

**EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER
DISTRICT AND EDUCATIONAL RESOURCE CENTER
FOUNDATION**

**FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING**

August 31, 2014 and 2013

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
August 31, 2014 and 2013

Table of Contents

Certificate of Board	1
Independent Auditor’s Report	2-3
 General-Purpose Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statements of Cash Flows	6
Notes to Financial Statements	7-16
 Specific-Purpose Financial Statements	
Statements of Financial Position	17
Statement of Activities	18
Statements of Cash Flows	19
 Supplemental Information	
Schedule of Expenses	20
Schedule of Capital Assets	21
Budgetary Comparison Schedule	22
Notes to Budgetary Comparison Schedule	23
Consolidating Statement of Financial Position	24
Consolidating Statement of Activities	25-26
Consolidated Schedule of Functional Expenses	27
 Single Audit Section	
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	32-33
Schedule of Findings and Questioned Costs	34-35
Summary Schedule of Prior Audit Findings	36

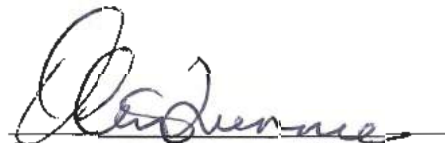
EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT AND
EDUCATIONAL RESOURCE CENTER FOUNDATION

Federal Employer Identification Number: 74-2869255

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such charter holder on the 18 day of November, 2014.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Educational Resource Center, Inc. dba The
John H. Wood, Jr. Public Charter District
and Educational Resource Center Foundation
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Educational Resource Center, Inc. dba The John H. Wood, Jr. Public Charter District (ERC, Inc.) and its affiliate, Educational Resource Center Foundation, non-profit organizations, as of August 31, 2014 and 2013, the related consolidated statement of activities (with comparative totals for 2013), and the consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of ERC, Inc. and its affiliate as of August 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

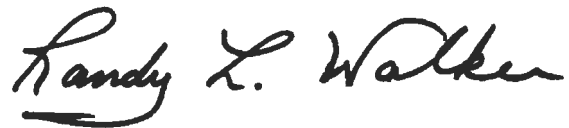
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 20-27 and the accompanying schedule of expenditures of federal awards on page 28, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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 November 18, 2014, on our consideration of ERC, Inc.'s and its affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ERC, Inc.'s and its affiliate's internal control over financial reporting and compliance.



San Antonio, Texas
November 18, 2014

GENERAL-PURPOSE FINANCIAL STATEMENTS

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,497,046	\$ 6,181,470
Due from State	617,944	748,710
Due from Federal Agencies	259,850	156,679
Other Receivables	46,495	482,735
Prepaid Expense	13,217	42,128
Total Current Assets	<u>6,434,552</u>	<u>7,611,722</u>
Restricted Cash	816,025	6,180,489
Bond Issuance Costs, net	395,919	409,650
Property and Equipment, net	<u>13,345,271</u>	<u>5,910,547</u>
TOTAL ASSETS	<u><u>\$ 20,991,767</u></u>	<u><u>\$ 20,112,408</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,070,400	\$ 971,307
Accrued Expenses	174,523	293,635
Deferred Revenue	8,837	-
Bonds Payable - current portion	<u>140,000</u>	<u>130,000</u>
Total Current Liabilities	<u>1,393,760</u>	<u>1,394,942</u>
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	<u>9,421,706</u>	<u>9,552,922</u>
Total Long-Term Liabilities	<u>9,421,706</u>	<u>9,552,922</u>
TOTAL LIABILITIES	<u>10,815,466</u>	<u>10,947,864</u>
NET ASSETS		
Unrestricted	2,739,038	2,772,422
Temporarily Restricted	<u>7,437,263</u>	<u>6,392,122</u>
TOTAL NET ASSETS	<u>10,176,301</u>	<u>9,164,544</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 20,991,767</u></u>	<u><u>\$ 20,112,408</u></u>

The accompanying notes are an integral part of this financial statement.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
Other Revenue from Local Sources	\$ 183,083	\$ -	\$ 183,083	\$ 278,766
Contributions - In Kind	100,000	-	100,000	70,000
Earnings from Temporary Deposits and Investments	2,727	-	2,727	2,028
Rent	-	-	-	720
Total Local Support	285,810	-	285,810	351,514
State Program Revenues:				
Foundation School Program Act Entitlements	-	7,775,372	7,775,372	8,076,686
Instructional Materials Allotment	-	49,507	49,507	79,044
Technology Program Lending Grant	-	-	-	48,446
State Program Revenues Distributed by TEA	-	3,682	3,682	7,281
Total State Program Revenues	-	7,828,561	7,828,561	8,211,457
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	323,863	323,863	327,219
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	947,846	947,846	886,524
IDEA - Part B, Formula	-	183,759	183,759	195,729
National School Breakfast Program	-	312,361	312,361	241,793
National School Lunch Program	-	447,429	447,429	431,805
USDA Donated Food Commodities	-	52,317	52,317	23,433
Title II, Part A - Improving Teacher Quality State Grants	-	34,794	34,794	44,121
Title III ELA	-	1,731	1,731	2,934
Texas Title I - Priority School Grant	-	43,545	43,545	493,048
Education Jobs Fund	-	-	-	17,759
Federal Revenues Distributed by TEA	-	33,701	33,701	36,971
School Health and Related Services	-	299,220	299,220	675,687
Total Federal Program Revenues	-	2,680,566	2,680,566	3,377,023
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	9,463,986	(9,463,986)	-	-
TOTAL REVENUE AND OTHER SUPPORT	9,749,796	1,045,141	10,794,937	11,939,994
EXPENSES				
Program	8,724,819	-	8,724,819	9,337,561
General and Administrative	1,058,361	-	1,058,361	1,076,094
TOTAL EXPENSES	9,783,180	-	9,783,180	10,413,655
CHANGE IN NET ASSETS	(33,384)	1,045,141	1,011,757	1,526,339
NET ASSETS, Beginning of Year	2,772,422	6,392,122	9,164,544	7,638,205
NET ASSETS, End of Year	\$ 2,739,038	\$ 7,437,263	\$ 10,176,301	\$ 9,164,544

The accompanying notes are an integral part of this financial statement.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 1,011,757	\$ 1,526,339
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation and Amortization	216,848	104,210
Decrease/(Increase) in Assets:		
Due from State	130,766	(322,402)
Due from Federal Agencies	(103,171)	385,017
Other Receivables	436,240	(388,667)
Prepaid Expense	28,911	13,967
Increase/(Decrease) in Liabilities:		
Accounts Payable	99,093	606,764
Accrued Expenses	(119,112)	246,171
Deferred Revenue	8,837	-
Net Cash Provided By Operating Activities	<u>1,710,169</u>	<u>2,171,399</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(7,629,057)</u>	<u>(3,771,681)</u>
Net Cash Used By Investing Activities	<u>(7,629,057)</u>	<u>(3,771,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	-	9,746,100
Payment of Bond Discount Costs	-	(64,642)
Payment of Bond Issue Costs	-	(411,939)
Payments on Bonds Payable	<u>(130,000)</u>	<u>-</u>
Net Cash (Used) Provided By Financing Activities	<u>(130,000)</u>	<u>9,269,519</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(6,048,888)	7,669,237
Cash and Cash Equivalents, Beginning of Year	12,361,959	4,692,722
Less Restricted Cash	(816,025)	(6,180,489)
Cash and Cash Equivalents, End of Year	<u>\$ 5,497,046</u>	<u>\$ 6,181,470</u>
 Supplemental Disclosures:		
Interest	<u>\$ 618,894</u>	<u>\$ 125,613</u>
Bond Discount	<u>\$ -</u>	<u>\$ 198,901</u>

The accompanying notes are an integral part of this financial statement.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

Educational Resource Center, Inc. (ERC, Inc.) is a not-for-profit 501(c)(3) organization incorporated in the state of Texas in 1998. ERC, Inc. does business as The John H. Wood, Jr. Public Charter District (the Charter District), the Inspire Academies, and the ERC International Schools.

ERC, Inc. is governed by the Board which is comprised of six members. The Board is selected pursuant to the bylaws of ERC, Inc. and has the authority to make decisions, appoint the chief executive officer of ERC, Inc., and significantly influence operations. The Board has the primary accountability for the fiscal affairs of ERC, Inc.

ERC, Inc. receives, for purposes of the Charter District activity, the majority of its funding from TEA based on the Charter District's Average Daily Attendance Foundation Formula program. Since ERC, Inc. receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

ERC, Inc. is the "sponsoring entity" of an "Open-Enrollment Charter" with the Texas Education Agency. Through its open-enrollment charter, ERC, Inc. operates residential school programs as the John H. Wood, Jr. Public Charter District (previously known as The John H. Wood, Jr. Charter School), and a community-based school, the Anne Frank Inspire Academy. These charter schools are Texas public schools.

Residential Schools

Beginning in the fall of 1998, the Charter District began offering challenging core curriculum with an accelerated academic focus serving primarily at-risk and under-achieving students in residential settings. The Charter District has traditionally focused on academic and behavioral intervention in favor of troubled youth. The environment is compatible with therapeutic treatment goals and is technologically and vocationally enriched. Education services are provided in multi-aged, multi-level classrooms for students in kindergarten through 12th grade.

As of August 31, 2014, the Charter District operates six residential campuses (Afton Oaks, Rockdale, Granbury, Hays County, San Marcos, and Meridell) in Bexar, Milam, Hood, Hays and Williamson Counties. The campuses are located in both Residential Treatment Centers and Juvenile Detention Centers operated by separate entities. All campuses serve open-enrollment students. Management and support of all campuses are executed at the central office.

Students from Bexar County *may* apply for open enrollment on a space-available basis, selected by numerical lottery, to attend a similar accelerated program in a self-contained classroom. The staff to student ratio varies from 6:1 to 10:1 depending on requisite level of care needed.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Reporting Entity (continued)

Inspire Academies

Also, under its charter school program, ERC, Inc. opened a community-based school, the Anne Frank Inspire Academy, in August 2014. The school currently serves middle school students from Bexar County in grades 6, 7, and 8 (with plans to open an elementary campus on the same site in fall 2015). This innovative school and instructional program represent a 21st century learning environment coupled with a facilitated, student-led approach to learning.

ERC International Schools

ERC, Inc. also operates a federally funded school program for children of undocumented women who crossed into the United States illegally. The Immigration and Customs Enforcement (ICE) division of Homeland Security operates a 537-bed facility (Karnes County Residential Facility) in Karnes City, Texas for these women and children. The residents are mostly from Honduras, El Salvador, and Guatemala. The school operates as a private, non-public school and serves up to 200 children from pre-K through 12th grade. All teachers are certified and bilingual, and the school follows state guidelines for instructional content, including special education.

Charter Renewal

As stated in 19 Texas Administrative Code 100.1031(a), "If a Charter holder makes timely and sufficient application for renewal of an open-enrollment charter, the existing open-enrollment charter does not expire until the commissioner of education has finally granted or denied the application." ERC, Inc.'s Open-Enrollment Charter was submitted for renewal before the required due date in early 2013 and is still awaiting final approval as of August 31, 2014.

Non-Charter Activities

Expenses related to non-charter activities at ERC, Inc. for the years ended August 31, 2014 and 2013 were \$159,354 and \$-0-, respectively. The non-charter activities included an agreement with The Geo Group, Inc./Karnes County Civil Detention Center to provide educational services to eligible residential students effective August 1, 2014.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Reporting Entity (continued)

Educational Resource Foundation

Affiliated with ERC, Inc. is the Educational Resource Foundation (the Foundation), a non-profit corporation. The Foundation is organized for the exclusive purpose of serving as a supporting organization for ERC, Inc. The Foundation board is comprised of seven members which includes all six of the ERC, Inc. members.

Basis of Presentation

The financial statements of ERC, Inc. and its affiliate have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of ERC, Inc. and its affiliate's accounting policies are described below:

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

ERC, Inc. and its affiliate are required to report information regarding their financial position and activities according to the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted - Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted - Temporarily restricted net assets are those resources, subject to donor-imposed restrictions, that will be satisfied by the actions of ERC, Inc. and its affiliate or the passage of time.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. As of August 31, 2014 and 2013, ERC, Inc. and its affiliate had no permanently restricted net assets.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Grant Funds

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

Use of Estimates

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

Income Taxes

ERC, Inc. and its affiliate are not-for-profit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

ERC, Inc. and its affiliate consider all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Restricted Cash

Restricted cash represents remaining proceeds from a bond issuance (see Note 3) that are not available for operating purposes. Under the terms of the note trust indenture, restricted cash is limited as to use for construction and bond-related costs for the Inspire Academies campus. At August 31, 2014 and 2013, restricted cash totaled \$816,025 and \$6,180,489, respectively.

Property and Equipment

Property and equipment, which include leasehold improvements, are stated at historical cost. Property and equipment are defined as assets with an individual cost of more than \$5,000. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated at cost.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings (permanent)	30 - 40 years
Buildings (temporary)	20 years
Building Improvements	10 years
Furniture and Equipment	5 years
Vehicles	5 - 10 years
Library Assets	3 - 5 years
Technology	3 years

Contingencies

Certain conditions may exist as of August 31, 2014, which may result in a loss to ERC, Inc. and its affiliate, but which will only be resolved when one or more future events occur or fail to occur. ERC, Inc. and its affiliate's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against ERC, Inc. or unasserted claims that may result in such proceedings, ERC, Inc. and its affiliate's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in ERC, Inc. and its affiliate's financial statements. If the assessment indicates a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

ERC, Inc. receives the majority of its state and federal (as pass-through) revenues from Texas Education Agency (TEA). These funds are governed by various statutes and regulations. State program funding is based primarily on the Charter District's student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by ERC, Inc. have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, ERC, Inc.'s funds may be subject to refund if so determined by TEA or the grantor agency.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Subsequent Events

ERC, Inc. and its affiliate have evaluated subsequent events through November 18, 2014, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consist of the following at August 31:

	<u>2014</u>	<u>2013</u>
Building and Improvements	\$ 8,985,516	\$ 1,335,063
Land and Improvements	877,925	801,537
Furniture and Equipment	1,814,901	1,320,227
Vehicles	53,949	53,949
Library Assets	87,103	87,103
Construction in Progress	3,135,390	3,727,848
	<u>14,954,784</u>	<u>7,325,727</u>
Less Accumulated Depreciation	<u>(1,609,513)</u>	<u>(1,415,180)</u>
Total Property and Equipment	<u>\$ 13,345,271</u>	<u>\$ 5,910,547</u>

Depreciation expense for the years ended August 31, 2014 and 2013 was \$194,333 and \$100,457, respectively.

Construction in progress consists of costs related to the Inspire Academies project started in December 2012. Costs include project and design costs, engineering fees, furniture and equipment, and construction costs.

Construction contracts of approximately \$5,668,868 and \$7,498,000 exist for the property acquisition and construction at the Inspire Academies campus. At August 31, 2014, the remaining commitment on these contracts approximated \$2,303 and \$5,395,011, respectively. At August 31, 2013, the remaining commitment on these contracts approximated \$3,116,050 and \$-0- respectively.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 3 - Bonds Payable

ERC, Inc. and its affiliate's obligations under bonds payable consist of Education Revenue Bonds (Series 2013A) issued through Danbury Higher Education Authority, Inc. and dated June 1, 2013. All bonds were closed and funded on July 2, 2013, with proceeds being held by the U.S. Bank National Association. The bonds' proceeds will be used for property acquisition and construction at the Inspire Academies campus and were underwritten by Oppenheimer & Co., Inc. The interest rates on the bonds range from 5.25% to 6.50%, and the terms of the bonds range from ten to thirty years. As of August 31, 2014, the outstanding balance on bonds payable was \$9,815,000, consisting of bonds payable - current portion of \$140,000 and bonds payable - long-term of \$9,421,706 (net of a discount of \$263,543 and related accumulated amortization of \$10,249). As of August 31, 2013, the outstanding balance on bonds payable was \$9,945,000, consisting of bonds payable - current portion of \$130,000 and bonds payable - long-term of \$9,552,922 (net of a discount of \$262,078). The original amount of the discount at date of issuance was \$263,543, of which approximately \$64,642 was paid at date of issuance. Amortization expense related to this discount for the years ended August 31, 2014 and 2013 was \$8,785 and \$1,464, respectively.

Issuance costs paid for these bonds at date of issuance totaled \$411,939. Amortization expense related to these costs for the years ended August 31, 2014 and 2013 was \$13,731 and \$2,289, respectively.

Section 5.9 of the Series 2013A bond covenants establishes a debt service coverage ratio, which stipulates that available revenues (i.e., the amount of excess (deficit) of adjusted revenues over expenses) for each fiscal year must be equal to at least 1.10 times the annual debt service requirements of ERC, Inc. as of the end of the first fiscal year after the date of issuance of the bonds and annually thereafter until the bonds have been paid in full. Expenses include all operating and non-operating expenses or losses incurred during the fiscal year other than (a) interest expense, (b) depreciation and amortization, (c) extraordinary losses and (d) capital expenditures. As of August 31, 2014 and 2013, ERC, Inc. was in compliance with this covenant and all other applicable covenants contained in the loan agreement.

Future minimum principal payments on the bonds payable are as follows:

For the Year Ending August 31,	
2015	\$ 140,000
2016	145,000
2017	155,000
2018	160,000
2019	170,000
Thereafter	<u>9,045,000</u>
Total	<u>\$ 9,815,000</u>

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 3 - Bonds Payable (continued)

Interest expense on bonds payable was \$81,526 and \$125,613 for the years ended August 31, 2014 and 2013, respectively. Capitalized interest was \$537,368 and \$-0- for the years ended August 31, 2014 and 2013, respectively.

Note 4 - Operating Leases

ERC, Inc. and its affiliate have a consolidated agreement for their copier and printer operating leases that began on June 1, 2012 and expires on May 31, 2017. Copier and printer lease expenses amounted to \$76,117 and \$72,289 for the years ended August 31, 2014 and 2013, respectively.

ERC, Inc. and its affiliate have a lease for security services that expired in June 2014, in addition to leases for internet/telephone services and webhosting that will expire in June 2016 and June 2015, respectively. The service agreement lease expenses amounted to \$182,507 and \$160,599 for the years ended August 31, 2014 and 2013, respectively.

The following is a schedule of the operating lease obligations subsequent to August 31, 2014:

Year Ending August 31,	
2015	\$ 255,248
2016	226,921
2017	<u>67,484</u>
	<u>\$ 549,653</u>

Note 5 - Fair Value of Financial Instruments

ESC, Inc. and its affiliate adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect ESC, Inc. and its affiliate's financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 5 - Fair Value of Financial Instruments (continued)

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

ERC, Inc. and its affiliate have no Level 2 or Level 3 assets or liabilities.

ERC, Inc. and its affiliate's financial instruments include cash and cash equivalents, receivables (due from state and due from federal agencies), other receivables, prepaid expense, accounts payable, accrued expenses, and bonds payable - current portion. The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

Note 6 - Regulated Industry

The majority of ERC, Inc. and its affiliate's activities and revenues are a result of contracts with the Texas Education Agency (TEA). ERC, Inc. and its affiliate's operations are concentrated in the education field. As such, ERC, Inc. and its affiliate operate in a heavily regulated environment. The operations of ERC, Inc. and its affiliate are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

Note 7 - Related Party Transactions

In May 2011, the Foundation purchased a building and entered into a lease agreement with ERC, Inc. The monthly lease payments under the agreement are \$9,167 per month through June 2021. ERC, Inc. prepaid its rent to the Foundation at the start of the lease. As of August 31, 2014 and 2013, the lease expense was \$110,000, respectively. The prepaid balance on this lease was \$751,667 and \$861,667 as of August 31, 2014 and 2013, respectively. These transactions are eliminated in the consolidated financial statements.

Note 8 - Letter of Credit

ERC, Inc. has a letter of credit with a local financial institution that is collateralized by a certificate of deposit for \$211,529. The beneficiary is the City of San Antonio. As of August 31, 2014 and 2013, the outstanding balance was \$-0-, respectively.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2014 and 2013

Note 9 - Health Care Coverage

During the years ended August 31, 2014 and 2013, employees of ERC, Inc. and its affiliate were covered by a health insurance plan. ERC, Inc. and its affiliate contributed a maximum of \$346 per employee per month to the plan thru August 2013. All premiums were paid to licensed insurers. ERC, Inc. and its affiliate's contributions towards health insurance for the years ended August 31, 2014 and 2013 were \$418,890 and \$467,135, respectively.

Note 10 - Pension Plan Obligations

Plan Description

ERC, Inc. and its affiliate contribute to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan in which all risks and costs are not shared by ERC, Inc. and its affiliate but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.4% of their annual covered salary and the state of Texas contributes an amount equal to 6.0% of ERC, Inc.'s covered payroll. ERC, Inc.'s contributions to TRS for the years ended August 31, 2014 and 2013 were \$138,931 and \$136,632, respectively.

Note 11 - Temporarily Restricted Net Assets

As of August 31, 2014 and 2013, temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Foundation School Program Act Revenues	\$ 7,330,853	\$ 6,285,712
College Scholarships/Fellowship Award	<u>106,410</u>	<u>106,410</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,437,263</u>	<u>\$ 6,392,122</u>

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,390,018	\$ 6,071,542
Due from State	617,944	748,710
Due from Federal Agencies	259,850	156,679
Other Receivables	152,411	482,735
Prepaid Expense	764,884	903,795
Total Current Assets	7,185,107	8,363,461
Restricted Cash	816,025	6,180,489
Bond Issuance Costs, net	395,919	409,650
Property and Equipment, net	12,373,841	4,929,686
TOTAL ASSETS	\$ 20,770,892	\$ 19,883,286
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,038,858	\$ 971,307
Accrued Expenses	161,434	293,635
Deferred Revenue	8,837	-
Bonds Payable - current portion	140,000	130,000
Total Current Liabilities	1,349,129	1,394,942
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	9,421,706	9,552,922
Total Long-Term Liabilities	9,421,706	9,552,922
TOTAL LIABILITIES	10,770,835	10,947,864
Net Assets		
Unrestricted	2,669,204	2,649,710
Temporarily Restricted	7,330,853	6,285,712
TOTAL NET ASSETS	10,000,057	8,935,422
TOTAL LIABILITIES AND NET ASSETS	\$ 20,770,892	\$ 19,883,286

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014			2013 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 251,088	\$ -	\$ 251,088	\$ 351,513
Total Local Support	251,088	-	251,088	351,513
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	7,775,372	7,775,372	8,076,686
5820 State Program Revenues Distributed by TEA	-	53,189	53,189	134,771
Total State Program Revenues	-	7,828,561	7,828,561	8,211,457
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	-	2,381,346	2,381,346	2,701,336
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	299,220	299,220	675,687
Total Federal Program Revenues	-	2,680,566	2,680,566	3,377,023
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	9,463,986	(9,463,986)	-	-
TOTAL REVENUE AND OTHER SUPPORT	9,715,074	1,045,141	10,760,215	11,939,993
EXPENSES				
11 Instruction	4,464,215	-	4,464,215	4,778,444
13 Curriculum Development and Instructional Staff Development	97,711	-	97,711	104,235
21 Instructional Leadership	274,746	-	274,746	370,702
23 School Leadership	1,147,652	-	1,147,652	1,298,971
31 Guidance, Counseling, and Evaluation Services	836,759	-	836,759	890,384
33 Health Services	180	-	180	-
34 Student Transportation	10,790	-	10,790	-
35 Food Services	692,095	-	692,095	596,763
41 General Administration	1,149,278	-	1,149,278	1,588,315
51 Plant Maintenance and Operations	320,640	-	320,640	243,853
52 Security and Monitoring	1,559	-	1,559	-
53 Data Processing	330,658	-	330,658	481,856
61 Community Services	265,255	-	265,255	-
71 Debt Service	104,042	-	104,042	129,366
Total Expenses	9,695,580	-	9,695,580	10,482,889
CHANGE IN NET ASSETS	19,494	1,045,141	1,064,635	1,457,104
NET ASSETS, Beginning of Year	2,649,710	6,285,712	8,935,422	7,478,318
NET ASSETS, End of Year	\$ 2,669,204	\$ 7,330,853	\$ 10,000,057	\$ 8,935,422

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
STATEMENTS OF CASH FLOWS
August 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 1,064,635	\$ 1,457,104
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation and Amortization	180,762	68,864
Decrease/(Increase) in Assets:		
Due from State	130,766	(322,402)
Due from Federal Agencies	(103,171)	385,017
Other Receivables	330,324	(388,667)
Prepaid Expense	138,911	123,967
Increase/(Decrease) in Liabilities:		
Accounts Payable	67,551	606,764
Accrued Expenses	(132,201)	246,171
Deferred Revenue	8,837	-
Net Cash Provided By Operating Activities	1,686,414	2,176,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(7,602,402)	(3,771,681)
Net Cash Used By Investing Activities	(7,602,402)	(3,771,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	-	9,746,100
Payment of Bond Discount Costs	-	(64,642)
Payment of Bond Issue Costs	-	(411,939)
Payments on Bonds Payable	(130,000)	-
Net Cash (Used) Provided By Financing Activities	(130,000)	9,269,519
Net (Decrease)/Increase in Cash and Cash Equivalents	(6,045,988)	7,674,656
Cash and Cash Equivalents, Beginning of Year	12,252,031	4,577,375
Less Restricted Cash	(816,025)	(6,180,489)
Cash and Cash Equivalents, End of Year	\$ 5,390,018	\$ 6,071,542
Supplemental Disclosures:		
Interest	\$ 618,894	\$ 125,613
Bond Discount	\$ -	\$ 198,901

See independent auditor's report.

SUPPLEMENTAL INFORMATION

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
SCHEDULE OF EXPENSES
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
6100 Payroll Costs	\$ 6,956,586	\$ 7,891,831
6200 Professional and Contracted Services	876,838	856,529
6300 Supplies and Materials	963,929	860,769
6400 Other Operating Costs	794,185	744,394
6500 Debt	<u>104,042</u>	<u>129,366</u>
TOTAL EXPENSES	<u>\$ 9,695,580</u>	<u>\$ 10,482,889</u>

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
SCHEDULE OF CAPITAL ASSETS
August 31, 2014

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	Local	State	Federal
1110 Cash	\$ -	\$ 5,390,018	\$ -
1510 Land and Improvements	801,537	76,388	-
1520 Buildings and Improvements	6,549,267	1,375,859	-
1530 Furniture and Equipment	-	986,322	231,714
1531 Vehicles	-	53,949	-
1550 Capital Leases	-	570,210	-
1560 Library Assets	-	87,103	-
1580 Construction in Progress	1,664,060	1,471,330	-
Total Capital Assets	\$ 9,014,864	\$ 10,011,179	\$ 231,714

Reconciliation of Schedule of Capital Assets to Statement of Financial Position:

Per Schedule of Capital Assets:

1510 Land and Improvements (Local)	\$ 801,537
1510 Land and Improvements (State)	76,388
1520 Buildings and Improvements (Local)	6,549,267
1520 Buildings and Improvements (State)	1,375,859
1530 Furniture and Equipment (State)	986,322
1530 Furniture and Equipment (Federal)	231,714
1531 Vehicles (State)	53,949
1550 Capital Leases (State)	570,210
1560 Library Assets (State)	87,103
1580 Construction in Progress (Local)	1,664,060
1580 Construction in Progress (State)	1,471,330

Plus Educational Resource Center, Inc.:

Property and Equipment, gross	26,655
-------------------------------	--------

Plus Educational Resource Center Foundation:

Property and Equipment, gross	1,060,390
-------------------------------	-----------

Less Accumulated Depreciation:

The John H. Wood Jr. Charter District	(1,493,898)
Educational Resource Center, Inc.	(740)
Educational Resource Center Foundation	(114,875)

Total Property and Equipment per Notes to Financial Statements: **\$ 13,345,271**

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
BUDGETARY COMPARISON SCHEDULE
Year Ended August 31, 2014

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 1,206,473	\$ 264,951	\$ 251,088	\$ (13,863)
Total Local Support	<u>1,206,473</u>	<u>264,951</u>	<u>251,088</u>	<u>(13,863)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	8,817,282	8,817,282	7,775,372	(1,041,910) (1)
5820 State Program Revenues Distributed by TEA	84,000	84,000	53,189	(30,811) (2)
Total State Program Revenues	<u>8,901,282</u>	<u>8,901,282</u>	<u>7,828,561</u>	<u>(1,072,721)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	2,101,476	2,351,476	2,381,346	29,870
5930 Federal Revenues Distributed by Other State of Texas Government Agencies	600,000	600,000	299,220	(300,780) (3)
Total Federal Program Revenues	<u>2,701,476</u>	<u>2,951,476</u>	<u>2,680,566</u>	<u>(270,910)</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>12,809,231</u>	<u>12,117,709</u>	<u>10,760,215</u>	<u>(1,357,494)</u>
EXPENSES				
11 Instructional	4,654,913	4,569,663	4,464,215	105,448
13 Curriculum Development and Instructional Staff Development	46,200	116,432	97,711	18,721
21 Instructional Leadership	168,839	462,567	274,746	187,821
23 School Leadership	1,607,112	1,277,902	1,147,652	130,250
31 Guidance, Counseling and Evaluation Services	950,654	950,654	836,759	113,895
33 Health Services	-	500	180	320
34 Student Transportation	-	-	10,790	(10,790) (4)
35 Food Services	497,318	747,318	692,095	55,223
41 General Administration	1,565,304	1,260,304	1,149,278	111,026
51 Plant Maintenance and Operations	347,499	347,499	320,640	26,859
52 Security & Monitoring Services	-	5,000	1,559	3,441
53 Data Processing Services	1,414,553	683,417	330,658	352,759
61 Community Services	-	350,000	265,255	84,745
71 Debt Service	765,463	765,463	104,042	661,421
TOTAL EXPENSES	<u>12,017,855</u>	<u>11,536,719</u>	<u>9,695,580</u>	<u>1,841,139</u>
CHANGE IN NET ASSETS	791,376	580,990	1,064,635	483,645
NET ASSETS, Beginning of Year	<u>8,935,422</u>	<u>8,935,422</u>	<u>8,935,422</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 9,726,798</u>	<u>\$ 9,516,412</u>	<u>\$ 10,000,057</u>	<u>\$ 483,645</u>

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2014

- (1) Budget was based on historical data and projected ADA of 541. However, the District ended the year with an ADA of 495 students; thus, the reason for the variance. The primary decrease in student count was due to the closing of one campus and not opening a new campus as expected in 2013-2014 school year.**
- (2) Instructional material allotment funds are received on a reimbursement basis; thus, the District was not allowed to draw funds as budgeted since instructional materials ordered were not received/paid as of August 31, 2014.**
- (3) Program changed in type of billing (individual versus group rate) which affected the Medicaid cost reimbursement received. Originally budgeted to collect \$400K, but only collected \$126K.**
- (4) Budget did not include amount for the 2013-2014 depreciation expense on bus purchased in August of 2013.**

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
August 31, 2014
(with comparative totals for 2013)

	2014					2013
	Educational Resource Center, Inc.	John H. Wood, Jr. Public Charter School	Educational Resource Center Foundation	Eliminating Entries	Total	Total
<u>ASSETS</u>						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ -	\$ 5,390,018	\$ 107,028	\$ -	\$ 5,497,046	\$ 6,181,470
Due from State	-	617,944	-	-	617,944	748,710
Due from Federal Agencies	-	259,850	-	-	259,850	156,679
Other Receivables	34,575	152,411	-	(140,491)	46,495	482,735
Prepaid Expense	-	764,884	-	(751,667)	13,217	42,128
Total Current Assets	34,575	7,185,107	107,028	(892,158)	6,434,552	7,611,722
Restricted Cash	-	816,025	-	-	816,025	6,180,489
Bond Issuance Costs, net	-	395,919	-	-	395,919	409,650
Property and Equipment, net	25,915	12,373,841	945,515	-	13,345,271	5,910,547
TOTAL ASSETS	\$ 60,490	\$ 20,770,892	\$ 1,052,543	\$ (892,158)	\$ 20,991,767	\$ 20,112,408
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES						
Accounts Payable	\$ 172,033	\$ 1,038,858	\$ -	\$ (140,491)	\$ 1,070,400	\$ 971,307
Accrued Expenses	13,089	161,434	-	-	174,523	293,635
Deferred Revenue	-	8,837	751,667	(751,667)	8,837	-
Bonds Payable - current portion	-	140,000	-	-	140,000	130,000
Total Current Liabilities	185,122	1,349,129	751,667	(892,158)	1,393,760	1,394,942
LONG-TERM LIABILITIES						
Bonds Payable - long-term, net	-	9,421,706	-	-	9,421,706	9,552,922
Total Long-Term Liabilities	-	9,421,706	-	-	9,421,706	9,552,922
TOTAL LIABILITIES	185,122	10,770,835	751,667	(892,158)	10,815,466	10,947,864
Net Assets						
Unrestricted	(124,632)	2,669,204	194,466	-	2,739,038	2,772,422
Temporarily Restricted	-	7,330,853	106,410	-	7,437,263	6,392,122
TOTAL NET ASSETS	(124,632)	10,000,057	300,876	-	10,176,301	9,164,544
TOTAL LIABILITIES AND NET ASSETS	\$ 60,490	\$ 20,770,892	\$ 1,052,543	\$ (892,158)	\$ 20,991,767	\$ 20,112,408

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014				Total	2013 Total
	Educational Resource Center, Inc.	Wood, Jr. Public Charter School	Educational Resource Center Foundation	Eliminating Entries		
REVENUES AND OTHER SUPPORT						
Local Support:						
Other Revenue from Local Sources	\$ 34,575	\$ 148,508	\$ -	\$ -	\$ 183,083	\$ 278,766
Contributions - In Kind	-	100,000	-	-	100,000	70,000
Earnings from Temporary Deposits and Investments	147	2,580	-	-	2,727	2,028
Rent	-	-	110,000	(110,000)	-	720
Total Local Support	<u>34,722</u>	<u>251,088</u>	<u>110,000</u>	<u>(110,000)</u>	<u>285,810</u>	<u>351,514</u>
State Program Revenues:						
Foundation School Program Act Entitlements	-	7,775,372	-	-	7,775,372	8,076,686
Instructional Materials Allotment	-	49,507	-	-	49,507	79,044
Technology Program Lending Grant	-	-	-	-	-	48,446
State Program Revenues Distributed by TEA	-	3,682	-	-	3,682	7,281
Total State Program Revenues	<u>-</u>	<u>7,828,561</u>	<u>-</u>	<u>-</u>	<u>7,828,561</u>	<u>8,211,457</u>
Federal Program Revenues:						
Title I, Part A - Grants to Local Education Agencies	-	323,863	-	-	323,863	327,219
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	947,846	-	-	947,846	886,524
IDEA - Part B, Formula	-	183,759	-	-	183,759	195,729
National School Breakfast Program	-	312,361	-	-	312,361	241,793
National School Lunch Program	-	447,429	-	-	447,429	431,805
USDA Donated Food Commodities	-	52,317	-	-	52,317	23,433
Title II, Part A - Improving Teacher Quality State Grants	-	34,794	-	-	34,794	44,121
Title III ELA	-	1,731	-	-	1,731	2,934
Texas Title I - Priority School Grant	-	43,545	-	-	43,545	493,048
Education Jobs Fund	-	-	-	-	-	17,759
Federal Revenues Distributed by TEA	-	33,701	-	-	33,701	36,971
School Health and Related Services	-	299,220	-	-	299,220	675,687
Total Federal Program Revenues	<u>-</u>	<u>2,680,566</u>	<u>-</u>	<u>-</u>	<u>2,680,566</u>	<u>3,377,023</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>\$ 34,722</u>	<u>\$ 10,760,215</u>	<u>\$ 110,000</u>	<u>\$ (110,000)</u>	<u>\$ 10,794,937</u>	<u>\$ 11,939,994</u>

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2014

(with comparative totals for 2013)

(continued)

	2014				Total	2013 Total
	Educational Resource Center, Inc.	John H. Wood, Jr. Public Charter School	Educational Resource Center Foundation	Eliminating Entries		
EXPENSES						
Salaries	126,417	5,804,434	-	-	5,930,851	6,641,719
Benefits	12,103	713,470	-	-	725,573	782,977
Food/Non-Food Expenses	-	676,771	-	-	676,771	563,765
Health Insurance	-	438,682	-	-	438,682	467,135
Marketing	-	266,761	-	-	266,761	269,513
Utilities	-	244,450	-	-	244,450	201,562
General Supplies	5,666	200,971	-	-	206,637	264,225
Professional Services	-	203,792	-	-	203,792	175,517
Depreciation Expense	740	158,247	35,346	-	194,333	100,457
Miscellaneous Expenses	2,445	161,368	1,100	-	164,913	162,474
Travel Expenses	5,406	115,483	-	-	120,889	161,307
Insurance and Bonding	-	92,326	-	-	92,326	86,859
Instructional Materials	-	84,157	-	-	84,157	30,311
Interest Expense	-	81,526	-	-	81,526	125,613
Rental Expense	-	186,117	-	(110,000)	76,117	72,289
Maintenance and Repair	-	70,579	-	-	70,579	103,581
Educational Service Center	-	63,190	-	-	63,190	58,824
Other Contract Labor	6,577	50,630	-	-	57,207	95,494
Accounting Fees	-	31,167	1,800	-	32,967	31,184
Legal Services	-	26,913	-	-	26,913	12,628
Bond Amortization Expense	-	22,516	-	-	22,516	3,753
Supplies for Maintenance and Repairs	-	2,030	-	-	2,030	2,468
Total Expenses	<u>159,354</u>	<u>9,695,580</u>	<u>38,246</u>	<u>(110,000)</u>	<u>9,783,180</u>	<u>10,413,655</u>
CHANGE IN NET ASSETS	(124,632)	1,064,635	71,754	-	1,011,757	1,526,339
NET ASSETS, Beginning of Year	-	8,935,422	229,122	-	9,164,544	7,638,205
NET ASSETS, End of Year	<u>\$ (124,632)</u>	<u>\$ 10,000,057</u>	<u>\$ 300,876</u>	<u>\$ -</u>	<u>\$ 10,176,301</u>	<u>\$ 9,164,544</u>

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2014
(with comparative totals for 2013)

	2014			2013
	Program Expenses	General and Administrative	Total	Total
Salaries	\$ 5,812,234	\$ 118,617	\$ 5,930,851	\$ 6,641,719
Benefits	711,062	14,511	725,573	782,977
Food/Non-Food Expenses	534,649	142,122	676,771	563,765
Health Insurance	429,908	8,774	438,682	467,135
Marketing	74,693	192,068	266,761	269,513
Utilities	222,449	22,001	244,450	201,562
General Supplies	163,243	43,394	206,637	264,225
Professional Services	142,654	61,138	203,792	175,517
Depreciation Expense	176,843	17,490	194,333	100,457
Miscellaneous Expenses	46,176	118,737	164,913	162,474
Travel Expenses	77,369	43,520	120,889	161,307
Insurance and Bonding	-	92,326	92,326	86,859
Instructional Materials	66,484	17,673	84,157	30,311
Interest Expense	-	81,526	81,526	125,613
Rental Expense	69,266	6,851	76,117	72,289
Maintenance and Repair	55,757	14,822	70,579	103,581
Educational Service Center	55,607	7,583	63,190	58,824
Other Contract Labor	42,905	14,302	57,207	95,494
Accounting Fees	23,077	9,890	32,967	31,184
Legal Services	18,839	8,074	26,913	12,628
Bond Amortization Expense	-	22,516	22,516	3,753
Supplies for Maintenance and Repairs	1,604	426	2,030	2,468
TOTAL EXPENSES	\$ 8,724,819	\$ 1,058,361	\$ 9,783,180	\$ 10,413,655

See independent auditor's report.

SINGLE AUDIT SECTION

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Title I, Part A - Grants to Local Educational Agencies, Improving Basic Programs	84.010A	14610101015808 15610101015808	\$ 304,025 19,838 <hr/> 323,863
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	84.010A	14610103015808	947,846
Title II, Part A - Improving Teacher Quality State Grants	84.367A	14694501015808	34,794
IDEA, Part B - Special Education Grants	84.027A	136600010158086600	183,759
Title I - School Improvement Grants: Texas Title I Priority Schools Grant	84.388	105520017110018 105520017110019	20,556 22,989 <hr/> 43,545
Title III - English Language Acquisition	84.365A	13671001015950 14671001015950	58 1,673 <hr/> 1,731
Total U.S. Department of Education			<hr/> 1,535,538
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Agriculture:			
School Breakfast Program	10.553	71401301	312,361
National School Lunch Program	10.555	71301301	447,429 <hr/> 759,790
Total U.S. Department of Agriculture			<hr/> 759,790
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> \$ 2,295,328 <hr/>

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Educational Resource Center, Inc. dba The John H. Wood Jr. Public Charter District (ERC, Inc.) and its affiliate, Educational Resource Center Foundation, under programs of the federal government for the year ended August 31, 2014. Because the Schedule presents only a selected portion of the operations of ERC, Inc. and its affiliate, it is not intended to and does not present the financial position and changes in net assets of ERC, Inc. and its affiliate.

The Schedule is presented using the basis of accounting described in Note 1 of the financial statements.

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

To the Board of Trustees
Educational Resource Center, Inc. dba The John H.
Wood, Jr. Public Charter District and Educational
Resource Center Foundation
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Educational Resource Center, Inc. dba The John H. Wood, Jr. Public Charter District (ERC, Inc.) and its affiliate, Educational Resource Center Foundation, (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2014.

Internal Control Over Financial Reporting

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

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

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

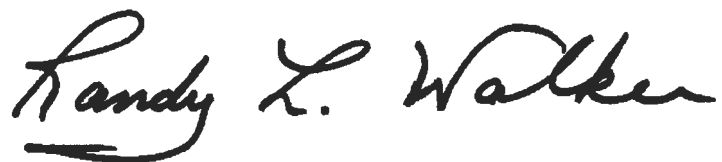
Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Trustees and management of ERC, Inc. and its affiliate in a separate letter dated November 18, 2014.

Purpose of this Report

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

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the last name.

San Antonio, Texas
November 18, 2014

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

Educational Resource Center, Inc. dba The
John H. Wood, Jr. Public Charter District and
Educational Resource Center Foundation
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Educational Resource Center, Inc. dba The John H. Wood, Jr. Public Charter District (ERC, Inc.) and its affiliate's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ERC, Inc. and its affiliate's major federal programs for the year ended August 31, 2014. ERC, Inc. and its affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ERC, Inc. and its affiliate's compliance.

Opinion on Each Major Federal Program

In our opinion, ERC, Inc. and its affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

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

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

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

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

San Antonio, Texas
November 18, 2014



**EDUCATIONAL RESOURCE CENTER, INC.
 dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
 AND EDUCATIONAL RESOURCE CENTER FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2014**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None

Major Programs

Federal

84.010A Title I, Part A - Grants to Local Educational Agencies,
 Improving Basic Programs
 10.553 School Breakfast Program
 10.555 National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs	\$300,000
Audit qualified as low-risk auditee	Yes

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2014

SUMMARY OF AUDITOR'S RESULTS (continued)

Findings - Financial Statements Audit	None
Findings and Questioned Costs - Major Federal Award Programs Audit	None

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2014

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -