207,589</b>	<b>4,634,183</b>	<b>5,689,129</b>
<b>Expenses</b>										
Program services	5,682,337	7,287,213	7,204,516	4,495,042	8,711,764	5,810,182	7,437,796	7,231,171	4,529,698	5,864,118
Support services										
Management and general	-	-	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>5,682,337</b>	<b>7,287,213</b>	<b>7,204,516</b>	<b>4,495,042</b>	<b>8,711,764</b>	<b>5,810,182</b>	<b>7,437,796</b>	<b>7,231,171</b>	<b>4,529,698</b>	<b>5,864,118</b>
<b>Change in net assets</b>	<b>(17,123)</b>	<b>(263,869)</b>	<b>(8,304)</b>	<b>(145,923)</b>	<b>(1,026,881)</b>	<b>(787,103)</b>	<b>233,898</b>	<b>(23,582)</b>	<b>104,485</b>	<b>(174,989)</b>
<b>Net assets (deficit), beginning of year</b>	<b>9,933,838</b>	<b>3,344,331</b>	<b>1,391,148</b>	<b>855,400</b>	<b>(1,279,544)</b>	<b>(598,595)</b>	<b>2,165,640</b>	<b>725,180</b>	<b>(518,697)</b>	<b>1,799,419</b>
<b>Net assets (deficit) end of year</b>	<b>\$ 9,916,715</b>	<b>\$ 3,080,462</b>	<b>\$ 1,382,844</b>	<b>\$ 709,477</b>	<b>\$ (2,306,425)</b>	<b>\$ (1,385,698)</b>	<b>\$ 2,399,538</b>	<b>\$ 701,598</b>	<b>\$ (414,212)</b>	<b>\$ 1,624,430</b>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS  
AND SCHOOL AFFILIATES  
COMBINING STATEMENT OF ACTIVITIES  
Ended June 30, 2018**

	Alliance College-Ready Middle Academy No. 4	Alliance College-Ready Middle Academy No. 5	Alliance College-Ready Middle Academy No. 8	Alliance Kory Hunter Middle School	Alliance Virgil Roberts Leadership Academy	Alliance College-Ready Middle Academy No. 12	Alliance Marine-Innovation and Technology 6 – 12 Complex	Eliminating Entries	Combined Total
<b>Revenue and support</b>									
Federal revenue	\$ 784,318	\$ 446,573	\$ 506,355	\$ 601,843	\$ 521,770	\$ 657,661	\$ 627,568	\$ -	\$ 18,290,871
State revenue	4,130,484	2,809,771	4,338,995	4,285,873	3,751,844	4,054,123	5,495,285	-	127,659,350
Local revenues	1,101,400	715,879	1,065,138	1,090,264	993,528	1,064,830	1,300,153	-	30,492,262
Private grants and contributions	16,537	6,000	6,000	6,000	10,447	6,000	19,500	(172,977)	9,894,968
Management fees	-	-	-	-	-	-	-	(17,542,269)	-
Rent income	-	-	-	-	-	-	-	(14,821,498)	466,056
Other school revenues	14,544	328	28,428	14,999	29	20,701	12,628	-	913,864
Interest and other income	13,619	12,818	31,177	28,416	18,556	36,396	34,028	(245,057)	2,690,631
Total revenue and support	6,060,902	3,991,369	5,976,093	6,027,395	5,296,174	5,839,711	7,489,162	(32,781,801)	190,408,002
<b>Expenses</b>									
Program services	6,069,051	4,634,197	5,925,648	5,743,074	6,114,243	5,405,871	8,145,827	(32,544,213)	174,778,631
Support services									
Management and general	-	-	-	-	-	-	-	(171,596)	13,063,790
Fundraising	-	-	-	-	-	-	-	(44,463)	1,292,569
Total expenses	6,069,051	4,634,197	5,925,648	5,743,074	6,114,243	5,405,871	8,145,827	(32,760,272)	189,134,990
<b>Change in net assets</b>	(8,149)	(642,828)	50,445	284,321	(818,069)	433,840	(656,665)	(21,529)	1,273,012
<b>Net assets (deficit), beginning of year</b>	4,347,518	(352,272)	1,854,143	1,309,212	1,389,679	2,226,526	97,480	(1,624,572)	136,160,085
<b>Net assets (deficit) end of year</b>	<b>\$ 4,339,369</b>	<b>\$ (995,100)</b>	<b>\$ 1,904,588</b>	<b>\$ 1,593,533</b>	<b>\$ 571,610</b>	<b>\$ 2,660,366</b>	<b>\$ (559,185)</b>	<b>\$ (1,646,101)</b>	<b>\$ 137,433,097</b>

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