

EDUCATION FOR CHANGE
(A California Non-Profit
Public Benefit Corporation)

Audited Financial Statements
For the Year Ended
June 30, 2012

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Education for Change
Oakland, California

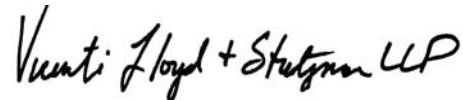
We have audited the statement of financial position of Education for Change (the Organization), a California non-profit public benefit corporation, as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of Education for Change as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The accompanying supplementary schedules on pages 13-16 and page 18 are presented for the purposes of additional analysis and are not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements taken as a whole.



VICENTI, LLOYD & STUTZMAN LLP

November 28, 2012

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
June 30, 2012

ASSETS

	<u>Cox</u>	<u>World</u>	<u>Achieve</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS:						
Cash and cash equivalents	\$ 673,279	\$ 665,496	\$ 190,324	\$ 455,961	\$ -	\$ 1,985,060
Accounts receivable	1,567,927	1,062,899	481,911	61,721	-	3,174,458
Intercompany receivable	-	-	-	897,561	(897,561)	-
Prepaid expenses	-	-	-	42,367	-	42,367
Total current assets	<u>2,241,206</u>	<u>1,728,395</u>	<u>672,235</u>	<u>1,457,610</u>	<u>(897,561)</u>	<u>5,201,885</u>
PROPERTY, PLANT AND EQUIPMENT:						
Equipment	2,226	1,872	961	35,866	-	40,925
Accumulated depreciation	<u>(321)</u>	<u>(270)</u>	<u>(138)</u>	<u>(35,866)</u>	<u>-</u>	<u>(36,595)</u>
Total property, plant and equipment	<u>1,905</u>	<u>1,602</u>	<u>823</u>	<u>-</u>	<u>-</u>	<u>4,330</u>
Total assets	<u>\$ 2,243,111</u>	<u>\$ 1,729,997</u>	<u>\$ 673,058</u>	<u>\$ 1,457,610</u>	<u>\$ (897,561)</u>	<u>\$ 5,206,215</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 272,479	\$ 93,756	\$ 58,088	\$ 47,766	\$ -	\$ 472,089
Accrued liabilities	220,670	194,631	70,117	11,939	-	497,357
Intercompany payable	<u>897,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(897,561)</u>	<u>-</u>
Total current liabilities	<u>1,390,710</u>	<u>288,387</u>	<u>128,205</u>	<u>59,705</u>	<u>(897,561)</u>	<u>969,446</u>

NET ASSETS:

Unrestricted	<u>852,401</u>	<u>1,441,610</u>	<u>544,853</u>	<u>1,397,905</u>	<u>-</u>	<u>4,236,769</u>
Total net assets	<u>852,401</u>	<u>1,441,610</u>	<u>544,853</u>	<u>1,397,905</u>	<u>-</u>	<u>4,236,769</u>
Total liabilities and net assets	<u>\$ 2,243,111</u>	<u>\$ 1,729,997</u>	<u>\$ 673,058</u>	<u>\$ 1,457,610</u>	<u>\$ (897,561)</u>	<u>\$ 5,206,215</u>

The notes to the financial statements are an integral part of these statements.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	<u>Cox</u>	<u>World</u>	<u>Achieve</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES:						
Block grant - general purpose	\$1,812,057	\$1,529,143	\$ 812,715	\$ -	\$ -	\$4,153,915
Block grant - categorical	530,135	428,235	229,500	-	-	1,187,870
Property tax revenue	878,211	746,783	388,140	-	-	2,013,134
State lottery	91,377	71,893	36,998	-	-	200,268
Other state revenue	405,165	125,836	74,996	-	-	605,997
Federal revenue	253,139	256,289	120,919	93,474	-	723,821
Contributions	1,017	1,602	-	114,700	-	117,319
Class size reduction	334,152	440,181	-	-	-	774,333
Other local revenue	3,854	214	159	1,116,954	(1,116,168)	5,013
	<u>4,309,107</u>	<u>3,600,176</u>	<u>1,663,427</u>	<u>1,325,128</u>	<u>(1,116,168)</u>	<u>9,781,670</u>
EXPENSES:						
Program services	2,912,908	2,623,185	994,236	630,340	-	7,160,669
Management and general	1,342,603	1,065,076	551,776	752,056	(1,116,168)	2,595,343
	<u>4,255,511</u>	<u>3,688,261</u>	<u>1,546,012</u>	<u>1,382,396</u>	<u>(1,116,168)</u>	<u>9,756,012</u>
Change in unrestricted net assets	53,596	(88,085)	117,415	(57,268)	-	25,658
Beginning unrestricted net assets	<u>798,805</u>	<u>1,529,695</u>	<u>427,438</u>	<u>1,455,173</u>	<u>-</u>	<u>4,211,111</u>
Ending unrestricted net assets	<u>\$ 852,401</u>	<u>\$1,441,610</u>	<u>\$ 544,853</u>	<u>\$ 1,397,905</u>	<u>\$ -</u>	<u>\$4,236,769</u>

The notes to the financial statements are an integral part of these statements.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

	Cox	World	Achieve	Home Office	Total
CASH FLOWS from OPERATING ACTIVITIES:					
Change in net assets	\$ 53,596	\$ (88,085)	\$ 117,415	\$ (57,268)	\$ 25,658
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:					
Depreciation	321	270	138	-	729
(Increase) decrease in operating assets:					
Accounts receivable	27,359	(113,774)	(135,902)	(36,911)	(259,228)
Prepaid expenses	44,472	42,830	17,763	(7,679)	97,386
Increase (decrease) in operating liabilities:					
Accounts payable	197,511	(40,127)	(16,783)	47,766	188,367
Accrued liabilities	(47,198)	(85,795)	(1,620)	630	(133,983)
Net cash provided (used) by operating activities	<u>276,061</u>	<u>(284,681)</u>	<u>(18,989)</u>	<u>(53,462)</u>	<u>(81,071)</u>
Cash flows from investing activities					
Net purchases of equipment	(2,226)	(1,872)	(961)	-	(5,059)
Net cash used by investing activities	<u>(2,226)</u>	<u>(1,872)</u>	<u>(961)</u>	<u>-</u>	<u>(5,059)</u>
Net increase (decrease) in cash and cash equivalents	273,835	(286,553)	(19,950)	(53,462)	(86,130)
Cash and cash equivalents at the beginning of the year	<u>399,444</u>	<u>952,049</u>	<u>210,274</u>	<u>509,423</u>	<u>2,071,190</u>
Cash and cash equivalents at the end of the year	<u>\$ 673,279</u>	<u>\$ 665,496</u>	<u>\$ 190,324</u>	<u>\$ 455,961</u>	<u>\$ 1,985,060</u>

The notes to the financial statements are an integral part of these statements.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities – Education for Change (the Organization), a charter management organization, was incorporated on January 21, 2005, under the laws of the State of California as a nonprofit benefit corporation and is the founder of Education for Change Cox (Cox) which was formerly named as E. Morris Cox Elementary Charter School. The Organization currently manages three (3) charter schools, Cox, World Academy (World) and Achieve Academy (Achieve) (the Schools). Cox and World were granted their charter in 2005, Achieve in 2006, all pursuant to the terms of the Charter Schools Act of 1992, as amended. On December 13, 2005, the Oakland Unified School District and Education for Change entered into a mutually agreeable letter of agreement, regarding the legal and operational responsibilities of the Oakland Unified School District and the Organization. The original term was for 5 years. World and Achieve Academies were renewed under the Oakland Unified School District and Cox Academy was renewed under the Alameda County Office of Education. The Oakland Unified School District and Alameda County Office of Education have certain responsibilities as the authorizers of the charter petitions establishing the Schools, and additional responsibilities as outlined in these agreements. The Organization also has certain responsibilities as the lead petitioner for these Schools, and additional responsibilities as outlined in these agreements. The mission of the Organization is to achieve an excellent, high quality, free public education for all children with its focus on traditionally underserved children in the Oakland geographical area.

Net Asset Classes – In accordance with generally accepted accounting principles (GAAP) the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Net assets of the Organization consist of the following:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the organization.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Organization does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Organization. The Organization does not currently have any permanently restricted net assets.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the Organization based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Cash and Cash Equivalents – The Organization defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Accordingly, actual results could differ from those estimates.

Basis of Accounting – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other liabilities.

Functional Allocation of Expenses – The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor as required by applicable accounting standards. Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

Land, Buildings and Equipment – Land, buildings and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the asset. The Organization capitalizes all expenditures for land, buildings and equipment in excess of \$2,000.

Income Taxes – The Organization is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes.

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Organization's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Organization files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 2 – CONCENTRATION OF CREDIT RISK:

The Organization maintains its interest-bearing cash in a bank deposit account at a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2012, there were no deposits in excess of the FDIC limit.

The Organization also maintains non-interest bearing accounts with one financial institution. These accounts are fully insured by the FDIC under the Dodd-Frank Deposit Insurance Provision.

NOTE 3 – ACCOUNTS RECEIVABLE:

Accounts receivable primarily consists of funds due from state and federal governments, therefore no provisions for uncollectible accounts were recorded.

NOTE 4 – CONTINGENCIES:

The Organization received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

NOTE 5 – OPERATING LEASE:

The Organization has three facility lease arrangements and various equipment leases. These facility leases expired June 30, 2012 and were renewed for an additional five years. The Organization also obtained three additional facility leases in July and August of the subsequent year. Future minimum lease payments under these leases are as follows:

Year ending <u>June 30,</u>	
2013	\$ 1,238,326
2014	1,152,694
2015	1,154,224
2016	1,101,709
2017	<u>1,101,709</u>
Total	\$ <u>5,748,662</u>

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 6 – EMPLOYEE RETIREMENT:

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

State Teachers' Retirement System (STRS)

Plan Description

The Schools contribute to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Schools are required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (PERS)

Plan Description

The Schools contribute to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 6 – EMPLOYEE RETIREMENT: (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Schools are required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

The Schools' contributions to STRS and PERS for each of the last three fiscal years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2010	\$381,806	100%	\$127,244	100%
2011	\$362,869	100%	\$143,750	100%
2012	\$320,648	100%	\$137,048	100%

NOTE 7 – CONTINGENCIES:

The Organization is subject to a claim for damages that arose in the normal course of business. This claim has been referred to the Organization's insurance carrier. In management's opinion, although the outcome of this claim is unknown at this time, any losses that may occur would be covered by the Organization's insurance policy, and therefore, would not have a material impact on these financial statements.

NOTE 8 – SUBSEQUENT EVENTS:

All events subsequent to the statement of financial position date of June 30, 2012, through November 28, 2012, which is the date these financial statements were available to be issued, have been evaluated in accordance with applicable accounting standards. In 2012 the Organization opened three new charters named ASCEND, Lazear Charter Academy and Learning Without Limits. These charter schools are scheduled to begin classes in September 2012.

SUPPLEMENTARY INFORMATION

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

HISTORY AND ORGANIZATION
For the Year Ended June 30, 2012

Education for Change (the Organization), a charter management organization, was incorporated on January 21, 2005, under the laws of the State of California as a nonprofit benefit corporation and is the founder of Education for Change Cox (Cox) which was formerly named as E. Morris Cox Elementary Charter School. The Organization currently manages three (3) charter schools, Cox, World Academy (World) and Achieve Academy (Achieve) (the Schools). Cox and World were granted charters in 2005 and Achieve in 2006. Each charter was granted pursuant to the terms of the Charter Schools Act of 1992, as amended.

The Organization's current locations are as follows:

Home Office:
303 Hegenberger Road, Suite 301
Oakland, California

Cox - Education For Change Cox, a K-5 charter school
9860 Sunnyside Street
Oakland, California

World Academy (formerly EFC-East Oakland Community Charter), a K-3 charter school
1700-28th Avenue
Oakland, California

Achieve Academy (formerly EFC-Upper Elementary), a 4-5 charter school
1700-28th Avenue
Oakland, California

Charter School numbers granted by State are as follows:

Cox - Education For Change Cox: 0740

World Academy (formerly EFC-East Oakland Community Charter): 0745

Achieve Academy (formerly EFC-Upper Elementary): 0780

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

HISTORY AND ORGANIZATION
For the Year Ended June 30, 2012

The Board of Directors and the Administrators for the fiscal year ended June 30, 2012 were as follows:

Board of Directors

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Brian Rogers	President	2010-2013
Jessica Lindl	Member	2011-2014
Pratap Mukherjee	Member	2012-2015
Mark Patel	Member	2010-2013
Antonio Cediel	Member	2011-2014
Nick Driver	Member	2011-2014

Administrators

Jessica Evans	Chief Academic Officer
Fabiola Harvey	Chief Operating Officer

EDUCATION FOR CHANGE
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SCHEDULE OF EXPENSES BY STATE CATEGORIES
For the Year Ended June 30, 2012

	<u>Cox</u>	<u>World</u>	<u>Achieve</u>	<u>Home Office</u>	<u>Total</u>
Certificated salaries	\$ 1,651,358	\$ 1,477,280	\$ 510,571	\$ 300,486	\$ 3,939,695
Classified salaries	450,692	312,077	185,712	335,910	1,284,391
Employee benefits	705,255	569,663	196,785	173,400	1,645,103
Books and supplies	157,781	186,679	90,546	42,811	477,817
Services and other operating expenses	1,289,729	1,142,292	562,260	529,789	3,524,070
Capital expenses and depreciation	<u>696</u>	<u>270</u>	<u>138</u>	<u>-</u>	<u>1,104</u>
Total expenses by site	<u>\$ 4,255,511</u>	<u>\$ 3,688,261</u>	<u>\$ 1,546,012</u>	<u>\$ 1,382,396</u>	<u>10,872,180</u>
Less eliminations					<u>(1,116,168)</u>
Total expenses					<u>\$ 9,756,012</u>

See the notes to the supplementary information.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

		<u>Program services</u>	<u>Management & general</u>	<u>Total</u>
COX:	Certificated salaries	\$ 1,571,425	\$ 79,933	\$ 1,651,358
	Classified salaries	70,119	380,573	450,692
	Employee benefits	550,751	154,504	705,255
	Books and supplies	134,278	23,503	157,781
	Services and other operating expenses	586,335	703,394	1,289,729
	Capital expenses and depreciation	-	696	696
	Total	<u>\$ 2,912,908</u>	<u>\$ 1,342,603</u>	<u>\$ 4,255,511</u>
WORLD:	Certificated salaries	\$ 1,477,280	\$ -	\$ 1,477,280
	Classified salaries	20,593	291,484	312,077
	Employee benefits	476,866	92,797	569,663
	Books and supplies	153,098	33,581	186,679
	Services and other operating expenses	495,348	646,944	1,142,292
	Capital expenses and depreciation	-	270	270
	Total	<u>\$ 2,623,185</u>	<u>\$ 1,065,076</u>	<u>\$ 3,688,261</u>
ACHIEVE:	Certificated salaries	\$ 510,571	\$ -	\$ 510,571
	Classified salaries	20,918	164,794	185,712
	Employee benefits	150,211	46,574	196,785
	Books and supplies	77,077	13,469	90,546
	Services and other operating expenses	235,459	326,801	562,260
	Capital expenses and depreciation	-	138	138
	Total	<u>\$ 994,236</u>	<u>\$ 551,776</u>	<u>\$ 1,546,012</u>
HOME OFFICE:	Certificated salaries	\$ 300,486	\$ -	\$ 300,486
	Classified salaries	27,965	307,945	335,910
	Employee benefits	89,494	83,906	173,400
	Books and supplies	12,838	29,973	42,811
	Services and other operating expenses	199,557	330,232	529,789
	Capital expenses and depreciation	-	-	-
	Total	<u>\$ 630,340</u>	<u>\$ 752,056</u>	<u>\$ 1,382,396</u>
	Subtotal expenses			\$ 10,872,180
	Less eliminations			<u>(1,116,168)</u>
	Total expenses			<u>\$ 9,756,012</u>

See the notes to the supplementary information.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL MINUTES
For the Year Ended June 30, 2012

Grade Level	2011-12 Minutes			Status
	Requirement	Reduced	Actual	
EFC - Cox Elementary School				
Kindergarten	36,000	33,351	52,805	In compliance
Grade 1	50,400	46,944	58,875	In compliance
Grade 2	50,400	46,944	58,875	In compliance
Grade 3	50,400	46,944	58,875	In compliance
Grade 4	54,000	50,297	58,875	In compliance
Grade 5	54,000	50,297	58,875	In compliance
EFC - World Academy				
Kindergarten	36,000	33,351	52,805	In compliance
Grade 1	50,400	46,944	58,875	In compliance
Grade 2	50,400	46,944	58,875	In compliance
Grade 3	50,400	46,944	58,875	In compliance
EFC - Achieve Academy				
Grade 4	54,000	50,297	58,875	In compliance
Grade 5	54,000	50,297	58,875	In compliance

See the notes to the supplementary information.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2012

Average Daily Attendance:	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
EFC - Cox Elementary School				
Kindergarten	78.56	78.56	78.65	78.65
Grades 1 through 3	269.57	269.57	269.40	269.40
Grades 4 through 5	179.15	179.15	178.94	178.94
Total Cox Elementary School	527.28	527.28	526.99	526.99
EFC - World Academy				
Kindergarten	114.32	114.32	114.07	114.07
Grades 1 through 3	334.05	334.05	333.77	333.77
Total World Academy	448.37	448.37	447.84	447.84
EFC - Achieve Academy				
Grades 4 through 5	233.04	233.04	232.22	232.22
Total Average Daily Attendance	1,208.69	1,208.69	1,207.05	1,207.05

See the notes to the supplementary information.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Cox	World	Achieve	Home Office	Total Federal Expenditures
Federal Categorical Aid Programs:							
U.S. Department of Education							
Pass-Through the California Department of Education							
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$290,319	\$211,866	\$100,421	\$ -	\$ 602,606
Title II, Part A, Improving Teacher Quality	84.367	14341	3,940	3,698	5,377	-	13,015
Title III, Part A, Limited English Proficiency	84.365	14346	39,910	27,121	14,783	-	81,814
Title III, Part A, Immigrant Education Program	84.365	15146	5,500	6,300	-	-	11,800
Title IV Safe and Drug-Free Schools	84.186	14347	-	1,543	-	-	1,543
ARRA: State Fiscal Stabilization Fund	84.394	24997	22,839	20,223	9,975	-	53,037
Education Jobs	84.410	25152	<u>1,412</u>	<u>1,189</u>	<u>602</u>	-	<u>3,203</u>
<i>Total U.S. Department of Education</i>			<u>363,920</u>	<u>271,940</u>	<u>131,158</u>	-	<u>767,018</u>
U.S. Department of Health Care Services							
Medi-Cal Administrative Activities	93.778	10060	-	-	-	<u>146,974</u>	<u>146,974</u>
<i>Total U.S. Department of Health Care Services</i>			-	-	-	<u>146,974</u>	<u>146,974</u>
Pass-Through the California Department of Education							
Fresh Fruit and Vegetable Program	10.582	14968	<u>6,362</u>	<u>5,323</u>	<u>2,856</u>	-	<u>14,541</u>
<i>Total U.S. Department of Agriculture</i>			<u>6,362</u>	<u>5,323</u>	<u>2,856</u>	-	<u>14,541</u>
Total Expenditures for Federal Awards			<u>\$370,282</u>	<u>\$277,263</u>	<u>\$134,014</u>	<u>\$ 146,974</u>	<u>\$ 928,533</u>
Reconciliation to Federal Revenues							
Total Federal Program Expenditures			\$370,282	\$277,263	\$134,014	\$ 146,974	\$ 928,533
Add: Revenue in excess of expenditures related to Federal Entitlements							
Title II, Part A, Improving Teacher Quality	84.367	14341	1,217	792	697		2,706
Less: Expenditures in excess of revenues related to Federal Entitlements							
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	(94,514)	-	-	-	(94,514)
ARRA: State Fiscal Stabilization Fund	84.394	24997	(22,839)	(20,223)	(9,975)	-	(53,037)
Title II, Part A, Improving Teacher Quality	84.367	14341	-	-	(3,817)	-	(3,817)
Title III, Part A, Limited English Proficiency	84.365	14346	(1,007)	-	-	-	(1,007)
Title IV Safe and Drug-Free Schools	84.186	14347	-	(1,543)	-	-	(1,543)
Medi-Cal Administrative Activities	93.778	10060	-	-	-	<u>(53,500)</u>	<u>(53,500)</u>
			<u>\$253,139</u>	<u>\$256,289</u>	<u>\$120,919</u>	<u>\$ 93,474</u>	<u>\$ 723,821</u>

See the notes to the supplementary information.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS**
For the Year Ended June 30, 2012

	Cox	World	Achieve
June 30, 2012 Annual Financial Report			
Fund Balances (Net Assets)	\$ 799,075	\$ 1,442,359	\$ 464,306
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets):			
Cash	(29)	(505,757)	(150,674)
Accounts receivable	52,213	(22,215)	37,297
Accounts payable	43,708	568,451	210,864
Prepaid expenses	(44,471)	(42,830)	(17,763)
Equipment, net	1,905	1,602	823
Net Adjustments and Reclassifications	53,326	(749)	80,547
June 30, 2012 Audited Financial Statement			
Fund Balances (Net Assets)	\$ 852,401	\$ 1,441,610	\$ 544,853

See the notes to the supplementary information.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures by State Categories

This schedule presents expenses by the object codes according to state categories for analysis purposes.

B. Schedule of Functional Expenses

This schedule presents expenses by natural and functional classification for analysis purposes.

C. Schedule of Instructional Minutes

This schedule presents information on the amount of instructional time offered by the Schools and whether the Schools complied with the provisions of Education Code Sections 46200 through 46206.

D. Schedule of Average Daily Attendance (ADA)

Average daily attendance is a measurement of the number of pupils attending classes of the Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

E. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule is presented on the accrual basis of accounting.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances (net assets) of the charter schools as reported on the Annual Financial and Budget Report form to the audited financial statements.



**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***

Board of Directors
Education for Change
Oakland, California

We have audited the financial statements of Education For Change (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. 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.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we considered the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

This report is intended solely for the information of the Board, management, and the Oakland Unified School District, Alameda County Office of Education, California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 28, 2012



**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**

Board of Directors
Education for Change
Oakland, California

Compliance

We have audited the compliance of Education For Change (the Organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 the Organization'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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**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**

Internal Control over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 the Organization'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 a 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Organization's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the Board, management, and the Oakland Unified School District, Alameda County Office of Education, California Department of Education, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 28, 2012



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 Education for Change
 Oakland, California

We have audited the compliance of Education For Change (the Organization) with the types of compliance requirements described in the *2011-12 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2012. The Organization’s State compliance requirements are identified in the table below. Compliance with the State laws and regulations as identified below is the responsibility of the Organization’s management. Our responsibility is to express an opinion on the Organization’s compliance based on our audit.

We conducted our audit 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 *2011-12 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization’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. Our audit does not provide a legal determination of the Organization’s compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Organization's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Not applicable
Teacher Certification and Misassignments	3	Not applicable
Kindergarten continuance	3	Not applicable
Continuation education	10	Not applicable
Independent study	23	Not applicable

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Audit Guide</u>	<u>Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Class size reduction program (including charter schools):		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Instructional materials general requirements	8	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Classroom teacher salaries	1	Not applicable
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Public hearing requirement – receipt of funds	1	Not applicable
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils – Pertussis Immunization	2	Not applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes
Mode of Instruction	1	Yes
Nonclassroom–based instructional/independent study	15	Not applicable
Determination of funding for nonclassroom–based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes

In our opinion, we found that, for the items tested, the Organization complied with the laws and regulations of the state programs referred to above in all material respects.

This report is intended solely for the information of the Board, management, and the Oakland Unified School District, Alameda County Office of Education, California Department of Education, the State Controller’s Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


 VICENTI, LLOYD & STUTZMAN LLP

November 28, 2012

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued November 28, 2012:	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<i>No</i>
Significant deficiencies identified that are not considered to be material weakness(es)?	<i>No</i>
Type of auditor's report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)?	<i>No</i>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<i>Yes</i>

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings noted for the year ended June 30, 2012.

EDUCATION FOR CHANGE
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

There were no findings noted for the year ended June 30, 2011.