



Where **Exceptional** is the **Rule**

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
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June 30, 2019 and 2018

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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, 2019 and 2018, the related combined statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and 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.

Emphasis of a matter

As disclosed in Note 3 to the financial statements, in 2019 Alliance adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alliance's internal control over financial reporting and compliance.



December 12, 2019

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

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS		
	2019	2018
Current assets		
Cash and cash equivalents	\$ 89,990,969	\$ 73,614,105
Promises to give	1,408,334	2,176,840
Accounts receivable	18,323,295	16,469,717
Notes receivable	-	15,012,675
Assets limited as to use	12,913,282	22,079,112
Prepaid expenses and other current assets	1,996,023	3,494,939
Total current assets	124,631,903	132,847,388
Noncurrent assets		
Promises to give	314,443	1,176,250
Notes receivable	6,378,594	7,816,073
Deferred rent receivable	892,906	866,450
Assets limited as to use	15,632,852	37,729,085
Other noncurrent assets	628,931	268,163
Property and equipment, net	249,190,461	252,016,860
Total noncurrent assets	273,038,187	299,872,881
Total assets	\$ 397,670,090	\$ 432,720,269
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 14,767,759	\$ 13,730,326
Notes payable	3,275,040	36,162,352
Total current liabilities	18,042,799	49,892,678
Noncurrent liabilities		
Notes payable	228,529,016	244,893,279
Other noncurrent liabilities	479,829	501,215
Total long-term liabilities	229,008,845	245,394,494
Total liabilities	247,051,644	295,287,172
Net assets		
Without donor restrictions	144,791,872	128,947,535
With donor restrictions	5,826,574	8,485,562
Total net assets	150,618,446	137,433,097
Total liabilities and net assets	\$ 397,670,090	\$ 432,720,269

See notes to financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

	Without donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Federal revenue	\$ 18,740,729	\$ -	\$ 18,740,729
State revenue	141,251,143	-	141,251,143
Local revenues	31,780,242	-	31,780,242
Private grants and contributions	1,818,744	4,305,212	6,123,956
Rental income	464,703	-	464,703
Other school revenues	984,745	-	984,745
Interest and other income	2,517,957	-	2,517,957
Net assets released from restrictions	6,964,200	(6,964,200)	-
Total revenue and support	204,522,463	(2,658,988)	201,863,475
Expenses			
Program services	180,656,711	-	180,656,711
Supporting services			
General and administrative	13,646,592	-	13,646,592
Fundraising	1,308,717	-	1,308,717
Total expenses	195,612,020	-	195,612,020
Change in net assets before other changes	8,910,443	(2,658,988)	6,251,455
Other changes			
Loss on abandonment of real estate	(1,047,700)	-	(1,047,700)
Gain on debt extinguishment	9,288,895	-	9,288,895
Repayment of grant advance	(557,301)	-	(557,301)
Loss on uncollectable promises to give	(750,000)	-	(750,000)
Change in net assets after other changes	15,844,337	(2,658,988)	13,185,349
Net assets, beginning of year	128,947,535	8,485,562	137,433,097
Net assets, end of year	\$ 144,791,872	\$ 5,826,574	\$ 150,618,446

See notes to financial statements.

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

	Without donor Restrictions	With Donor Restrictions	2018 Total
Revenue and support			
Federal revenue	\$ 18,290,871	\$ -	\$ 18,290,871
State revenue	127,508,667	150,683	127,659,350
Local revenues	30,492,262	-	30,492,262
Private grants and contributions	7,466,321	2,428,647	9,894,968
Rental income	466,056	-	466,056
Other school revenues	913,864	-	913,864
Interest and other income	2,690,631	-	2,690,631
Net assets released from restrictions	5,687,151	(5,687,151)	-
Total revenue and support	193,515,823	(3,107,821)	190,408,002
Expenses			
Program services	174,778,631	-	174,778,631
Supporting services			
General and administrative	13,063,790	-	13,063,790
Fundraising	1,292,569	-	1,292,569
Total expenses	189,134,990	-	189,134,990
Change in net assets	4,380,833	(3,107,821)	1,273,012
Net assets, beginning of year	124,566,702	11,593,383	136,160,085
Net assets, end of year	\$ 128,947,535	\$ 8,485,562	\$ 137,433,097

See notes to financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2019 and 2018**

	2019					
	Program Services	Supporting Services			Total Services	Total
		General and Administrative	Fundraising			
Salaries and benefits	\$ 108,990,897	\$ 7,386,687	\$ 740,323	\$ 8,127,010	\$ 117,117,907	
Books and supplies	14,039,501	104,851	9,466	114,317	14,153,818	
Depreciation and amortization	9,351,786	217,068	-	217,068	9,568,854	
Facilities, repairs and other leases	4,926,338	997,822	98,023	1,095,845	6,022,183	
Interest	12,855,486	403	-	403	12,855,889	
Operations and housekeeping	10,708,347	1,631,006	103,872	1,734,878	12,443,225	
Professional services	8,910,607	3,264,403	357,033	3,621,436	12,532,043	
Pupil services	10,873,749	44,352	-	44,352	10,918,101	
Total expenses by function	\$ 180,656,711	\$ 13,646,592	\$ 1,308,717	\$ 14,955,309	\$ 195,612,020	

	2018					
	Program Services	Supporting Services			Total Services	Total
		General and Administrative	Fundraising			
Salaries and benefits	\$ 106,748,115	\$ 6,318,831	\$ 778,617	\$ 7,097,448	\$ 113,845,563	
Books and supplies	14,626,265	96,619	4,171	100,790	14,727,055	
Depreciation and amortization	9,122,564	164,380	-	164,380	9,286,944	
Facilities, repairs and other leases	4,839,292	933,416	140,025	1,073,441	5,912,733	
Interest	13,194,501	1,555	-	1,555	13,196,056	
Operations and housekeeping	8,814,803	1,647,229	100,764	1,747,993	10,562,796	
Professional services	7,776,547	3,841,230	268,992	4,110,222	11,886,769	
Pupil services	9,656,544	60,530	-	60,530	9,717,074	
Total expenses by function	\$ 174,778,631	\$ 13,063,790	\$ 1,292,569	\$ 14,356,359	\$ 189,134,990	

See notes to financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 13,185,349	\$ 1,273,012
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,006,603	8,233,883
Amortization of deferred financing costs and bond discount/premium costs	1,562,249	1,053,061
Accretion expense	17,021	16,215
Repayment of grant advance	557,301	-
Gain on debt extinguishment	(9,288,895)	-
Loss on uncollectable promises to give	750,000	-
Loss on abandonment of building improvements and construction in process	1,037,540	249,207
Amount added to principal	-	496,824
Changes in operating assets and liabilities:		
Promises to give	880,313	(566,240)
Accounts receivable	(1,853,578)	(4,179,589)
Prepaid expenses and other current assets	1,498,916	(1,276,743)
Deferred rent receivable	(26,456)	(31,967)
Other noncurrent assets	(360,768)	70,883
Accounts payable and accrued expenses	480,132	803,865
Other noncurrent liabilities	(38,407)	(256,027)
Net cash provided by operating activities	16,407,320	5,886,384
Cash flows from investing activities		
Purchases of property and equipment	(7,476,644)	(17,242,180)
Proceeds from sale of property and equipment	634,454	181,847
Proceeds from notes receivable	63,159	56,508
Net cash used in investing activities	(6,779,031)	(17,003,825)
Cash flows from financing activities		
Transfers from assets limited as to use	31,262,063	28,312,886
Principal payments on debt	(24,513,488)	(17,045,180)
Net cash provided by financing activities	6,748,575	11,267,706
Net decrease in cash and cash equivalents	16,376,864	150,265
Cash and cash equivalents, beginning of year	73,614,105	73,463,840
Cash and cash equivalents, end of year	\$ 89,990,969	\$ 73,614,105
Supplemental schedule of noncash financing activities		
Deferred financing costs acquired through issuance of debt	\$ 614,492	\$ -
Settlement of notes receivable	\$ 15,012,675	\$ -
Schedule of supplemental cash flow information		
Cash paid for interest	\$ 6,362,818	\$ 6,633,018

See notes to financial statements.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 first Alliance high school opened its doors in August 2004.

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. Alliance’s goal is to open high schools of 500 to 600 students and middle schools of 375 to 450 students. Alliance strives to truly change the life trajectories of its scholars and communities, with a goal of 75% of Alliance graduates completing a four-year college degree.

Alliance’s five core values build a strong school culture where Alliance principals, teachers, staff, and parents work together to prepare scholars for success in college and future careers. Alliance schools provide powerful learning experiences through interdisciplinary projects and integration of real-world applications into the classroom. Close relationships between scholars, teachers, and staff encourage teamwork and accountability while ensuring that no scholar slips through the cracks.

High Expectations for All Scholars – challenging, standards-based curriculum is premised on the belief that all scholars can perform at high levels.

Small Personalized Learning Environments – each scholar is part of an advisory group of about 25 scholars. Scholars thrive where they develop close relationships with teachers and all adults in the building.

Increased Instructional Time – longer school year and school days adding up to 38 more school days per year than local public schools. Uninterrupted two-hour block courses to encourage deeper focus and discovery.

Highly Qualified Educators – all staff are held accountable for scholar success and uses data to appraise improvement efforts. Extensive training programs for school leaders to better support highly motivated educational innovators.

Parents as Partners – Parent Engagement Specialists at each school are highly involved in training and engaging parents to ensure that learning does not end with the school day.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

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).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Principles of Consolidation

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

- Alliance for College-Ready Public Schools
- 1918 Broadway Charter Financing LLC
- Alliance Community Impact LLC
- Alliance Schools R.E. Holdings LLC
- 113 S. Rowan Charter Financing 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”):

- Alliance for College-Ready Public Schools Facilities Corporation
- 5151 Titan LLC
- 1918 Broadway Charter Facilities LLC
- 7907 Santa Fe Avenue Charter Facilities LLC
- 1552 Rockwood Street Charter Facilities LLC
- 113 S. Rowan Charter Facilities LLC
- 2023 Union LLC
- 1111 W. Manchester Charter Facilities LLC
- 10704 Wilmington LLC
- 10101 Broadway Charter Facilities LLC
- 3640 East 1st Street Charter Facilities LLC
- 54th Street Lions LLC
- 11410 Avalon LLC
- 4610 S. Main Street Charter Facilities LLC
- 5886 Compton Avenue Charter Facilities LLC
- 49th And Main Charter Facilities LLC
- 461 W. 9th Street Charter Facilities LLC
- 11933 Allegheny Charter Facilities LLC
- 2071 HP Saturn LLC
- 9719 Main Street Charter Facilities LLC
- 70th Street Charter Facilities LLC

The 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
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

- 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
- 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
- Alliance Leichtman-Levine Family Foundation Environmental Science High School
- Alliance Cindy and Bill Simon Technology Academy 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
- 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

All significant intercompany transactions have been eliminated in the combination.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Alliance considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for other long-term purposes or contractually restricted are excluded from this definition.

Promises to Give

Alliance records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Conditional contributions are recorded as support in the period the condition is met.

Alliance determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2019 and 2018, Alliance deemed no allowance was required.

Accounts Receivable

Accounts receivable consist primarily of monies due from federal, state, and local funding sources. Alliance reports the receivables at net realizable value. Alliance has not recorded an allowance for doubtful accounts due to high historical collection rates.

Property and Equipment

Property and equipment over \$1,000 or combined purchases of \$5,000, are stated at cost, or if donated, at fair market value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 50 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Interest on borrowings used to fund property construction is amortized over the life of the asset. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018.

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 \$11,632,471 with \$5,844,617 related accumulated amortization as of June 30, 2019. Total financing costs incurred and deferred amounted to \$10,522,684 with \$3,527,001 related accumulated amortization as of June 30, 2018. Debt issuance costs are shown on the statement of financial position as a direct deduction from the face amount of the note. Total amortization expenses for the years ended June 30, 2019 and 2018 were \$1,562,249 and \$1,053,061, respectively. Amortization of deferred financing costs is included in interest expense in the statement of functional expenses.

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. Management has analyzed the tax positions taken by Alliance, and has concluded that, as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Alliance is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of Alliance.
- Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

Alliance manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by Alliance to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market and mutual funds. To date, Alliance has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of Alliance's mission.

Federal, state, and local funding accounted for approximately 95% and 92% of total combined revenue for the years ended Jun 30, 2019 and 2018, respectively.

Recently Issued Accounting Pronouncements

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.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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.

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 in the process of evaluating the impact of the adoption of this accounting pronouncement.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE

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 its 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.

Alliance adopted ASU 2016-14 as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. Alliance has opted to not disclose liquidity and availability information for 2018, as permitted under the ASU in the year of adoption. In addition, Alliance changed its presentation of net asset classes and expanded the footnote disclosures as required by ASU 2016-14.

ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS AND SCHOOL AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS June 30, 2019 and 2018

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, the following table reflects Alliance’s financial assets available to meet general expenditures within one year of the statement of financial position.

Cash and cash equivalents	\$ 89,990,969
Promises to give	1,408,334
Accounts receivable	<u>18,323,295</u>
 Financial assets available to meet general expenditures within one year	 <u>\$109,722,598</u>

Alliance considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Alliance manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 5 – PROMISES TO GIVE

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

	2019	2018
Amounts due		
In less than one year	\$ 1,408,334	\$2,176,840
In one to five years	<u>333,333</u>	<u>1,250,000</u>
 Total	 1,741,667	 3,426,840
Present value discount of 1.02% - 2.96%	<u>(18,890)</u>	<u>(73,750)</u>
 Less current portion	 1,722,777	 3,353,090
	<u>(1,408,334)</u>	<u>(2,176,840)</u>
Noncurrent portion	 <u>\$ 314,443</u>	 <u>\$1,176,250</u>

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

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NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2019	2018
Federal revenue	\$ 1,723,401	\$ 4,155,126
State apportionment and other state revenue	14,093,640	10,035,070
Other revenues	2,506,254	2,279,521
	<u>\$ 18,323,295</u>	<u>\$ 16,469,717</u>

NOTE 7 – ASSETS LIMITED AS TO USE

Assets limited to use consists of cash and cash equivalents held by several trustees for reserve fund requirements for long-term debt (see Note 10) and consisted of the following at June 30:

	2019	2018
Facilities maintenance reserve	\$ 1,504,312	\$ 1,430,124
Sinking funds and bond reserve	16,266,373	43,303,061
Construction draws and interest payments	7,629,227	7,586,566
Funds restricted to support specific initiatives	3,145,952	3,913,035
Prop 1D Advances	-	3,575,411
	28,545,864	59,808,197
Less current portion	(12,913,282)	(22,079,112)
Noncurrent portion	<u>\$ 15,632,582</u>	<u>\$ 37,729,085</u>

NOTE 8 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT

The New Market Tax Credit (NMTTC) Program, 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 9 for further details.

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NOTE 8 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT (Continued)

1918 Broadway Charter Facilities LLC

On November 11, 2011, 1918 Broadway Charter Facilities LLC (“Broadway Facilities”) entered into a 40-year NMTC loan agreement (the “Agreement”) for approximately \$21,000,000, which represented an equity investment by GSB NMTC Investor LLC 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.

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. On November 9, 2018, pursuant to the Agreement, the Investor sold its investor interest to Alliance for \$1,000. Associated loans made to Broadway Facilities in the amount of \$6,659,310 were in turn forgiven and Alliance recognized a gain on loan forgiveness for the year ended June 30, 2019.

113 S. Rowan Charter Financing LLC

On December 5, 2013, 113 S. Rowan Charter Facilities LLC (“Rowan Facilities”) entered into a 30-year NMTC loan agreement (the “Agreement”) for \$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 Ex”). CDE Ex 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.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTE 8 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT (Continued)

113 S. Rowan Charter Financing LLC (Continued)

The proceeds from the NMTC loan, with the addition of the Pacific Charter School Development 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, 2019, Rowan Facilities holds an interest reserve account in the amount of \$83,250. 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.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTE 8 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT (Continued)

As of June 30, 2019, only one note receivable remains and is classified as a noncurrent asset due on December 5, 2020. Notes receivable consisted of the following at June 30:

	2019	2018
<p>A promissory note from Alliance Broadway Investment Fund 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 all membership interests in Alliance Broadway Investment Fund LLC.</p>	\$	- \$ 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
<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

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June 30, 2019 and 2018

NOTE 8 – NOTES RECEIVABLE AND NEW MARKET TAX CREDIT (Continued)

	2019	2018
<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
<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>
<p>Less current portion</p>	<u>6,378,594</u>	<u>22,828,748</u> <u>(15,012,675)</u>
Total long-term notes receivable	<u>\$ 6,378,594</u>	<u>\$ 7,816,073</u>

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2019	2018
<p>Land</p>	\$ 55,588,015	\$ 55,588,015
<p>Buildings and building improvements</p>	199,669,045	175,660,792
<p>Construction in progress</p>	16,412,746	37,663,269
<p>Furniture and equipment</p>	11,674,075	14,713,124
<p>Software</p>	<u>1,360,293</u>	<u>1,550,268</u>
<p>Accumulated depreciation</p>	284,704,174 <u>(35,513,713)</u>	285,175,468 <u>(33,158,608)</u>
Total	<u>\$249,190,461</u>	<u>\$252,016,860</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 9 – PROPERTY AND EQUIPMENT (Continued)

Construction in progress primarily relates to costs incurred for the building of a school facility and includes capitalized interest of \$0 and \$1,225,504 as of June 30, 2019 and 2018, respectively.

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 were \$8,006,603 and \$8,233,883, respectively.

As discussed in Note 14, 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:

	2019	2018
Buildings and building improvements	\$ 12,730,483	\$ 12,730,483
Accumulated depreciation	(3,394,796)	(3,076,533)
Total	\$ 9,335,687	\$ 9,653,950

As of June 30, 2019, Alliance has contractually restricted land, property, and leasehold improvements totaling \$7,572,450. The restriction ends on December 5, 2020 for 113 S. Rowan Charter Facilities LLC.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 – DEBT

Debt consisted of the following at June 30:

	2019	2018
<p>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.</p>	\$	- \$ 15,012,675
<p>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.</p>	3,242,268	3,242,268
<p>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.</p>	2,296,760	2,478,173
<p>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.</p>	3,000,000	3,000,000

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 – DEBT (Continued)

	2019	2018
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.	\$ 200,250	\$ 280,350
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
Various bond payables, including Series 2011 A, 2011B RB-3, and 2011B RB-4 totaling \$7,676,275, \$1,690,474, and \$2,339,216, respectively, to the Community Development Trust, LP, bearing interest at a rate of 6.6% 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.	11,705,965	-
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 th Street Charter Facilities LLC property.	8,863,359	8,888,619

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 – DEBT (Continued)

	2019	2018
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
<p>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. For the year ended June 30, 2019, the bond has been fully paid.</p>	-	5,322,685
<p>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. For the year ended June 30, 2019, the bond has been fully paid.</p>	-	5,774,817
<p>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. For the year ended June 30, 2019, the bond has been fully paid.</p>	-	8,041,387

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

June 30, 2019 and 2018

NOTE 10 – DEBT (Continued)

	2019	2018
<p>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.</p>	\$ 5,520,000	\$ 5,520,000

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, 49th and Main Charter Facilities LLC property, 5886 Compton Avenue Charter Facilities LLC property, 70th 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.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTE 10 – DEBT (Continued)

	2019	2018
<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, 49th and Main Charter Facilities LLC property, 5886 Compton Avenue Charter Facilities LLC property, 70th 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>	\$136,636,675	\$137,900,104
<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>	20,594,530	20,850,324

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 – DEBT (Continued)

	2019	2018
<p>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.</p>	\$ 8,215,000	\$ 8,260,000
<p>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.</p>	14,680,554	14,860,746
<p>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.</p>	-	6,659,310
<p>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.</p>	10,850,549	14,747,177

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTE 10 – DEBT (Continued)

	2019	2018
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 th and Main Charter Facilities LLC property, 5886 Compton Avenue Charter Facilities LLC property, 70 th 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>\$ 1,036,000</u>	<u>\$ 1,450,000</u>
	237,591,910	288,051,310
Less deferred financing cost	(5,787,854)	(6,995,679)
Less current portion	<u>(3,275,040)</u>	<u>(36,162,352)</u>
Total long-term debt	<u>\$228,529,016</u>	<u>\$244,893,279</u>

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, 2019, Alliance was in compliance with the consolidated covenant requirements, including all individual schools who met their particular covenants during the year. An independent consultant may be engaged if a majority of the debt holders so choose. At June 30, 2019, Alliance 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, 2019 and 2018, lease payments totaling \$1,073,725 and \$1,198,146, respectively, were collected.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 10 – DEBT (Continued)

During August 2011, 54th Street Lions LLC and 11410 Avalon LLC issued the 2011 Revenue Bonds with a total borrowing of \$22,565,000. The purpose of issuing the 2011 Revenue Bonds was to refinance the corresponding LLCs' debt. During the years ended June 30, 2019 and 2018, lease payments totaling \$1,915,797 and \$1,842,739 were collected from Alliance-affiliated schools, respectively.

54th Street Lions LLC and 11410 Avalon LLC are required to establish funds with the trustee to pay the principal and interest portion of the 2011 Revenue Bonds. Deposits with the trustee to satisfy mandatory requirements on the 2011 term bonds will be made in annual installments ranging from \$155,000 to \$1,728,050 during the period from September 1, 2011 to July 1, 2046. These balances are classified as "assets limited as to use" on the accompanying statements of financial position and totaled \$1,148,121 and \$1,141,025 as of June 30, 2019 and 2018, respectively.

The 54th Street Lions LLC and 11410 Avalon LLC are also required to set up a bond reserve and facilities maintenance reserve account for projects. These balances are classified as "assets limited as to use" on the accompanying statements of financial position and amounted to \$1,729,631 and \$250,000, respectively, as of June 30, 2019 and 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 ("CDEs"), fund a portion of the deposit to the Required Reserved Account of the Revenue Fund and pay for the cost issuance of the bonds. During November 2018, 1918 Broadway Charter Financing LLC reissued the 2011 Revenue Bonds. The required bond reserve account of the revenue fund amounted to \$235,517 and \$3,061,715 as of June 30, 2019 and 2018, 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, 2019 and 2018, lease payments totaling \$727,478 and \$658,193, 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 \$312,894 and \$356,194 as of June 30, 2019 and 2018, respectively.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 10 – 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, 2019.

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 \$2,976,534 and \$2,469,035 as of June 30, 2019 and 2018, 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 \$164,690 and \$119,750, respectively, as of June 30, 2019.

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 \$688,902 and \$671,142 as of June 30, 2019 and 2018, 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 \$208,067 and \$203,770 as of June 30, 2019 and 2018, respectively.

There is no sinking fund reserve requirement.

461 W. 9th Street Charter Facilities LLC is required to establish funds with the trustee to pay the principal and interest portion of the 2014 Revenue Bonds. Deposits with the trustee to satisfy mandatory requirements on the 2014 term bonds will be made in annual installments ranging from \$40,370 to \$1,002,745 during the period from June 15, 2014 to March 15, 2034. 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 \$153,083 and \$140,231 as of June 30, 2019 and 2018, respectively.

There is no sinking fund or facilities maintenance reserve requirement.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 10 – 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 \$5,153,260 and \$4,484,081 as of June 30, 2019 and 2018, 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 \$8,753,338 and \$23,726,311 as of June 30, 2018 and 2017, respectively.

There is no facilities maintenance reserve requirement.

As of June 30, 2019, 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:

2020	\$ 3,275,041
2021	15,041,052
2022	3,755,278
2023	3,865,851
2024	4,054,754
Thereafter	<u>202,728,175</u>
	232,720,151
Bond premiums, net	<u>4,871,759</u>
Total	<u>\$237,591,910</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 11 – 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		342,463
Accretion expense		17,021
Balance at June 30, 2019	\$	359,484

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets at June 30, 2019 and 2018 were restricted by donors for specific programs of Alliance. The programs are as follows:

	2019	2018
Facilities	\$ 669,484	\$ 2,446,591
Graduate scholarships	974,577	976,699
School operations	518,337	591,290
Professional development	373,337	403,365
School programs	481,819	700,268
Technology	1,388,742	1,569,605
	4,406,296	6,687,818
Passage of time	1,420,278	1,797,744
	\$ 5,826,574	\$ 8,485,562

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018**

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of the passage of time or other events specified by the donors, as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Facilities	\$ 1,777,107	\$ 1,859,401
Graduate scholarships	492,412	639,910
School operations	2,083,937	811,396
Professional development	30,028	869,272
School programs	547,020	226,786
Technology	180,863	268,386
	5,111,367	4,675,151
Passage of time	1,852,833	1,012,000
Loss on uncollectible		
	<u>\$ 6,694,200</u>	<u>\$ 5,687,151</u>

NOTE 13 – 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, 2019 are as follows:

Years Ending <u>June 30,</u>	
2020	\$ 430,088
2021	435,464
2022	440,907
2023	446,419
2024	451,999
Thereafter	9,072,835
	<u>\$ 11,277,712</u>

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 13 – RENTAL INCOME UNDER OPERATING LEASES (Continued)

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

	2019	2018
Land	\$ 7,000,000	\$ 7,000,000
Buildings and building improvements	6,845,647	6,845,647
Accumulated depreciation	(1,695,760)	(1,550,951)
	<u>\$ 12,149,887</u>	<u>\$ 12,294,696</u>

NOTE 14 – 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 California State University. 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, 2019 and 2018, the Alliance has recorded an asset retirement obligation of \$359,484 and \$342,463, respectively, relating to this lease (see Note 11).

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, 2019 and 2018, and is included within “Facilities, repairs and other leases” on the accompanying combined statements of functional expenses.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

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 August 2024. 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, 2019 are as follows:

Years Ending <u>June 30,</u>	
2020	\$ 1,589,457
2021	1,090,888
2022	700,000
2023	700,000
2024	<u>787,500</u>
Total	<u>\$ 4,867,845</u>

Rent expense related to these leases for years ended June 30, 2019 and 2018 was \$2,287,433 and \$2,536,380, respectively, and is included within “Facilities, repairs and other leases” on the accompanying combined statements of functional expenses.

Equipment Leases

At June 30, 2019, Alliance was obligated under various noncancelable operating lease agreements for office equipment. The leases require monthly payments ranging from \$55 to \$539 and expire through September 2021. The future minimum lease payments required under these noncancelable equipment leases at June 30, 2019 are as follows:

Years Ending <u>June 30,</u>	
2020	\$ 244,967
2021	186,247
2022	<u>58,202</u>
Total	<u>\$ 489,416</u>

Rent expense related to these leases for years ended June 30, 2019 and 2018 was \$283,506 and \$292,201, respectively, and is included within “Facilities, repairs and other leases” on the accompanying combined statements of functional expenses.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

Construction

During the year ended June 30, 2019, Alliance had one construction contract ongoing for a total commitment of \$2,138,103. As of June 30, 2019, the total construction costs incurred amounted to \$93,915, resulting in \$2,232,018 remaining to be completed in fiscal year 2020.

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.

NOTE 15 – 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.

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 2019 and 2018 was 16.28% and 14.43% of annual payroll, respectively. The contribution requirements of the plan members are established and may be amended by State statute.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 15 – EMPLOYEE RETIREMENT PLANS (Continued)

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

<u>Years Ended June 30,</u>	<u>Required Contribution</u>	<u>Employer Contribution</u>	<u>Percent Contributed</u>
2017	\$ 7,783,835	12.58%	100%
2018	\$ 9,016,913	14.43%	100%
2019	\$ 10,557,090	16.28%	100%

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, 2017, which was utilized to establish the required contributions for fiscal year 2019, the Schools Pool total plan assets are \$60.9 billion, the total actuarial present value of accumulated plan benefits is \$99.6 billion, contributions from all employers totaled \$2.5 billion, and the plan is 72.1% 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.

Funding Policy

Active plan members are required to contribute 7.00% of their salaries for PEPRA 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 2019 and 2018 was 18.062% and 15.531%, respectively.

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS
AND SCHOOL AFFILIATES**
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 15 – EMPLOYEE RETIREMENT PLANS (Continued)

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

<u>Years Ended June 30,</u>	<u>Required Contribution</u>	<u>Employer Contribution</u>	<u>Percent Contributed</u>
2017	\$ 1,524,295	13.888%	100%
2018	\$ 2,346,116	15.531%	100%
2019	\$ 2,443,423	18.062%	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.

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, 2019 and 2018 was \$485,217 and \$420,592, respectively.

NOTE 16 – SUBSEQUENT EVENTS

Alliance has evaluated subsequent events and transactions through December 12, 2019, the date on which the financial statements were issued.

On October 15, 2019, Alliance For College-Ready Public Schools and all the School Affiliates entered into a merger agreement. The merger is expected to be consummated and effective January 1, 2020 and the merged entities shall be “Alliance College-Ready Public Schools.”

On December 6, 2019, Alliance College-Ready Public Schools Facilities Corporation completed a \$30.1 million loan offering. Proceeds will be used to refund debt at 54th Street Lions LLC, 11410 Avalon LLC, 113 S. Rowan Charter Financing LLC, and pay costs of issuance.

SUPPLEMENTARY INFORMATION

ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Alliance for College-Ready Public Schools	Alliance Schools R.E. Holdings LLC	1918 Broadway Charter Financing LLC	113 S. Rowan Charter Financing LLC
ASSETS				
Current assets				
Cash and cash equivalents	\$ 23,654,771	\$ -	\$ 119,906	\$ 2,026
Promises to give	1,408,334	-	-	-
Accounts receivable	28,471	-	-	-
Due from related parties	10,828,412	-	2,566	-
Related party note receivable	1,842,412	-	-	-
Assets limited as to use	3,145,952	-	8,278	-
Prepaid expenses and other current assets	415,216	-	-	25,833
Total current assets	41,323,568	-	130,750	27,859
Noncurrent assets				
Promises to give	314,443	-	-	-
Related party note receivable	2,593,098	-	11,705,965	-
Notes receivable	-	-	-	6,378,594
Assets limited as to use	350,000	-	245,466	-
Other noncurrent assets	57,028	-	321,914	-
Investment in affiliates	3,576,675	-	-	-
Property and equipment, net	756,793	1,310,601	-	-
Total noncurrent assets	7,648,037	1,310,601	12,273,345	6,378,594
Total assets	\$ 48,971,605	\$ 1,310,601	\$ 12,404,095	\$ 6,406,453
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,284,659	\$ -	\$ 32,191	\$ 37,805
Debt, current portion	-	-	-	190,477
Total current liabilities	2,284,659	-	32,191	228,282
Noncurrent liabilities				
Capital lease obligations	-	-	-	-
Related party note payable	-	-	-	-
Notes payable	-	-	11,221,052	5,062,949
Deferred rent liability	88,758	-	-	-
Total long-term liabilities	88,758	-	11,221,052	5,062,949
Total liabilities	2,373,417	-	11,253,243	5,291,231
Net assets				
Without donor restrictions	42,470,380	-	-	-
Member's equity	-	1,310,601	1,150,852	1,115,222
With donor restrictions	4,127,808	-	-	-
Total net assets	46,598,188	1,310,601	1,150,852	1,115,222
Total liabilities and net assets	\$ 48,971,605	\$ 1,310,601	\$ 12,404,095	\$ 6,406,453

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, 2019

	Alliance Community Impact LLC	Total	Eliminating Entries	Consolidated Alliance for College-Ready Public Schools
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 23,776,703	\$ -	\$ 23,776,703
Promises to give	-	1,408,334	-	1,408,334
Accounts receivable	-	28,471	-	28,471
Due from related parties	-	10,830,978	-	10,830,978
Related party note receivable	-	1,842,412	-	1,842,412
Assets limited as to use	-	3,154,230	-	3,154,230
Prepaid expenses and other current assets	-	441,049	-	441,049
Total current assets	-	41,482,177	-	41,482,177
Noncurrent assets				
Promises to give	-	314,443	-	314,443
Related party note receivable	-	14,299,063	-	14,299,063
Notes receivable	-	6,378,594	-	6,378,594
Assets limited as to use	-	595,466	-	595,466
Other noncurrent assets	-	378,942	-	378,942
Investment in affiliates	-	3,576,675	(3,576,675)	-
Property and equipment, net	-	2,067,394	-	2,067,394
Total noncurrent assets	-	27,610,577	(3,576,675)	24,033,902
Total assets	\$ -	\$ 69,092,754	\$ (3,576,675)	\$ 65,516,079
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and accrued expenses	\$ -	\$ 2,354,655	\$ -	\$ 2,354,655
Debt, current portion	-	190,477	-	190,477
Total current liabilities	-	2,545,132	-	2,545,132
Noncurrent liabilities				
Capital lease obligations	-	-	-	-
Related party note payable	-	-	-	-
Notes payable	-	16,284,001	-	16,284,001
Deferred rent liability	-	88,758	-	88,758
Total long-term liabilities	-	16,372,759	-	16,372,759
Total liabilities	-	18,917,891	-	18,917,891
Net assets				
Without donor restrictions	-	42,470,380	-	42,470,380
Member's equity	-	3,576,675	(3,576,675)	-
With donor restrictions	-	4,127,808	-	4,127,808
Total net assets	-	50,174,863	(3,576,675)	46,598,188
Total liabilities and net assets	\$ -	\$ 69,092,754	\$ (3,576,675)	\$ 65,516,079

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, 2019**

	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
Revenue and support								
Federal revenue	\$ 635,843	\$ -	\$ 607,345	\$ -	\$ -	\$ 1,243,188	\$ -	\$ 1,243,188
State revenue	1,762	-	-	-	-	1,762	-	1,762
Private grants and contributions	5,682,086	-	-	16,000	-	5,698,086	-	5,698,086
Management fees	18,933,803	-	-	-	-	18,933,803	-	18,933,803
Interest and other income	506,387	-	774,765	314,305	-	1,595,457	-	1,595,457
Investment loss in subsidiaries	(3,698,290)	-	-	-	-	(3,698,290)	3,698,290	-
Total revenue and support	<u>22,061,591</u>	<u>-</u>	<u>1,382,110</u>	<u>330,305</u>	<u>-</u>	<u>23,774,006</u>	<u>3,698,290</u>	<u>27,472,296</u>
Expenses								
Program services								
Rent	270	-	-	-	-	270	-	270
Depreciation and amortization	-	71,571	47,030	31,924	-	150,525	-	150,525
Interest	-	-	915,142	290,329	-	1,205,471	-	1,205,471
Other program services	<u>7,562,731</u>	<u>2,333</u>	<u>20,979</u>	<u>2,333</u>	<u>4,496</u>	<u>7,592,872</u>	<u>-</u>	<u>7,592,872</u>
Supporting services	7,563,001	73,904	983,151	324,586	4,496	8,949,138	-	8,949,138
Management and general								
Rent	589,901	-	-	-	-	589,901	-	589,901
Depreciation and amortization	217,068	-	-	-	-	217,068	-	217,068
Interest	403	-	-	-	-	403	-	403
Other management and general	<u>13,421,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,421,660</u>	<u>-</u>	<u>13,421,660</u>
Fundraising	14,229,032	-	-	-	-	14,229,032	-	14,229,032
	<u>1,337,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337,800</u>	<u>-</u>	<u>1,337,800</u>
Total expenses	<u>23,129,833</u>	<u>73,904</u>	<u>983,151</u>	<u>324,586</u>	<u>4,496</u>	<u>24,515,970</u>	<u>-</u>	<u>24,515,970</u>
Change in net assets before other changes	(1,068,242)	(73,904)	398,959	5,719	(4,496)	(741,964)	3,698,290	2,956,326
Loss on debt extinguishment	(3,000)	-	(4,024,568)	-	-	(4,027,568)	-	(4,027,568)
Repayment of grant advance	-	-	-	-	-	-	-	-
Contributions redirected to affiliate	<u>(750,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>-</u>	<u>(750,000)</u>
Change in net assets after other changes	(1,821,242)	(73,904)	(3,625,609)	5,719	(4,496)	(5,519,532)	3,698,290	(1,821,242)
Member contributions	-	2,333	562	143,775	4,496	151,166	(151,166)	-
Net assets (deficit), beginning of year	<u>48,419,430</u>	<u>1,382,172</u>	<u>4,775,899</u>	<u>965,728</u>	<u>-</u>	<u>55,543,229</u>	<u>(7,123,799)</u>	<u>48,419,430</u>
Net assets (deficit), end of year	<u>\$ 46,598,188</u>	<u>\$ 1,310,601</u>	<u>\$ 1,150,852</u>	<u>\$ 1,115,222</u>	<u>\$ -</u>	<u>\$ 50,174,863</u>	<u>\$ (3,576,675)</u>	<u>\$ 46,598,188</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 FINANCIAL POSITION
June 30, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 2,356,393	\$ 222,495	\$ 523,715	\$ 15,079	\$ 36,416	\$ 58,910
Due from related parties	431,443	7,876	-	-	23,075	5,901
Assets limited as to use	5,207,000	785,403	-	362,718	-	312,894
Prepaid expenses and other current assets	-	1,147	736	367	981	51,226
Total current assets	<u>7,994,836</u>	<u>1,016,921</u>	<u>524,451</u>	<u>378,164</u>	<u>60,472</u>	<u>428,931</u>
Noncurrent assets						
Deferred rent receivable	-	-	85,457	-	-	30,086
Assets limited as to use	8,900,127	1,385,742	101,928	593,889	-	667,828
Other noncurrent assets	87,000	-	-	-	8,100	-
Investment in affiliates	145,314,392	-	-	-	-	-
Property and equipment, net	-	16,132,259	9,477,294	7,152,912	19,383,388	7,967,779
Total noncurrent assets	<u>154,301,519</u>	<u>17,518,001</u>	<u>9,664,679</u>	<u>7,746,801</u>	<u>19,391,488</u>	<u>8,665,693</u>
Total assets	<u>\$ 162,296,355</u>	<u>\$ 18,534,922</u>	<u>\$ 10,189,130</u>	<u>\$ 8,124,965</u>	<u>\$ 19,451,960</u>	<u>\$ 9,094,624</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 3,262,380	\$ 513,313	\$ 736	\$ 225,578	\$ 18,286	\$ 262,601
Deferred revenue	-	-	-	-	-	-
Due to related parties	968,700	-	57,451	934,302	-	-
Notes payable	1,785,000	196,000	-	84,000	-	130,100
Total current liabilities	<u>6,016,080</u>	<u>709,313</u>	<u>58,187</u>	<u>1,243,880</u>	<u>18,286</u>	<u>392,701</u>
Noncurrent liabilities						
Related party note payable	-	-	-	-	11,705,965	-
Notes payable	131,822,868	13,811,934	-	5,920,115	(18,983)	7,789,266
Other noncurrent liabilities	-	30,070	359,484	9,245	-	-
Total noncurrent liabilities	<u>131,822,868</u>	<u>13,842,004</u>	<u>359,484</u>	<u>5,929,360</u>	<u>11,686,982</u>	<u>7,789,266</u>
Total liabilities	<u>137,838,948</u>	<u>14,551,317</u>	<u>417,671</u>	<u>7,173,240</u>	<u>11,705,268</u>	<u>8,181,967</u>
Net assets (deficit)						
Without donor restrictions	24,457,407	-	-	-	-	-
Member's equity	-	3,983,605	9,771,459	951,725	7,746,692	912,657
Total net assets (deficit)	<u>24,457,407</u>	<u>3,983,605</u>	<u>9,771,459</u>	<u>951,725</u>	<u>7,746,692</u>	<u>912,657</u>
Total liabilities and net assets	<u>\$ 162,296,355</u>	<u>\$ 18,534,922</u>	<u>\$ 10,189,130</u>	<u>\$ 8,124,965</u>	<u>\$ 19,451,960</u>	<u>\$ 9,094,624</u>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES
CORPORATION
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June 30, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 113,965	\$ 246,197	\$ 576,450	\$ 232,367	\$ 1,203,088	\$ 139,304
Due from related parties	-	-	-	-	18,240	-
Assets limited as to use	164,690	-	-	-	31	153,083
Prepaid expenses and other current assets	-	-	50,887	122,841	-	-
Total current assets	<u>278,655</u>	<u>246,197</u>	<u>627,337</u>	<u>355,208</u>	<u>1,221,359</u>	<u>292,387</u>
Noncurrent assets						
Deferred rent receivable	785,173	244,367	603,388	130,854	182,888	785,173
Assets limited as to use	3,096,284	-	-	-	83,251	-
Other noncurrent assets	-	-	12,503	-	-	-
Investment in affiliates	-	-	-	-	-	-
Property and equipment, net	11,200,736	8,547,528	12,510,088	10,985,764	6,869,153	8,097,592
Total noncurrent assets	<u>15,082,193</u>	<u>8,791,895</u>	<u>13,125,979</u>	<u>11,116,618</u>	<u>7,135,292</u>	<u>8,882,765</u>
Total assets	<u>\$ 15,360,848</u>	<u>\$ 9,038,092</u>	<u>\$ 13,753,316</u>	<u>\$ 11,471,826</u>	<u>\$ 8,356,651</u>	<u>\$ 9,175,152</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 73,888	\$ 71,599	\$ 4,842	\$ 7,047	\$ 55,863	\$ 47,246
Deferred revenue	-	-	-	-	-	-
Due to related parties	84,853	104,392	52,060	34,784	-	42,962
Notes payable	-	-	-	-	-	113,148
Total current liabilities	<u>158,741</u>	<u>175,991</u>	<u>56,902</u>	<u>41,831</u>	<u>55,863</u>	<u>203,356</u>
Noncurrent liabilities						
Related party note payable	1,300,744	-	-	-	-	1,292,354
Notes payable	10,290,175	-	-	-	8,433,060	8,248,824
Other noncurrent liabilities	-	-	-	-	-	-
Total noncurrent liabilities	<u>11,590,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,433,060</u>	<u>9,541,178</u>
Total liabilities	<u>11,749,660</u>	<u>175,991</u>	<u>56,902</u>	<u>41,831</u>	<u>8,488,923</u>	<u>9,744,534</u>
Net assets (deficit)						
Without donor restrictions	-	-	-	-	-	-
Member's equity	3,611,188	8,862,101	13,696,414	11,429,995	(132,272)	(569,382)
Total net assets (deficit)	<u>3,611,188</u>	<u>8,862,101</u>	<u>13,696,414</u>	<u>11,429,995</u>	<u>(132,272)</u>	<u>(569,382)</u>
Total liabilities and net assets	<u>\$ 15,360,848</u>	<u>\$ 9,038,092</u>	<u>\$ 13,753,316</u>	<u>\$ 11,471,826</u>	<u>\$ 8,356,651</u>	<u>\$ 9,175,152</u>

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

**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES
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	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 25,726	\$ 302,554	\$ -	\$ 1,383,227	\$ 116,397	\$ 556,585
Due from related parties	-	-	1,209,575	-	-	-
Assets limited as to use	1,153,023	-	-	-	-	-
Prepaid expenses and other current assets	214,063	8,000	-	4,045	406	57,147
Total current assets	<u>1,392,812</u>	<u>310,554</u>	<u>1,209,575</u>	<u>1,387,272</u>	<u>116,803</u>	<u>613,732</u>
Noncurrent assets						
Deferred rent receivable	-	293,062	150,058	1,884,995	136,658	-
Assets limited as to use	208,068	-	-	-	-	-
Other noncurrent assets	580	24,000	-	-	-	-
Investment in affiliates	-	-	-	-	-	-
Property and equipment, net	11,224,461	21,546,007	12,697,666	12,149,887	6,790,399	4,774,526
Total noncurrent assets	<u>11,433,109</u>	<u>21,863,069</u>	<u>12,847,724</u>	<u>14,034,882</u>	<u>6,927,057</u>	<u>4,774,526</u>
Total assets	<u>\$ 12,825,921</u>	<u>\$ 22,173,623</u>	<u>\$ 14,057,299</u>	<u>\$ 15,422,154</u>	<u>\$ 7,043,860</u>	<u>\$ 5,388,258</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 548,607	\$ 23,162	\$ -	\$ 42,326	\$ 4,509	\$ 3,931
Deferred revenue	-	-	-	-	-	-
Due to related parties	469,480	503,325	-	88,859	43,195	36,736
Notes payable	190,000	-	207,000	-	-	-
Total current liabilities	<u>1,208,087</u>	<u>526,487</u>	<u>207,000</u>	<u>131,185</u>	<u>47,704</u>	<u>40,667</u>
Noncurrent liabilities						
Related party note payable	-	-	-	-	-	-
Notes payable	13,938,653	-	829,000	-	-	-
Other noncurrent liabilities	310,913	-	-	-	-	84,154
Total noncurrent liabilities	<u>14,249,566</u>	<u>-</u>	<u>829,000</u>	<u>-</u>	<u>-</u>	<u>84,154</u>
Total liabilities	<u>15,457,653</u>	<u>526,487</u>	<u>1,036,000</u>	<u>131,185</u>	<u>47,704</u>	<u>124,821</u>
Net assets (deficit)						
Without donor restrictions	-	-	-	-	-	-
Member's equity	(2,631,732)	21,647,136	13,021,299	15,290,969	6,996,156	5,263,437
Total net assets (deficit)	<u>(2,631,732)</u>	<u>21,647,136</u>	<u>13,021,299</u>	<u>15,290,969</u>	<u>6,996,156</u>	<u>5,263,437</u>
Total liabilities and net assets	<u>\$ 12,825,921</u>	<u>\$ 22,173,623</u>	<u>\$ 14,057,299</u>	<u>\$ 15,422,154</u>	<u>\$ 7,043,860</u>	<u>\$ 5,388,258</u>

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**ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS FACILITIES
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June 30, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 444,826	\$ 362,641	\$ -	\$ 8,916,335	\$ -	\$ 8,916,335
Due from related parties	-	-	-	1,696,110	-	1,696,110
Assets limited as to use	-	-	-	8,138,842	-	8,138,842
Prepaid expenses and other current assets	67,231	5,394	-	584,471	-	584,471
Total current assets	<u>512,057</u>	<u>368,035</u>	<u>-</u>	<u>19,335,758</u>	<u>-</u>	<u>19,335,758</u>
Noncurrent assets						
Deferred rent receivable	167,728	-	-	5,479,887	-	5,479,887
Assets limited as to use	-	269	-	15,037,386	-	15,037,386
Other noncurrent assets	6,000	-	-	138,183	-	138,183
Investment in affiliates	-	-	-	145,314,392	(145,314,392)	-
Property and equipment, net	4,745,610	20,016,779	-	212,269,828	-	212,269,828
Total noncurrent assets	<u>4,919,338</u>	<u>20,017,048</u>	<u>-</u>	<u>378,239,676</u>	<u>(145,314,392)</u>	<u>232,925,284</u>
Total assets	<u>\$ 5,431,395</u>	<u>\$ 20,385,083</u>	<u>\$ -</u>	<u>\$ 397,575,434</u>	<u>\$ (145,314,392)</u>	<u>\$ 252,261,042</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	\$ 4,888	\$ 13,506	\$ -	\$ 5,184,308	\$ -	\$ 5,184,308
Deferred revenue	-	-	-	-	-	-
Due to related parties	36,005	214,011	-	3,671,115	-	3,671,115
Notes payable	-	-	-	2,705,248	-	2,705,248
Total current liabilities	<u>40,893</u>	<u>227,517</u>	<u>-</u>	<u>11,560,671</u>	<u>-</u>	<u>11,560,671</u>
Noncurrent liabilities						
Related party note payable	-	-	-	14,299,063	-	14,299,063
Notes payable	-	-	-	201,064,912	-	201,064,912
Other noncurrent liabilities	-	85,123	-	878,989	-	878,989
Total noncurrent liabilities	<u>-</u>	<u>85,123</u>	<u>-</u>	<u>216,242,964</u>	<u>-</u>	<u>216,242,964</u>
Total liabilities	<u>40,893</u>	<u>312,640</u>	<u>-</u>	<u>227,803,635</u>	<u>-</u>	<u>227,803,635</u>
Net assets (deficit)						
Without donor restrictions	-	-	-	24,457,407	-	24,457,407
Member's equity	5,390,502	20,072,443	-	145,314,392	(145,314,392)	-
Total net assets (deficit)	<u>5,390,502</u>	<u>20,072,443</u>	<u>-</u>	<u>169,771,799</u>	<u>(145,314,392)</u>	<u>24,457,407</u>
Total liabilities and net assets	<u>\$ 5,431,395</u>	<u>\$ 20,385,083</u>	<u>\$ -</u>	<u>\$ 397,575,434</u>	<u>\$ (145,314,392)</u>	<u>\$ 252,261,042</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
Year Ended June 30, 2019**

	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
Revenue and support								
Federal revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,841	\$ -
Private grants and contributions	8,759	-	-	-	-	-	-	-
Rent income	-	1,339,568	686,348	576,230	(2,726,611)	727,478	711,109	563,175
Interest and other income	416,495	-	-	-	1,363	-	54,913	4,002
Investment gain in subsidiaries	12,326,353	-	-	-	-	-	-	-
Total revenue and support	12,751,607	1,339,568	686,348	576,230	(2,725,248)	727,478	1,297,863	567,177
Expenses								
Program services								
Rent	-	-	17,022	-	-	-	-	-
Depreciation and amortization	143,566	337,303	323,145	149,256	1,667,358	169,273	268,504	139,860
Interest	6,269,295	1,012,612	-	435,800	813,118	515,764	711,725	-
Other program services	90,585	147,358	2,335	65,029	215,411	96,277	103,020	74,904
Total expenses	6,503,446	1,497,273	342,502	650,085	2,695,887	781,314	1,083,249	214,764
Change in net assets before other changes	6,248,161	(157,705)	343,846	(73,855)	(5,421,135)	(53,836)	214,614	352,413
Gain on debt extinguishment	-	-	-	-	9,205,231	-	-	-
Change in net assets after other changes	6,248,161	(157,705)	343,846	(73,855)	3,784,096	(53,836)	214,614	352,413
Member contributions	-	-	17,777	-	-	-	1,773,015	12,484
Member distributions	-	-	(746,576)	-	-	-	-	(559,932)
Net assets (deficit), beginning of year	18,209,246	4,141,310	10,156,412	1,025,580	3,962,596	966,493	1,623,559	9,057,136
Net assets (deficit), end of year	\$ 24,457,407	\$ 3,983,605	\$ 9,771,459	\$ 951,725	\$ 7,746,692	\$ 912,657	\$ 3,611,188	\$ 8,862,101

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
Year Ended June 30, 2019**

	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
Revenue and support								
Federal revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private grants and contributions	-	-	-	-	-	42,000	-	-
Rent income	722,932	606,096	638,957	700,155	1,289,129	1,336,098	631,965	1,073,725
Interest and other income	2,747	-	14,571	4,394	22,640	3,997	-	-
Investment gain in subsidiaries	-	-	-	-	-	-	-	-
Total revenue and support	<u>725,679</u>	<u>606,096</u>	<u>653,528</u>	<u>704,549</u>	<u>1,311,769</u>	<u>1,382,095</u>	<u>631,965</u>	<u>1,073,725</u>
Expenses								
Program services								
Rent	-	-	-	-	-	-	-	-
Depreciation and amortization	224,590	166,165	190,672	195,774	295,875	306,322	178,719	144,809
Interest	-	-	337,058	706,143	907,402	-	-	-
Other program services	<u>72,320</u>	<u>108,165</u>	<u>117,773</u>	<u>115,791</u>	<u>303,123</u>	<u>168,869</u>	<u>2,333</u>	<u>95,344</u>
Total expenses	<u>296,910</u>	<u>274,330</u>	<u>645,503</u>	<u>1,017,708</u>	<u>1,506,400</u>	<u>475,191</u>	<u>181,052</u>	<u>240,153</u>
Change in net assets before other changes	428,769	331,766	8,025	(313,159)	(194,631)	906,904	450,913	833,572
Gain on debt extinguishment	-	-	-	-	-	-	-	-
Change in net assets after other changes	428,769	331,766	8,025	(313,159)	(194,631)	906,904	450,913	833,572
Member contributions	12,941	11,693	-	-	-	608,854	3,412,811	71,095
Member distributions	(684,336)	(558,495)	-	-	-	(1,319,844)	(588,969)	(1,136,327)
Net assets (deficit), beginning of year	<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>
Net assets (deficit), end of year	<u>\$ 13,696,414</u>	<u>\$ 11,429,995</u>	<u>\$ (132,272)</u>	<u>\$ (569,382)</u>	<u>\$ (2,631,732)</u>	<u>\$ 21,647,136</u>	<u>\$ 13,021,299</u>	<u>\$ 15,290,969</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
Year Ended June 30, 2019**

	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
Revenue and support								
Federal revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,841	\$ -	\$ 531,841
Private grants and contributions	-	-	-	33,500	-	84,259	-	84,259
Rent income	663,033	545,802	631,955	1,341,395	-	12,058,539	-	12,058,539
Interest and other income	18,185	10,428	11,740	-	-	565,475	-	565,475
Investment gain in subsidiaries	-	-	-	-	-	12,326,353	(12,326,353)	-
Total revenue and support	681,218	556,230	643,695	1,374,895	-	25,566,467	(12,326,353)	13,240,114
Expenses								
Program services								
Rent	-	-	-	-	-	17,022	-	17,022
Depreciation and amortization	139,287	102,666	157,313	399,196	-	5,699,653	-	5,699,653
Interest	118,573	79,569	85,725	-	-	11,992,784	-	11,992,784
Other program services	74,575	129,357	146,805	467,250	2,333	2,598,957	-	2,598,957
Total expenses	332,435	311,592	389,843	866,446	2,333	20,308,416	-	20,308,416
Change in net assets before other changes	348,783	244,638	253,852	508,449	(2,333)	5,258,051	(12,326,353)	(7,068,302)
Gain on debt extinguishment	1,719,778	1,149,242	1,242,212	-	-	13,316,463	-	13,316,463
Change in net assets after other changes	2,068,561	1,393,880	1,496,064	508,449	(2,333)	18,574,514	(12,326,353)	6,248,161
Member contributions	6,418,901	4,261,742	4,527,954	1,650,184	2,333	22,781,784	(22,781,784)	-
Member distributions	(801,862)	(686,711)	(673,696)	(1,205,899)	-	(8,962,647)	8,962,647	-
Net assets (deficit), beginning of year	(689,444)	294,526	40,180	19,119,709	-	137,378,148	(119,168,902)	18,209,246
Net assets (deficit), end of year	\$ 6,996,156	\$ 5,263,437	\$ 5,390,502	\$ 20,072,443	\$ -	\$ 169,771,799	\$ (145,314,392)	\$ 24,457,407

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, 2019**

	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 Eva Stern Math and Science School
ASSETS						
Current assets						
Cash and cash equivalents	\$ 23,776,703	\$ 8,916,335	\$ 1,377,325	\$ 7,654,667	\$ 6,819,904	\$ 4,642,053
Promises to give	1,408,334	-	-	-	-	-
Accounts receivable	28,471	-	1,586,413	910,132	849,985	888,203
Due from related parties	10,830,978	1,696,110	387,051	99,584	301	-
Related party note receivable	1,842,412	-	-	-	-	-
Assets limited to use	3,154,230	8,138,842	1,620,210	-	-	-
Prepaid expenses and other current assets	441,049	584,471	18,978	37,134	65,071	17,400
Total current assets	41,482,177	19,335,758	4,989,977	8,701,517	7,735,261	5,547,656
Noncurrent assets						
Promises to give	314,443	-	-	-	-	-
Related party note receivable	14,299,063	-	-	-	-	-
Note receivable	6,378,594	-	-	-	-	-
Deferred rent receivable	-	5,479,887	307,097	-	-	-
Assets limited as to use	595,466	15,037,386	-	-	-	-
Other long-term assets	378,942	138,183	1,000	-	-	-
Property and equipment, net	2,067,394	212,269,828	3,454,415	694,207	574,430	609,303
Total noncurrent assets	24,033,902	232,925,284	3,762,512	694,207	574,430	609,303
Total assets	\$ 65,516,079	\$ 252,261,042	\$ 8,752,489	\$ 9,395,724	\$ 8,309,691	\$ 6,156,959
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 2,354,655	\$ 5,184,308	\$ 446,829	\$ 314,197	\$ 287,976	\$ 466,385
Due to related party	-	3,671,115	111,468	94,466	38,088	73,996
Related party note payable	-	-	-	-	-	-
Debt, current portion	190,477	2,705,248	-	-	-	-
Total current liabilities	2,545,132	11,560,671	558,297	408,663	326,064	540,381
Noncurrent liabilities						
Related party note payable	-	14,299,063	-	-	-	-
Notes payable	16,284,001	201,064,912	-	-	-	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	88,758	878,989	-	991,821	195,484	85,457
Total noncurrent liabilities	16,372,759	216,242,964	-	991,821	195,484	85,457
Total liabilities	18,917,891	227,803,635	558,297	1,400,484	521,548	625,838
Net assets (deficit)						
Without donor restrictions	42,470,380	24,457,407	8,053,038	7,992,521	7,735,186	5,487,399
With donor restrictions	4,127,808	-	141,154	2,719	52,957	43,722
Total net assets (deficit)	46,598,188	24,457,407	8,194,192	7,995,240	7,788,143	5,531,121
Total liabilities and net assets	\$ 65,516,079	\$ 252,261,042	\$ 8,752,489	\$ 9,395,724	\$ 8,309,691	\$ 6,156,959

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, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,413,230	\$ 1,300,697	\$ 10,038,989	\$ 1,087,566	\$ 418,350	\$ 2,556,207
Promises to give	-	-	-	-	-	-
Accounts receivable	577,676	992,715	1,734,307	866,220	592,114	757,936
Due from related parties	2,252	-	55,317	-	-	-
Related party note receivable	-	-	-	-	-	-
Assets limited to use	-	-	-	-	-	-
Prepaid expenses and other current assets	13,098	27,839	30,073	60,756	297,353	64,719
Total current assets	5,006,256	2,321,251	11,858,686	2,014,542	1,307,817	3,378,862
Noncurrent assets						
Promises to give	-	-	-	-	-	-
Related party note receivable	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-
Deferred rent receivable	-	-	30,070	-	-	-
Assets limited as to use	-	-	-	-	-	-
Other long-term assets	-	8,200	-	22,300	1,000	-
Property and equipment, net	527,546	1,098,078	1,444,937	167,712	20,746,317	156,741
Total noncurrent assets	527,546	1,106,278	1,475,007	190,012	20,747,317	156,741
Total assets	\$ 5,533,802	\$ 3,427,529	\$ 13,333,693	\$ 2,204,554	\$ 22,055,134	\$ 3,535,603
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 813,893	\$ 523,743	\$ 544,084	\$ 602,961	\$ 278,544	\$ 176,399
Due to related party	50,483	127,566	233,371	946,398	1,492,556	106,735
Related party note payable	-	-	-	-	393	-
Debt, current portion	-	-	-	101,888	277,427	-
Total current liabilities	864,376	651,309	777,455	1,651,247	2,048,920	283,134
Noncurrent liabilities						
Related party note payable	-	-	-	-	-	-
Notes payable	-	-	-	919,545	9,551,690	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	-	30,086	-	150,058	-	-
Total noncurrent liabilities	-	30,086	-	1,069,603	9,551,690	-
Total liabilities	864,376	681,395	777,455	2,720,850	11,600,610	283,134
Net assets (deficit)						
Without donor restrictions	4,613,101	2,673,212	12,455,258	(630,225)	10,208,349	3,227,600
With donor restrictions	56,325	72,922	100,980	113,929	246,175	24,869
Total net assets (deficit)	4,669,426	2,746,134	12,556,238	(516,296)	10,454,524	3,252,469
Total liabilities and net assets	\$ 5,533,802	\$ 3,427,529	\$ 13,333,693	\$ 2,204,554	\$ 22,055,134	\$ 3,535,603

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, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 835,082	\$ 503,891	\$ 412,669	\$ 428,360	\$ 1,854,699	\$ 1,207,722
Promises to give	-	-	-	-	-	-
Accounts receivable	729,832	365,258	721,250	677,065	692,850	433,230
Due from related parties	-	-	-	-	-	78,221
Related party note receivable	-	-	-	-	-	-
Assets limited to use	-	-	-	-	-	-
Prepaid expenses and other current assets	13,165	15,287	20,235	15,007	13,632	22,409
Total current assets	1,578,079	884,436	1,154,154	1,120,432	2,561,181	1,741,582
Noncurrent assets						
Promises to give	-	-	-	-	-	-
Related party note receivable	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-
Deferred rent receivable	-	-	-	-	-	-
Assets limited as to use	-	-	-	-	-	-
Other long-term assets	12,000	-	-	33,950	-	-
Property and equipment, net	525,412	26,880	614,790	336,158	750,495	324,269
Total noncurrent assets	537,412	26,880	614,790	370,108	750,495	324,269
Total assets	\$ 2,115,491	\$ 911,316	\$ 1,768,944	\$ 1,490,540	\$ 3,311,676	\$ 2,065,851
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 154,320	\$ 345,378	\$ 157,805	\$ 214,227	\$ 169,569	\$ 153,604
Due to related party	49,221	62,318	1,067,605	857,695	40,856	74,254
Related party note payable	-	-	-	740,757	-	-
Debt, current portion	-	-	-	-	-	-
Total current liabilities	203,541	407,696	1,225,410	1,812,679	210,425	227,858
Noncurrent liabilities						
Related party note payable	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	136,658	-	-	603,388	269	785,173
Total noncurrent liabilities	136,658	-	-	603,388	269	785,173
Total liabilities	340,199	407,696	1,225,410	2,416,067	210,694	1,013,031
Net assets (deficit)						
Without donor restrictions	1,749,125	340,391	407,344	(934,388)	3,079,937	1,025,177
With donor restrictions	26,167	163,229	136,190	8,861	21,045	27,643
Total net assets (deficit)	1,775,292	503,620	543,534	(925,527)	3,100,982	1,052,820
Total liabilities and net assets	\$ 2,115,491	\$ 911,316	\$ 1,768,944	\$ 1,490,540	\$ 3,311,676	\$ 2,065,851

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, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 308,050	\$ 727,481	\$ 3,332,399	\$ 283,537	\$ -	\$ 1,711,130
Promises to give	-	-	-	-	-	-
Accounts receivable	228,868	574,964	599,720	351,239	-	550,607
Due from related parties	42,993	-	33,484	-	-	-
Related party note receivable	-	-	-	-	-	-
Assets limited to use	-	-	-	-	-	-
Prepaid expenses and other current assets	6,924	29,934	14,538	7,938	-	8,312
Total current assets	586,835	1,332,379	3,980,141	642,714	-	2,270,049
Noncurrent assets						
Promises to give	-	-	-	-	-	-
Related party note receivable	-	-	-	-	-	-
Note receivable	-	-	-	-	-	-
Deferred rent receivable	-	9,245	84,154	-	-	-
Assets limited as to use	-	-	-	-	-	-
Other long-term assets	4,000	600	9,050	-	-	1,690
Property and equipment, net	320,023	658,645	752,738	315,081	-	502,206
Total noncurrent assets	324,023	668,490	845,942	315,081	-	503,896
Total assets	\$ 910,858	\$ 2,000,869	\$ 4,826,083	\$ 957,795	\$ -	\$ 2,773,945
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 111,861	\$ 151,928	\$ 205,377	\$ 124,143	\$ -	\$ 238,337
Due to related party	521,293	95,092	84,010	1,208,161	-	72,345
Related party note payable	127	-	-	127	-	-
Debt, current portion	-	-	-	-	-	-
Total current liabilities	633,281	247,020	289,387	1,332,431	-	310,682
Noncurrent liabilities						
Related party note payable	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	785,173	-	-	-	-	182,888
Total noncurrent liabilities	785,173	-	-	-	-	182,888
Total liabilities	1,418,454	247,020	289,387	1,332,431	-	493,570
Net assets (deficit)						
Without donor restrictions	(592,136)	1,735,482	4,517,156	(419,061)	-	2,193,226
With donor restrictions	84,540	18,367	19,540	44,425	-	87,149
Total net assets (deficit)	(507,596)	1,753,849	4,536,696	(374,636)	-	2,280,375
Total liabilities and net assets	\$ 910,858	\$ 2,000,869	\$ 4,826,083	\$ 957,795	\$ -	\$ 2,773,945

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, 2019**

	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
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,524,893	\$ 370,775	\$ 2,819,105	\$ 669,150	\$ -	\$ 89,990,969
Promises to give	-	-	-	-	-	1,408,334
Accounts receivable	497,523	520,075	530,588	1,066,054	-	18,323,295
Due from related parties	103,213	7,818	34,626	82,143	(13,454,091)	-
Related party note receivable	-	-	-	-	(1,842,412)	-
Assets limited to use	-	-	-	-	-	12,913,282
Prepaid expenses and other current assets	61,787	13,160	46,657	49,097	-	1,996,023
Total current assets	<u>2,187,416</u>	<u>911,828</u>	<u>3,430,976</u>	<u>1,866,444</u>	<u>(15,296,503)</u>	<u>124,631,903</u>
Noncurrent assets						
Promises to give	-	-	-	-	-	314,443
Related party note receivable	-	-	-	-	(14,299,063)	-
Note receivable	-	-	-	-	-	6,378,594
Deferred rent receivable	-	85,123	-	-	(5,102,670)	892,906
Assets limited as to use	-	-	-	-	-	15,632,852
Other long-term assets	11,816	-	2,700	3,500	-	628,931
Property and equipment, net	286,723	249,420	106,251	685,748	(1,075,286)	249,190,461
Total noncurrent assets	<u>298,539</u>	<u>334,543</u>	<u>108,951</u>	<u>689,248</u>	<u>(20,477,019)</u>	<u>273,038,187</u>
Total assets	<u>\$ 2,485,955</u>	<u>\$ 1,246,371</u>	<u>\$ 3,539,927</u>	<u>\$ 2,555,692</u>	<u>\$ (35,773,522)</u>	<u>\$ 397,670,090</u>
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued expenses	\$ 88,468	\$ 161,617	\$ 268,109	\$ 229,042	\$ -	\$ 14,767,759
Due to related party	83,215	629,303	70,700	1,591,781	(13,454,091)	-
Related party note payable	-	-	-	1,101,008	(1,842,412)	-
Debt, current portion	-	-	-	-	-	3,275,040
Total current liabilities	<u>171,683</u>	<u>790,920</u>	<u>338,809</u>	<u>2,921,831</u>	<u>(15,296,503)</u>	<u>18,042,799</u>
Noncurrent liabilities						
Related party note payable	-	-	-	-	(14,299,063)	-
Notes payable	-	-	-	-	708,868	228,529,016
Liability for asset retirement obligation	-	-	-	-	-	-
Deferred rent liabilities	244,367	-	130,854	293,062	(5,102,656)	479,829
Total noncurrent liabilities	<u>244,367</u>	<u>-</u>	<u>130,854</u>	<u>293,062</u>	<u>(18,692,851)</u>	<u>229,008,845</u>
Total liabilities	<u>416,050</u>	<u>790,920</u>	<u>469,663</u>	<u>3,214,893</u>	<u>(33,989,354)</u>	<u>247,051,644</u>
Net assets (deficit)						
Without donor restrictions	2,067,460	445,379	2,879,321	(661,596)	(1,784,168)	144,791,875
With donor restrictions	2,445	10,072	190,943	2,395	-	5,826,571
Total net assets (deficit)	<u>2,069,905</u>	<u>455,451</u>	<u>3,070,264</u>	<u>(659,201)</u>	<u>(1,784,168)</u>	<u>150,618,446</u>
Total liabilities and net assets	<u>\$ 2,485,955</u>	<u>\$ 1,246,371</u>	<u>\$ 3,539,927</u>	<u>\$ 2,555,692</u>	<u>\$ (35,773,522)</u>	<u>\$ 397,670,090</u>

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, 2019**

	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
Revenue and support										
Federal revenue	\$ 1,243,188	\$ 531,841	\$ 1,294,718	\$ 707,187	\$ 913,910	\$ 695,361	\$ 585,657	\$ 973,731	\$ 1,454,680	\$ 528,169
State revenue	1,762	-	10,637,255	6,824,315	6,870,706	6,837,481	4,752,880	6,574,116	11,631,347	5,536,039
Local revenues	-	-	2,420,648	1,467,699	1,489,835	1,481,459	1,096,917	1,391,106	2,565,245	1,191,193
Private grants and contributions	5,698,086	84,259	6,345	1,772	750	20,000	36,025	8,000	-	570,748
Management fees	18,933,803	-	-	-	-	-	-	-	-	-
Rental income	-	12,058,539	-	-	-	-	-	-	-	-
Other school revenues	-	-	68,972	30,912	62,191	86,242	37,767	89,904	57,498	54,689
Interest and other income	1,595,457	565,475	96,187	39,367	68,533	53,914	43,522	73,249	112,994	28,729
Total revenue and support	27,472,296	13,240,114	14,524,125	9,071,252	9,405,925	9,174,457	6,552,768	9,110,106	15,821,764	7,909,567
Expenses										
Program services										
Administrative services fee	-	-	1,427,549	900,112	923,543	903,459	628,800	891,128	1,557,765	698,832
Rent	270	17,022	1,289,128	609,024	787,691	686,347	425,820	727,477	1,339,568	631,965
Depreciation and amortization	150,525	5,699,653	366,083	162,683	242,508	142,922	122,829	161,442	299,395	64,868
Interest	1,205,471	11,992,784	-	-	-	-	-	-	-	16,337
Other program services	7,592,872	2,598,957	11,710,960	6,722,222	6,581,465	6,711,715	5,150,138	7,141,046	11,933,703	6,358,533
	8,949,138	20,308,416	14,793,720	8,394,041	8,535,207	8,444,443	6,327,587	8,921,093	15,130,431	7,770,535
Supporting services										
Management and general										
Administrative services fee	-	-	-	-	-	-	-	-	-	-
Rent	589,901	-	-	-	-	-	-	-	-	-
Depreciation and amortization	217,068	-	-	-	-	-	-	-	-	-
Interest	403	-	-	-	-	-	-	-	-	-
Other management and general	13,421,660	-	-	-	-	-	-	-	-	-
	14,229,032	-	-	-	-	-	-	-	-	-
Fundraising	1,337,800	-	-	-	-	-	-	-	-	-
Total expenses	24,515,970	20,308,416	14,793,720	8,394,041	8,535,207	8,444,443	6,327,587	8,921,093	15,130,431	7,770,535
Change in net assets before other changes	2,956,326	(7,068,302)	(269,595)	677,211	870,718	730,014	225,181	189,013	691,333	139,032
Loss on abandonment of real estate	-	-	-	-	-	-	-	-	-	(1,047,700)
Gain (loss) on debt extinguishment	(4,027,568)	13,316,463	-	-	-	-	-	-	-	-
Repayment of grant advance	-	-	-	-	-	(27,111)	(177,176)	-	-	(263,334)
Contributions redirected to affiliate	(750,000)	-	-	-	-	-	-	-	-	-
Change in net assets after other changes	(1,821,242)	6,248,161	(269,595)	677,211	870,718	702,903	48,005	189,013	691,333	(1,172,002)
Net assets (deficit), beginning of year	48,419,430	18,209,246	8,463,787	7,318,029	6,917,425	4,828,218	4,621,421	2,557,121	11,864,905	655,706
Net assets (deficit)end of year	\$ 46,598,188	\$ 24,457,407	\$ 8,194,192	\$ 7,995,240	\$ 7,788,143	\$ 5,531,121	\$ 4,669,426	\$ 2,746,134	\$ 12,556,238	\$ (516,296)

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, 2019**

	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
Revenue and support										
Federal revenue	\$ 586,891	\$ 623,928	\$ 667,165	\$ 361,695	\$ 749,548	\$ 487,087	\$ 722,248	\$ 612,354	\$ 337,574	\$ 589,750
State revenue	4,662,970	5,604,895	5,754,155	3,066,999	5,996,278	4,687,029	5,927,872	5,686,729	3,259,542	4,346,122
Local revenues	1,071,983	1,194,196	1,202,939	713,615	1,288,346	990,636	1,244,881	1,244,347	709,761	1,082,382
Private grants and contributions	35,000	4,500	2,111	450	2,750	1,285	6,967	35,000	126,943	-
Management fees	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Other school revenues	1,399	94,385	52,960	33,854	4,610	16,813	59,345	34,134	60,414	10,694
Interest and other income	103,090	43,127	51,016	25,082	44,204	55,883	44,010	31,879	13,535	16,788
Total revenue and support	6,461,333	7,565,031	7,730,346	4,201,695	8,085,736	6,238,733	8,005,323	7,644,443	4,507,769	6,045,736
Expenses										
Program services										
Administrative services fee	635,685	737,029	759,282	414,282	801,723	616,610	787,077	757,849	443,388	597,859
Rent	-	650,000	663,033	323,364	(2,193,921)	722,932	753,885	835,957	700,155	576,229
Depreciation and amortization	189,032	92,730	138,481	73,623	107,208	38,791	120,558	186,882	166,709	146,833
Interest	186,018	-	-	-	1,797	5,298	171	265	1,736	-
Other program services	4,912,789	5,856,033	5,777,102	3,563,835	6,518,970	4,394,931	5,642,188	5,512,268	3,289,165	4,595,396
	5,923,524	7,335,792	7,337,898	4,375,104	5,235,777	5,778,562	7,303,879	7,293,221	4,601,153	5,916,317
Supporting services										
Management and general										
Administrative services fee	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Other management and general	-	-	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-	-	-
Total expenses	5,923,524	7,335,792	7,337,898	4,375,104	5,235,777	5,778,562	7,303,879	7,293,221	4,601,153	5,916,317
Change in net assets before other changes	537,809	229,239	392,448	(173,409)	2,849,959	460,171	701,444	351,222	(93,384)	129,419
Loss on abandonment of real estate	-	-	-	-	-	-	-	-	-	-
Gain (loss) on debt extinguishment	-	-	-	-	-	-	-	-	-	-
Repayment of grant advance	-	(57,232)	-	(32,448)	-	-	-	-	-	-
Contributions redirected to affiliate	-	-	-	-	-	-	-	-	-	-
Change in net assets after other changes	537,809	172,007	392,448	(205,857)	2,849,959	460,171	701,444	351,222	(93,384)	129,419
Net assets (deficit), beginning of year	9,916,715	3,080,462	1,382,844	709,477	(2,306,425)	(1,385,698)	2,399,538	701,598	(414,212)	1,624,430
Net assets (deficit)end of year	\$ 10,454,524	\$ 3,252,469	\$ 1,775,292	\$ 503,620	\$ 543,534	\$ (925,527)	\$ 3,100,982	\$ 1,052,820	\$ (507,596)	\$ 1,753,849

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, 2019**

	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
Revenue and support									
Federal revenue	\$ 628,725	\$ 378,349	\$ 535,457	\$ 579,009	\$ 498,327	\$ 606,093	\$ 848,087	\$ -	\$ 18,740,729
State revenue	4,536,770	2,714,678	4,415,980	4,487,703	4,209,963	4,568,216	7,659,341	-	141,251,143
Local revenues	1,121,683	645,420	1,098,551	1,120,521	1,044,864	1,130,154	1,771,861	-	31,780,242
Private grants and contributions	755	-	2,350	10,000	33,000	10,500	17,467	(591,107)	6,123,956
Management fees	-	-	-	-	-	-	-	(18,933,803)	-
Rental income	-	-	-	-	-	-	-	(11,593,836)	464,703
Other school revenues	17,472	1,529	28,029	425	18,852	20,530	41,125	-	984,745
Interest and other income	27,555	15,736	35,558	38,861	18,673	41,139	45,757	(811,363)	2,517,957
Total revenue and support	6,332,960	3,755,712	6,115,925	6,236,519	5,823,679	6,376,632	10,383,638	(31,930,109)	201,863,475
Expenses									
Program services									
Administrative services fee	624,606	370,670	605,240	619,729	574,230	627,681	1,029,676	(18,933,804)	-
Rent	545,802	(532,690)	638,957	563,176	587,510	606,096	1,336,098	(11,593,836)	1,697,059
Depreciation and amortization	142,642	51,083	86,750	109,761	93,493	72,214	202,029	(79,943)	9,351,784
Interest	-	1,768	-	-	1,600	-	6,511	(564,270)	12,855,486
Other program services	4,822,583	3,244,417	4,409,191	4,467,481	4,683,005	4,660,743	7,909,340	(8,666)	156,752,382
	6,135,633	3,135,248	5,740,138	5,760,147	5,939,838	5,966,734	10,483,654	(31,180,519)	180,656,711
Supporting services									
Management and general									
Administrative services fee	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	589,901
Depreciation and amortization	-	-	-	-	-	-	-	-	217,068
Interest	-	-	-	-	-	-	-	-	403
Other management and general	-	-	-	-	-	-	-	(582,440)	12,839,220
	-	-	-	-	-	-	-	(582,440)	13,646,592
Fundraising	-	-	-	-	-	-	-	(29,083)	1,308,717
Total expenses	6,135,633	3,135,248	5,740,138	5,760,147	5,939,838	5,966,734	10,483,654	(31,792,042)	195,612,020
Change in net assets before other changes	197,327	620,464	375,787	476,372	(116,159)	409,898	(100,016)	(138,067)	6,251,455
Loss on abandonment of real estate	-	-	-	-	-	-	-	-	(1,047,700)
Gain (loss) on debt extinguishment	-	-	-	-	-	-	-	-	9,288,895
Repayment of grant advance	-	-	-	-	-	-	-	-	(557,301)
Contributions redirected to affiliate	-	-	-	-	-	-	-	-	(750,000)
Change in net assets after other changes	197,327	620,464	375,787	476,372	(116,159)	409,898	(100,016)	(138,067)	13,185,349
Net assets (deficit), beginning of year	4,339,369	(995,100)	1,904,588	1,593,533	571,610	2,660,366	(559,185)	(1,646,101)	137,433,097
Net assets (deficit)end of year	\$ 4,536,696	\$ (374,636)	\$ 2,280,375	\$ 2,069,905	\$ 455,451	\$ 3,070,264	\$ (659,201)	\$ (1,784,168)	\$ 150,618,446

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