

**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, 2016 and 2015

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, 2016 and 2015

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	7-17
Specific-Purpose Financial Statements	
Statements of Financial Position	18
Statement of Activities	19
Statements of Cash Flows	20
Schedule of Expenses	21
Schedule of Capital Assets	22
Budgetary Comparison Schedule	23
Notes to Budgetary Comparison Schedule	24
Supplementary Information	
Consolidating Statement of Financial Position	25
Consolidating Statement of Activities	26-27
Consolidated Schedule of Functional Expenses	28
Single Audit Section	
Schedule of Expenditures of Federal and State Awards	29
Notes to Schedule of Expenditures of Federal and State Awards	30
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>	31-32
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	33-35
Schedule of Findings and Questioned Costs	36-37
Summary Schedule of Prior Audit Findings	38

**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, 2016, at a meeting of the Board of Trustees of such charter holder on the 17th day of JANUARY, 2017.


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)

Gonzalez & Walker

Certified Public Accountants
7800 IH 10 West, Suite 505
San Antonio, Texas 78230
Phone: 210-366-9430
Fax: 210-366-9451

Rinaldo J. Gonzalez, P.C., CPA

Randy Walker & Co., P.C.

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, 2016 and 2015, the related consolidated statement of activities (with comparative totals for 2015), 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, 2016 and 2015, 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.

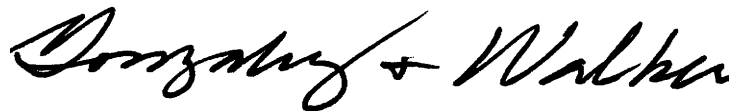
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 25-28 and the accompanying schedule of expenditures of federal and state awards on page 29, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 17, 2017, 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
January 17, 2017

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, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,216,886	\$ 2,375,454
Due from State	721,450	654,600
Due from Federal Agencies	1,689,749	569,887
Other Receivables	-	4,110
Prepaid Expense	14,509	8,886
Total Current Assets	3,642,594	3,612,937
LONG-TERM ASSETS		
Restricted Cash	816,113	815,874
Bond Issuance Costs, net	368,457	382,188
Property and Equipment, net	19,127,561	17,527,238
Total Long-Term Assets	20,312,131	18,725,300
TOTAL ASSETS	\$ 23,954,725	\$ 22,338,237
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 569,024	\$ 338,892
Accrued Expenses	1,126,931	324,397
Deferred Revenue	-	11,390
Bonds Payable - current	155,000	145,000
Total Current Liabilities	1,850,955	819,679
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	9,139,275	9,285,491
Total Long-Term Liabilities	9,139,275	9,285,491
TOTAL LIABILITIES	10,990,230	10,105,170
NET ASSETS		
Unrestricted	4,756,149	3,947,362
Temporarily Restricted	8,208,346	8,285,705
TOTAL NET ASSETS	12,964,495	12,233,067
TOTAL LIABILITIES AND NET ASSETS	\$ 23,954,725	\$ 22,338,237

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

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, 2016
(with comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
Other Revenue from Local Sources	\$ 3,088,947	\$ -	\$ 3,088,947	\$ 2,775,091
Fundraising Revenue	15,589	-	15,589	21,328
Earnings from Temporary Deposits and Investments	864	-	864	2,001
Rent	-	-	-	5,800
Total Local Support	3,105,400	-	3,105,400	2,804,220
State Program Revenues:				
Foundation School Program Act Entitlements	-	9,550,590	9,550,590	10,880,747
Instructional Materials Allotment	-	167,707	167,707	32,904
State Program Revenues Distributed by TEA	-	1,013	1,013	4,587
Technology Program Lending Grant	-	-	-	58,200
Total State Program Revenues	-	9,719,310	9,719,310	10,976,438
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	287,883	287,883	301,934
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	875,922	875,922	882,985
IDEA - Part B, Formula	-	185,500	185,500	205,929
National School Breakfast Program	-	197,556	197,556	295,058
National School Lunch Program	-	312,868	312,868	460,447
USDA Donated Food Commodities	-	31,743	31,743	43,223
Title II, Part A - Improving Teacher Quality State Grants	-	64,691	64,691	39,879
Title III ELA	-	2,789	2,789	2,744
Title I ESEA	-	17	17	-
School Health and Related Services	-	1,324,649	1,324,649	351,606
Total Federal Program Revenues	-	3,283,618	3,283,618	2,583,805
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	13,080,287	(13,080,287)	-	-
TOTAL REVENUES AND OTHER SUPPORT	16,185,687	(77,359)	16,108,328	16,364,463
EXPENSES				
Program	13,640,314	-	13,640,314	12,667,672
General and Administrative	1,736,586	-	1,736,586	1,640,025
TOTAL EXPENSES	15,376,900	-	15,376,900	14,307,697
CHANGE IN NET ASSETS	808,787	(77,359)	731,428	2,056,766
NET ASSETS, Beginning of Year	3,947,362	8,285,705	12,233,067	10,176,301
NET ASSETS, End of Year	\$ 4,756,149	\$ 8,208,346	\$ 12,964,495	\$ 12,233,067

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

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 731,428	\$ 2,056,766
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation and Amortization	720,170	530,856
(Increase)/Decrease in Assets:		
Due from State	(66,850)	(36,656)
Due from Federal Agencies	(1,119,862)	(310,037)
Other Receivables	4,110	42,385
Prepaid Expense	(5,623)	4,331
Increase/(Decrease) in Liabilities:		
Accounts Payable	230,132	(731,508)
Accrued Expenses	802,534	149,874
Deferred Revenue	(11,390)	2,553
	1,284,649	1,708,564
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,297,978)	(4,690,307)
	(2,297,978)	(4,690,307)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds Payable	(145,000)	(140,000)
	(145,000)	(140,000)
NET CASH USED BY FINANCING ACTIVITIES		
NET DECREASE IN CASH FLOWS	(1,158,329)	(3,121,743)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,375,454	5,497,046
RESTRICTED CASH, Beginning of Year	815,874	816,025
LESS RESTRICTED CASH, End of Year	(816,113)	(815,874)
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,216,886	\$ 2,375,454
 Supplemental Disclosures:		
Interest	\$ 608,654	\$ 612,025

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

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

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, 2016, the Charter District operates seven residential campuses (Afton Oaks, Granbury, Hays County, Legacy Ranch, Meridell, Rockdale, and Williams House) in Bexar, Hood, Hays, Gonzalez, Williamson, Milam and Lampasas 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.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

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 middle, elementary, and high school in August 2014, 2015, and 2016, respectively. The name of the campus is the Anne Frank Inspire Academy. The schools currently serve students from Bexar County in grades 1 thru 12. This innovative school and instructional program represent a 21st century learning environment coupled with a facilitated, student-led approach to learning.

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.

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 approved in April 2016 for a ten-year term to begin in August 2016.

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.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

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

Reporting Entity (continued)

Non-Charter Activities

Expenses related to non-charter activities at ERC, Inc. and its affiliate for the years ended August 31, 2016 and 2015 were \$2,232,848 and \$1,710,862, respectively. The non-charter activities include an agreement with The Geo Group, Inc./Karnes County Civil Detention Center to provide educational services to eligible residential students effective August 1, 2014.

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, 2016 and 2015, 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, 2016 and 2015

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. As of August 31, 2016, the tax years that remain subject to examination by taxing authorities begin with 2013.

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, 2016 and 2015, restricted cash totaled \$816,113 and \$815,874, 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, 2016 and 2015

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
Infrastructure - Sign	5 years
Technology	3 years

Contingencies

Certain conditions may exist as of August 31, 2016, 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, 2016 and 2015

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

Subsequent Events

ERC, Inc. and its affiliate have evaluated subsequent events through January 17, 2017, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

Property and equipment consisted of the following at August 31:

	<u>2016</u>	<u>2015</u>
Building and Improvements	\$ 18,591,343	\$ 13,018,479
Land and Improvements	877,925	877,925
Furniture and Equipment	2,294,137	2,157,244
Vehicles	53,949	53,949
Library Assets	87,103	87,103
Infrastructure - Sign	29,561	29,561
Construction in Progress	9,201	3,420,832
	<u>21,943,219</u>	<u>19,645,093</u>
Less Accumulated Depreciation	<u>(2,815,658)</u>	<u>(2,117,855)</u>
Total Property and Equipment	<u>\$ 19,127,561</u>	<u>\$ 17,527,238</u>

Depreciation expense for the years ended August 31, 2016 and 2015 was \$697,654 and \$508,340, 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.

During the year ended August 31, 2015, a construction contract of approximately \$7,870,249 existed for the property acquisition and construction at the Inspire Academies campus. The remaining commitment on this contract approximated \$1,912,524 at August 31, 2015. As of August 31, 2016, there were no existing contracts for property acquisition and construction at the Inspire Academies campus.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
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NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

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, 2016, bonds payable was \$9,530,000, consisting of bonds payable - current of \$155,000 and bonds payable - long-term of \$9,139,275 (net of a discount of \$263,543 and related accumulated amortization of \$27,818). As of August 31, 2015, bonds payable was \$9,675,000, consisting of bonds payable - current of \$145,000 and bonds payable - long-term of \$9,285,491 (net of a discount of \$263,543 and related accumulated amortization of \$19,034). 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, 2016 and 2015 was \$8,785.

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, 2016 and 2015 was \$13,731.

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, 2015, ERC, Inc. was in compliance with this covenant and all applicable covenants contained in the loan agreement. However, as of August 31, 2016, ERC, Inc. was not in compliance with the liquidity requirement in the covenant. The noncompliance is not considered to be a material event, and ERC, Inc. has performed the necessary corrective action to address the noncompliance.

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

For the Year Ending August 31,	
2017	\$ 155,000
2018	160,000
2019	170,000
2020	180,000
2021	185,000
Thereafter	<u>8,680,000</u>
Total	<u>\$ 9,530,000</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, 2016 and 2015

Note 3 - Bonds Payable (continued)

Interest expense on bonds payable was \$547,570 and \$501,798 for the years ended August 31, 2016 and 2015, respectively. Capitalized interest was \$61,084 and \$110,227 for the years ended August 31, 2016 and 2015, respectively.

Note 4 - Operating Leases

ERC, Inc. and its affiliate have a consolidated agreement for their copier and printer operating leases that expire on May 31, 2017. They have an additional copier and printer lease that expires in July 2021. These lease expenses amounted to \$100,937 and \$102,226 for the years ended August 31, 2016 and 2015, respectively.

ERC, Inc. and its affiliate have a lease for internet/telephone services and webhosting that will expire in June 2018. These lease expenses amounted to \$263,424 and \$201,443 for the years ended August 31, 2016 and 2015, respectively.

The following is a schedule of the operating lease obligations subsequent to August 31, 2016:

Year Ending August 31,	
2017	\$ 342,406
2018	223,018
2019	3,498
2020	3,498
2021	<u>3,207</u>
Total	<u>\$ 575,627</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, 2016 and 2015

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 (Level 1) were as follows at August 31:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and Cash Equivalents	\$ 1,216,886	\$ 1,216,886	\$ 2,375,454	\$ 2,375,454
Due from State	\$ 721,450	\$ 721,450	\$ 654,600	\$ 654,600
Due from Federal Agencies	\$ 1,689,749	\$ 1,689,749	\$ 569,887	\$ 569,887
Other Receivables	\$ -	\$ -	\$ 4,110	\$ 4,110
Prepaid Expenses	\$ 14,509	\$ 14,509	\$ 8,886	\$ 8,886
Financial liabilities:				
Accounts Payable	\$ 569,024	\$ 569,024	\$ 338,892	\$ 338,892
Accrued Expenses	\$ 1,126,931	\$ 1,126,931	\$ 324,397	\$ 324,397
Deferred Revenue	\$ -	\$ -	\$ 11,390	\$ 11,390
Bonds Payable - current	\$ 155,000	\$ 155,000	\$ 145,000	\$ 145,000

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.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

Note 7 - Related Party Transactions

The Charter District has a lease agreement with ERC, Inc. and its affiliate. The monthly lease payments under the agreement are \$9,167 per month through June 2021. During the years ended August 31, 2016 and 2015, the lease expense was \$108,642 and \$110,000, respectively. This transaction is eliminated in the consolidated financial statements.

The Charter District received \$76,723 and \$149,383 for administrative services performed on behalf of ERC, Inc. for the years ended August 31, 2016 and 2015, respectively. This transaction is eliminated in the consolidated financial statements.

The Charter District had a net receivable from ERC, Inc. and its affiliate of \$122,178 and \$127,372 for building rent, administrative services, and miscellaneous purchases as of August 31, 2016 and 2015, respectively. This transaction is eliminated in the consolidated financial statements.

Note 8 - Health Care Coverage

During the years ended August 31, 2016 and 2015, 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. All premiums were paid to licensed insurers. ERC, Inc. and its affiliate's contributions towards health insurance for the years ended August 31, 2016 and 2015 were \$676,499 and \$602,804, respectively.

Note 9 - 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.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
AND EDUCATIONAL RESOURCE CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2016 and 2015

Note 9 - Pension Plan Obligations (continued)

- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$149,780,061,824
 Accumulated Benefit Obligations - \$163,887,375,172
 The plan is 78.43% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary, and the state of Texas contributes an amount equal to 6.0% of the School's covered payroll. The School's contributions to TRS for the years ended August 31, 2016 and 2015 were \$148,380 and \$153,625, respectively. There were no Non-OASDI participating surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

Note 10 - Temporarily Restricted Net Assets

As of August 31, temporarily restricted net assets were available for the following purposes:

	2016	2015
Foundation School Program	\$ 8,041,598	\$ 8,179,295
Food Service Program	60,338	-
College Scholarships/Fellowship Award	106,410	106,410
Total Temporarily Restricted Net Assets	\$ 8,208,346	\$ 8,285,705

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
STATEMENTS OF FINANCIAL POSITION
August 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 582,826	\$ 2,206,968
Due from State	721,450	654,600
Due from Federal Agencies	1,223,549	379,987
Due from Related Party	273,431	212,585
Prepaid Expense	13,318	50,848
Total Current Assets	2,814,574	3,504,988
LONG-TERM ASSETS		
Restricted Cash	816,113	815,874
Bond Issuance Costs, net	368,457	382,188
Property and Equipment, net	18,204,328	16,600,040
Total Long-Term Assets	19,388,898	17,798,102
TOTAL ASSETS	\$ 22,203,472	\$ 21,303,090
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 568,155	\$ 331,186
Accrued Expenses	967,113	301,676
Deferred Revenue	-	11,390
Due to Related Party	151,253	85,212
Bonds Payable - current	155,000	145,000
Total Current Liabilities	1,841,521	874,464
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	9,139,275	9,285,491
Total Long-Term Liabilities	9,139,275	9,285,491
TOTAL LIABILITIES	10,980,796	10,159,955
Net Assets		
Unrestricted	3,120,740	2,963,840
Temporarily Restricted	8,101,936	8,179,295
TOTAL NET ASSETS	11,222,676	11,143,135
TOTAL LIABILITIES AND NET ASSETS	\$ 22,203,472	\$ 21,303,090

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, 2016
(with comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 406,030	\$ -	\$ 406,030	\$ 439,052
Total Local Support	406,030	-	406,030	439,052
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	9,550,590	9,550,590	10,880,747
5820 State Program Revenues Distributed by TEA	-	168,720	168,720	95,691
Total State Program Revenues	-	9,719,310	9,719,310	10,976,438
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	-	1,958,969	1,958,969	2,232,199
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	1,324,649	1,324,649	351,606
Total Federal Program Revenues	-	3,283,618	3,283,618	2,583,805
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	13,080,287	(13,080,287)	-	-
TOTAL REVENUES AND OTHER SUPPORT	13,486,317	(77,359)	13,408,958	13,999,295
EXPENSES				
11 Instruction	7,568,086	-	7,568,086	7,000,994
13 Curriculum Development and Instructional Staff Development	84,111	-	84,111	99,970
21 Instructional Leadership	132,333	-	132,333	120,663
23 School Leadership	1,494,248	-	1,494,248	1,408,846
31 Guidance, Counseling, and Evaluation Services	869,116	-	869,116	1,013,491
33 Health Services	26,438	-	26,438	29,719
34 Student Transportation	11,421	-	11,421	13,801
35 Food Services	486,167	-	486,167	694,588
41 General Administration	1,109,574	-	1,109,574	1,081,680
51 Plant Maintenance and Operations	520,358	-	520,358	445,879
52 Security and Monitoring	366	-	366	3,847
53 Data Processing	406,075	-	406,075	354,425
61 Community Services	48,300	-	48,300	64,000
62 School District Administrative Support Services	2,738	-	2,738	-
71 Debt Service	570,086	-	570,086	524,314
TOTAL EXPENSES	13,329,417	-	13,329,417	12,856,217
CHANGE IN NET ASSETS	156,900	(77,359)	79,541	1,143,078
NET ASSETS, Beginning of Year	2,963,840	8,179,295	11,143,135	10,000,057
NET ASSETS, End of Year	\$ 3,120,740	\$ 8,101,936	\$ 11,222,676	\$ 11,143,135

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 9,630,551	\$ 10,585,463
Grant Payments	2,461,965	2,818,257
Miscellaneous Sources	257,350	1,055,304
Payments to Vendors for Goods and Services Rendered	(2,420,316)	(3,368,676)
Payments to Charter School Personnel for Services Rendered	(8,630,130)	(8,941,443)
Interest Payments	(547,570)	(501,798)
NET CASH PROVIDED BY OPERATING ACTIVITIES	751,850	1,647,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,230,753)	(4,690,308)
NET CASH USED BY INVESTING ACTIVITIES	(2,230,753)	(4,690,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds Payable	(145,000)	(140,000)
NET CASH USED BY FINANCING ACTIVITIES	(145,000)	(140,000)
NET DECREASE IN CASH FLOWS	(1,623,903)	(3,183,201)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,206,968	5,390,018
RESTRICTED CASH, Beginning of Year	815,874	816,025
LESS RESTRICTED CASH, End of Year	(816,113)	(815,874)
CASH AND CASH EQUIVALENTS, End of Year	\$ 582,826	\$ 2,206,968
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ 79,541	\$ 1,143,078
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	648,980	486,625
(Increase)/Decrease in Assets:		
Due from State	(66,850)	(36,656)
Due from Federal Agencies	(843,562)	(120,137)
Due from Related Party	(60,846)	592,942
Other Receivables	-	11,920
Prepaid Expense	37,530	49,000
Increase/(Decrease) in Liabilities:		
Accounts Payable	236,969	(707,672)
Accrued Expenses	665,437	140,242
Deferred Revenue	(11,390)	2,553
Due to Related Party	66,041	85,212
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 751,850	\$ 1,647,107

See independent auditor's report.

EDUCATIONAL RESOURCE CENTER, INC.
dba THE JOHN H. WOOD, JR. PUBLIC CHARTER DISTRICT
SCHEDULE OF EXPENSES
August 31, 2016 and 2015

	2016	2015
6100 Payroll Costs	\$ 9,397,449	\$ 9,081,685
6200 Professional and Contracted Services	1,289,813	1,216,969
6300 Supplies and Materials	968,071	1,048,397
6400 Other Operating Costs	1,103,998	984,852
6500 Debt	570,086	524,314
TOTAL EXPENSES	<u>\$ 13,329,417</u>	<u>\$ 12,856,217</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, 2016

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	\$ -	\$ 582,826	\$ -
1510 Land and Improvements	-	877,925	-
1520 Buildings and Improvements	-	17,496,862	-
1530 Furniture and Equipment	-	1,432,422	231,714
1531 Vehicles	-	53,949	-
1550 Capital Leases	-	570,210	-
1560 Library Assets	-	87,103	-
1580 Construction in Progress	-	9,201	-
1590 Infrastructure	-	29,561	-
Total Capital Assets	\$ -	\$ 21,140,059	\$ 231,714

Reconciliation of Property and Equipment on Schedule of Capital Assets to Statement of Financial Position:

Per Schedule of Capital Assets:

1510 Land and Improvements (State)	\$ 877,925
1520 Buildings and Improvements (State)	17,496,862
1530 Furniture and Equipment (State)	1,432,422
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 (State)	9,201
1590 Infrastructure (State)	29,561

Plus Educational Resource Center, Inc.:

Property and Equipment, gross	758,918
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Plus Educational Resource Center Foundation:

Property and Equipment, gross	395,354
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Less Accumulated Depreciation:

The John H. Wood Jr. Charter District	(2,584,619)
Educational Resource Center, Inc.	(113,567)
Educational Resource Center Foundation	(117,472)

Total Property and Equipment per Notes to Financial Statements: **\$ 19,127,561**

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 198,988	\$ 224,651	\$ 406,030	\$ 181,379
Total Local Support	<u>198,988</u>	<u>224,651</u>	<u>406,030</u>	<u>181,379</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	10,985,259	10,985,259	9,550,590	(1,434,669) (1)
5820 State Program Revenues Distributed by TEA	37,999	37,999	168,720	130,721
Total State Program Revenues	<u>11,023,258</u>	<u>11,023,258</u>	<u>9,719,310</u>	<u>(1,303,948)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	1,502,094	2,050,165	1,958,969	(91,196)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies	389,999	389,999	1,324,649	934,650
Total Federal Program Revenues	<u>1,892,093</u>	<u>2,440,164</u>	<u>3,283,618</u>	<u>843,454</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>13,114,339</u>	<u>13,688,073</u>	<u>13,408,958</u>	<u>(279,115)</u>
EXPENSES				
11 Instructional	7,741,640	7,886,323	7,568,086	318,237
13 Curriculum Development and Instructional Staff Development	93,015	94,753	84,111	10,642
21 Instructional Leadership	131,010	133,458	132,333	1,125
23 School Leadership	1,511,159	1,539,401	1,494,248	45,153
31 Guidance, Counseling and Evaluation Services	1,063,872	1,083,755	869,116	214,639
33 Health Services	37,844	38,551	26,438	12,113
34 Student Transportation	14,479	14,750	11,421	3,329
35 Food Services	465,208	473,902	486,167	(12,265)
41 General Administration	975,613	993,846	1,109,574	(115,728) (2)
51 Plant Maintenance and Operations	430,634	438,682	520,358	(81,676) (3)
52 Security and Monitoring Services	4,357	4,438	366	4,072
53 Data Processing Services	479,514	488,476	406,075	82,401
61 Community Services	117,799	120,001	48,300	71,701
62 School District Administrative Support Services	-	-	2,738	(2,738) (4)
71 Debt Service	773,288	773,288	570,086	203,202
TOTAL EXPENSES	<u>13,839,432</u>	<u>14,083,624</u>	<u>13,329,417</u>	<u>754,207</u>
CHANGE IN NET ASSETS	<u>(725,093)</u>	<u>(395,551)</u>	<u>79,541</u>	<u>475,092</u>
NET ASSETS, Beginning of Year	<u>11,143,135</u>	<u>11,143,135</u>	<u>11,143,135</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 10,418,042</u>	<u>\$ 10,747,584</u>	<u>\$ 11,222,676</u>	<u>\$ 475,092</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, 2016

- (1) Unfavorable variance due to lower than projected average daily attendance.
- (2) Unfavorable variance due to the Final budget amount not including the rent expense for the central office.
- (3) Unfavorable variance due to property insurance, cleaning services, and utilities being more than budgeted.
- (4) Unfavorable variance due to the shared services agreement with ESC 20 not being budgeted.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

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, 2016
(with comparative totals for 2015)

	2016					
	Educational Resource Center, Inc.	John H. Wood, Jr. Public Charter School	Educational Resource Center Foundation	Eliminating Entries	Total	2015 Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 528,158	\$ 582,826	\$ 105,902	\$ -	\$ 1,216,886	\$ 2,375,454
Due from State	-	721,450	-	-	721,450	654,600
Due from Federal Agencies	466,200	1,223,549	-	-	1,689,749	569,887
Due from Related Party	151,253	273,431	-	(424,684)	-	-
Other Receivables	-	-	-	-	-	4,110
Prepaid Expense	1,191	13,318	-	-	14,509	8,886
Total Current Assets	<u>1,146,802</u>	<u>2,814,574</u>	<u>105,902</u>	<u>(424,684)</u>	<u>3,642,594</u>	<u>3,612,937</u>
LONG-TERM ASSETS						
Restricted Cash	-	816,113	-	-	816,113	815,874
Bond Issuance Costs, net	-	368,457	-	-	368,457	382,188
Property and Equipment, net	645,351	18,204,328	277,882	-	19,127,561	17,527,238
Total Long-Term Assets	<u>645,351</u>	<u>19,388,898</u>	<u>277,882</u>	<u>-</u>	<u>20,312,131</u>	<u>18,725,300</u>
TOTAL ASSETS	<u>\$ 1,792,153</u>	<u>\$ 22,203,472</u>	<u>\$ 383,784</u>	<u>\$ (424,684)</u>	<u>\$ 23,954,725</u>	<u>\$ 22,338,237</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 869	\$ 568,155	\$ -	\$ -	\$ 569,024	\$ 338,892
Accrued Expenses	157,968	967,113	1,850	-	1,126,931	324,397
Deferred Revenue	-	-	-	-	-	11,390
Due to Related Party	271,781	151,253	1,650	(424,684)	-	-
Bonds Payable - current	-	155,000	-	-	155,000	145,000
Total Current Liabilities	<u>430,618</u>	<u>1,841,521</u>	<u>3,500</u>	<u>(424,684)</u>	<u>1,850,955</u>	<u>819,679</u>
LONG-TERM LIABILITIES						
Bonds Payable - long-term, net	-	9,139,275	-	-	9,139,275	9,285,491
Total Long-Term Liabilities	<u>-</u>	<u>9,139,275</u>	<u>-</u>	<u>-</u>	<u>9,139,275</u>	<u>9,285,491</u>
TOTAL LIABILITIES	<u>430,618</u>	<u>10,980,796</u>	<u>3,500</u>	<u>(424,684)</u>	<u>10,990,230</u>	<u>10,105,170</u>
Net Assets						
Unrestricted	1,361,535	3,120,740	273,874	-	4,756,149	3,947,362
Temporarily Restricted	-	8,101,936	106,410	-	8,208,346	8,285,705
TOTAL NET ASSETS	<u>1,361,535</u>	<u>11,222,676</u>	<u>380,284</u>	<u>-</u>	<u>12,964,495</u>	<u>12,233,067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,792,153</u>	<u>\$ 22,203,472</u>	<u>\$ 383,784</u>	<u>\$ (424,684)</u>	<u>\$ 23,954,725</u>	<u>\$ 22,338,237</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, 2016
(with comparative totals for 2015)

	2016				Total	2015 Total
	Educational Resource Center, Inc.	John H. Wood, Jr. Public Charter School	Educational Resource Center Foundation	Eliminating Entries		
REVENUES AND OTHER SUPPORT						
Local Support:						
Other Revenue from Local Sources	\$ 2,760,300	\$ 405,370	\$ -	\$ (76,723)	\$ 3,088,947	\$ 2,775,091
Fundraising Revenue	15,589	-	-	-	15,589	21,328
Earnings from Temporary Deposits and Investments	204	660	-	-	864	2,001
Rent	66,012	-	42,630	(108,642)	-	5,800
Total Local Support	<u>2,842,105</u>	<u>406,030</u>	<u>42,630</u>	<u>(185,365)</u>	<u>3,105,400</u>	<u>2,804,220</u>
State Program Revenues:						
Foundation School Program Act Entitlements	-	9,550,590	-	-	9,550,590	10,880,747
Instructional Materials Allotment	-	167,707	-	-	167,707	32,904
State Program Revenues Distributed by TEA	-	1,013	-	-	1,013	4,587
Technology Program Lending Grant	-	-	-	-	-	58,200
Total State Program Revenues	<u>-</u>	<u>9,719,310</u>	<u>-</u>	<u>-</u>	<u>9,719,310</u>	<u>10,976,438</u>
Federal Program Revenues:						
Title I, Part A - Grants to Local Education Agencies	-	287,883	-	-	287,883	301,934
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	875,922	-	-	875,922	882,985
IDEA - Part B, Formula	-	185,500	-	-	185,500	205,929
National School Breakfast Program	-	197,556	-	-	197,556	295,058
National School Lunch Program	-	312,868	-	-	312,868	460,447
USDA Donated Food Commodities	-	31,743	-	-	31,743	43,223
Title II, Part A - Improving Teacher Quality State Grant	-	64,691	-	-	64,691	39,879
Title III ELA	-	2,789	-	-	2,789	2,744
Title I ESEA	-	17	-	-	17	-
School Health and Related Services	-	1,324,649	-	-	1,324,649	351,606
Total Federal Program Revenues	<u>-</u>	<u>3,283,618</u>	<u>-</u>	<u>-</u>	<u>3,283,618</u>	<u>2,583,805</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>\$ 2,842,105</u>	<u>\$ 13,408,958</u>	<u>\$ 42,630</u>	<u>\$ (185,365)</u>	<u>\$ 16,108,328</u>	<u>\$ 16,364,463</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, 2016
(with comparative totals for 2015)

(continued)

	2016				Total	2015 Total
	Educational Resource Center, Inc.	John H. Wood, Jr. Public Charter School	Educational Resource Center Foundation	Eliminating Entries		
EXPENSES						
Salaries	1,544,580	7,302,838	-	-	8,847,418	8,864,494
Payroll Taxes and Benefits	266,117	1,495,109	-	-	1,761,226	1,008,091
Depreciation Expense	29,953	626,464	41,237	-	697,654	508,340
Health Insurance	76,997	599,502	-	-	676,499	602,804
Interest Expense	-	547,570	-	-	547,570	501,798
General Supplies	57,852	463,275	-	-	521,127	387,146
Food/Non-Food Expenses	-	463,481	-	-	463,481	666,324
Utilities	-	346,233	-	-	346,233	296,970
Professional Services	13,400	263,528	-	-	276,928	318,637
Miscellaneous Expenses	66,196	173,248	1,092	-	240,536	249,490
Other Contract Labor	89,848	174,331	-	(76,723)	187,456	103,523
Insurance and Bonding	17,436	147,332	-	-	164,768	126,497
Travel Expenses	5,895	156,954	-	-	162,849	188,990
Maintenance and Repair	-	132,959	-	-	132,959	110,470
Rental Expense	11,652	180,071	-	(108,642)	83,081	109,785
Educational Service Center	-	64,790	-	-	64,790	59,963
Accounting Fees	7,093	51,279	2,225	-	60,597	33,925
Marketing	-	48,000	-	-	48,000	62,891
Instructional Materials	-	39,659	-	-	39,659	45,774
Legal Services	-	28,622	1,275	-	29,897	36,245
Bond Amortization Expense	-	22,516	-	-	22,516	22,516
Supplies for Maintenance and Repairs	-	1,656	-	-	1,656	3,024
TOTAL EXPENSES	2,187,019	13,329,417	45,829	(185,365)	15,376,900	14,307,697
CHANGE IN NET ASSETS	655,086	79,541	(3,199)	-	731,428	2,056,766
NET ASSETS, Beginning of Year	706,449	11,143,135	383,483	-	12,233,067	10,176,301
NET ASSETS, End of Year	\$ 1,361,535	\$ 11,222,676	\$ 380,284	\$ -	\$ 12,964,495	\$ 12,233,067

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, 2016
(with comparative totals for 2015)

	2016			2015 Total
	Program Expenses	General and Administrative	Total	
Salaries	\$ 8,670,470	\$ 176,948	\$ 8,847,418	\$ 8,864,494
Benefits	1,726,001	35,225	1,761,226	1,008,091
Health Insurance	662,969	13,530	676,499	602,804
Total Payroll Expenses	<u>11,059,440</u>	<u>225,703</u>	<u>11,285,143</u>	<u>10,475,389</u>
Depreciation Expense	634,865	62,789	697,654	508,340
Interest Expense	-	547,570	547,570	501,798
General Supplies	411,690	109,437	521,127	387,146
Food/Non-Food Expenses	366,150	97,331	463,481	666,324
Utilities	315,072	31,161	346,233	296,970
Professional Services	193,850	83,078	276,928	318,637
Miscellaneous Expenses	67,350	173,186	240,536	249,490
Other Contract Labor	140,592	46,864	187,456	103,523
Insurance and Bonding	-	164,768	164,768	126,497
Travel Expenses	104,223	58,626	162,849	188,990
Maintenance and Repair	105,038	27,921	132,959	110,470
Rental Expense	75,604	7,477	83,081	109,785
Educational Service Center	57,015	7,775	64,790	59,963
Accounting Fees	42,418	18,179	60,597	33,925
Marketing	13,440	34,560	48,000	62,891
Instructional Materials	31,331	8,328	39,659	45,774
Legal Services	20,928	8,969	29,897	36,245
Bond Amortization Expense	-	22,516	22,516	22,516
Supplies for Maintenance and Repairs	1,308	348	1,656	3,024
TOTAL EXPENSES	<u>\$ 13,640,314</u>	<u>\$ 1,736,586</u>	<u>\$ 15,376,900</u>	<u>\$ 14,307,697</u>

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 AND STATE AWARDS
August 31, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Texas Education Agency:			
Title I, Part A - Grants to Local Educational Agencies, Improving Basic Programs	84.010A	16610101015808	\$ 287,883
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	84.010A	16610103015808	875,922
Title II, Part A - Improving Teacher Quality State Grants	84.367A	16694501015808	64,691
IDEA, Part B - Special Education Grants	84.027A	166600010158086000	<u>185,500</u>
Total U.S. Department of Education			<u>1,413,996</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Texas Department of Agriculture:			
School Breakfast Program	10.553	71401501	312,868
National School Lunch Program	10.555	71301501	<u>197,556</u>
Total U.S. Department of Agriculture			<u>510,424</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>1,924,420</u>
<u>TEXAS EDUCATION AGENCY</u>			
School Lunch Matching	N/A	3001601	3,902
Instructional Materials Allotment	N/A	N/A	<u>167,707</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>171,609</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u><u>\$ 2,096,029</u></u>

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 AND STATE AWARDS
August 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state 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, 2016. 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.

Note 2 - Indirect Cost Rate

ERC, Inc. and its affiliate, Educational Resource Center Foundation, elected to use the 10 percent *de minimis* indirect cost rate for the year ended August 31, 2016.

Gonzalez & Walker

Certified Public Accountants
7800 IH 10 West, Suite 505
San Antonio, Texas 78230
Phone: 210-366-9430
Fax: 210-366-9451

Rinaldo J. Gonzalez, P.C., CPA

Randy Walker & Co., P.C.

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, 2016, 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 January 17, 2017.

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.

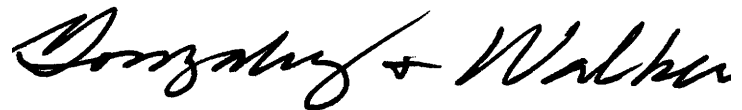
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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.



San Antonio, Texas
January 17, 2017

Gonzalez & Walker

Certified Public Accountants
7800 IH 10 West, Suite 505
San Antonio, Texas 78230
Phone: 210-366-9430
Fax: 210-366-9451

Rinaldo J. Gonzalez, P.C., CPA

Randy Walker & Co., P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Report on Internal Control Over Compliance

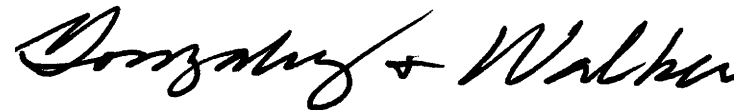
Management of ERC, Inc. and its affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ERC, Inc. and its affiliate's internal control 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 the Uniform Guidance, 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.

Educational Resource Center, Inc.
Uniform Guidance Compliance Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Douglas & Walker". The signature is written in a cursive, flowing style.

San Antonio, Texas
January 17, 2017

**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, 2016**

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 D, Subpart 2 – Prevention and
Intervention Programs for Children and Youth Who Are
Neglected, Delinquent, or At-Risk

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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, 2016**

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, 2016**

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -