

EDUCATION FOR CHANGE

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2015**

Operating:

**Achieve Academy
ASCEND
Cox Academy
Epic Charter
Lazear Charter Academy
Learning Without Limits**

Epic 1112 LLC

EDUCATION FOR CHANGE

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Education for Change
Oakland, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Education for Change (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year 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 of 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.

Board of Directors
Education for Change

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the School's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

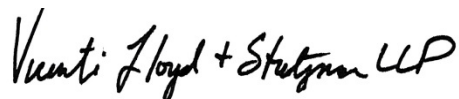
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards 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 are presented for 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 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.

Board of Directors
Education for Change

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the School's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015

EDUCATION FOR CHANGE

STATEMENT OF FINANCIAL POSITION

June 30, 2015

With Comparative Totals for June 30, 2014

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,756,223	\$ 1,983,378
Accounts receivable - federal and state	3,182,879	5,238,972
Accounts receivable - other	1,376	1,274
Prepaid expenses and other assets	16,505	100,281
Total current assets	7,956,983	7,323,905
PROPERTY, PLANT AND EQUIPMENT:		
Buildings and building improvements	500,000	250,000
Equipment	90,869	40,926
Accumulated depreciation	(66,287)	(38,619)
Total property, plant and equipment	524,582	252,307
Total assets	\$ 8,481,565	\$ 7,576,212
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,799,625	\$ 2,377,145
Total current liabilities	2,799,625	2,377,145
NET ASSETS:		
Unrestricted	5,681,940	5,199,067
Total net assets	5,681,940	5,199,067
Total liabilities and net assets	\$ 8,481,565	\$ 7,576,212

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

EDUCATION FOR CHANGE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

With Comparative Totals for the Year Ended June 30, 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
State revenue:		
State aid	\$ 15,824,464	\$ 12,589,297
Other state revenue	3,064,497	3,928,393
Federal revenue:		
Grants and entitlements	1,847,779	2,408,300
Local revenue:		
In-lieu property tax revenue	4,855,846	4,041,610
Contributions	1,381,085	718,947
Other revenue	18	13,469
Total revenues	<u>26,973,689</u>	<u>23,700,016</u>
EXPENSES:		
Program services	21,727,388	19,178,905
Management and general	4,756,889	4,172,177
Fundraising	6,539	5,043
Total expenses	<u>26,490,816</u>	<u>23,356,125</u>
Change in unrestricted net assets	482,873	343,891
Beginning unrestricted net assets	<u>5,199,067</u>	<u>4,855,176</u>
Ending unrestricted net assets	<u>\$ 5,681,940</u>	<u>\$ 5,199,067</u>

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

EDUCATION FOR CHANGE

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2015

With Comparative Totals for the Year Ended June 30, 2014

	2015	2014
CASH FLOWS from OPERATING ACTIVITIES:		
Change in net assets	\$ 482,873	\$ 343,891
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	27,668	1,013
Change in operating assets:		
Accounts receivable - federal and state	2,056,093	220,371
Accounts receivable - other	(102)	5,228
Prepaid expenses and other assets	83,776	(85,086)
Change in operating liabilities:		
Accounts payable and accrued liabilities	422,480	515,360
Net cash flows from operating activities	3,072,788	1,000,777
CASH FLOWS from INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(299,943)	(250,000)
Net cash flows from investing activities	(299,943)	(250,000)
CASH FLOWS from FINANCING ACTIVITIES:		
Repayments of revenue anticipation note payable	-	(1,576,092)
Net cash flows from financing activities	-	(1,576,092)
Net change in cash and cash equivalents	2,772,845	(825,315)
Cash and cash equivalents at the beginning of the year	1,983,378	2,808,693
Cash and cash equivalents at the end of the year	\$ 4,756,223	\$ 1,983,378
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	\$ -	\$ 14,653

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

EDUCATION FOR CHANGE

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2015 With Comparative Totals for the Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total 2015	Total 2014
Salaries and wages	\$ 10,865,177	\$ 2,136,027	\$ -	\$ 13,001,204	\$ 10,986,742
Pension expense	928,282	193,724	-	1,122,006	906,342
Other employee benefits	1,946,097	342,483	-	2,288,580	2,062,478
Payroll taxes	407,064	95,992	-	503,056	457,816
Management fees	133,727	54,987	-	188,714	148,994
Legal expenses	-	15,312	-	15,312	55,483
Other fees for services	3,783,671	1,576,038	-	5,359,709	4,913,801
Advertising and promotion expenses	95,997	-	-	95,997	51,445
Office expenses	514,077	45,311	-	559,388	337,572
Printing and postage expenses	35,712	2,638	-	38,350	22,967
Information technology expenses	314,542	71,810	-	386,352	410,387
Occupancy expenses	1,617,142	17,698	-	1,634,840	1,585,013
Travel expenses	36,082	56,324	-	92,406	114,187
Conference and meeting expenses	37,578	25,615	-	63,193	56,226
Interest expense	-	-	-	-	14,653
Depreciation expense	27,667	-	-	27,667	1,013
Insurance expense	14,075	54,793	-	68,868	79,978
Instructional materials	827,656	-	-	827,656	815,976
Other expenses	142,842	68,137	6,539	217,518	335,052
	\$ 21,727,388	\$ 4,756,889	\$ 6,539	\$ 26,490,816	\$ 23,356,125

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

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities – Education for Change (the School), a charter management organization, was incorporated on January 21, 2005, under the laws of the State of California as a nonprofit benefit corporation. The School currently manages six (6) charter schools, Achieve Academy (Achieve), ASCEND, Cox, Epic Charter (Epic), Lazear Charter Academy (Lazear), and Learning Without Limits (LWL) (the Schools). Cox was granted its charter in 2005; Achieve in 2006; ASCEND, Lazear, and LWL in 2012; and Epic in 2014, all pursuant to the terms of the Charter Schools Act of 1992, as amended. Achieve, ASCEND, Epic, and LWL are all sponsored by the Oakland Unified School District (the District); Cox and Lazear are sponsored by the Alameda County Office of Education (ACOE). Epic began serving students in August 2014. The District and ACOE have certain responsibilities as the authorizers of the charter petitions of the Schools, and additional responsibilities as outlined in these agreements. The School also has certain responsibilities as the lead petitioner for these charters, and additional responsibilities as outlined in these agreements. The mission of the School 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.

The accompanying financial statements also include the activity of Epic 1112 LLC (the LLC), of which the School is the sole member. The LLC was formed to hold title to property located in Oakland, California. As of and for the year ended June 30, 2015, the LLC had no assets, liabilities, net assets, or activities.

Cash and Cash Equivalents – The School 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.

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, liabilities, and disclosures. 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 liabilities.

Functional Allocation of Expenses – Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Net Asset Classes – The School 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 School are defined as:

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

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2015. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. Depreciation expense was \$27,667 for the year ended June 30, 2015.

Property Taxes – Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the School 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.

EDUCATION FOR CHANGE**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes – The School 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. 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 School 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.

The LLC is considered disregarded and therefore exempt from the payment of income taxes. Additionally, the LLC is in the process of obtaining exemption from the California state LLC fee under California Revenue and Taxation Code Section 23701h.

Evaluation of Subsequent Events – The School has evaluated subsequent events through December 11, 2015, the date these financial statements were available to be issued.

Comparative Totals – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

NOTE 2: CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

EDUCATION FOR CHANGE**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015****NOTE 3: EMPLOYEE RETIREMENT****Multi-employer Defined Benefit Pension Plans**

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. 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. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the School is 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 year ended June 30, 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 3: EMPLOYEE RETIREMENT

The School's contributions to STRS for the past three years are as follows:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2013	\$ 636,228	100%
2014	\$ 655,318	100%
2015	\$ 830,995	100%

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. 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. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2014, the Schools Pool total plan assets are \$56.8 billion, the total actuarial present value of accumulated plan benefits is \$76.9 billion, contributions from all employers totaled \$1.2 billion, and the plan is 86.6% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members prior to January 1, 2013 are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% of their salary. The School is 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 year ended June 30, 2015 was 11.771%. The contribution requirements of the plan members are established and may be amended by State statute.

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 3: EMPLOYEE RETIREMENT

Contributions to PERS

The School's contributions to PERS for each of the last three years are as follows:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2013	\$ 170,128	100%
2014	\$ 251,024	100%
2015	\$ 291,011	100%

Defined Contribution Plan

The School offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. Employee contributions are used to purchase annuity contracts for each participant employee. Additionally, the employer may elect to make a discretionary contribution for each qualifying employee for each plan year. The School did not contribute to the plan for the year ended June 30, 2015.

NOTE 4: OPERATING LEASES

The School has facility use and lease agreements. These agreements have varying terms with expirations ranging from 2016 to 2018. Lease expense for the year ended June 30, 2015 was \$1,129,623. Future estimated minimum lease payments under these agreements are as follows:

Future minimum lease payments are as follows:

Year Ended <u>June 30,</u>	
2016	\$ 1,317,933
2017	1,492,305
2018	407,444
2019	<u>85,611</u>
Total	<u>\$ 3,303,293</u>

NOTE 5: CONTINGENCIES

The School has 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.

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 6: SUBSEQUENT EVENTS

In November 2015, the School purchased land in Oakland for \$1,050,000.

In November 2015, the School entered into a facility use agreement in connection with funding under the California School Facilities Program (CSFP). The School expects to construct a new building at Lazear with CSFP funding. The facility use agreement commences on July 1, 2015 and end on June 30, 2035 with the option to extend for two additional terms of 10 years each. The School is expected to make annual payments of \$112,217 subject to a 3% annual increase effective July 1st of each year, with the first increase effective July 1, 2016. Within three months of the completion and/or beneficial occupancy by the School of the recreational improvements the annual rent payments for the remaining years will be renegotiated.

SUPPLEMENTARY INFORMATION

EDUCATION FOR CHANGE

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2015

Education for Change (the School), 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 Cox Academy which was formerly named E. Morris Cox Elementary Charter School. The Organization currently manages six (6) charter schools: Achieve Academy, ASCEND, Cox Academy, Epic Charter, Lazear Charter Academy, and Learning Without Limits. Each charter was granted pursuant to the terms of the Charter Schools Act of 1992, as amended.

The School's current charters are as follows:

Achieve Academy

Charter granted in 2006 by Oakland Unified School District and renewed in 2011.
State charter number: 0780

ASCEND

Charter granted in 2012 by Oakland Unified School District.
State charter number: 1443

Cox Academy

Charter granted in 2005 by Oakland Unified School District and renewed in 2015 by Alameda County Office of Education.
State charter number: 0740

Epic Charter

Charter granted in 2014 by Oakland Unified School District.
State charter number: 1632

Lazear Charter Academy

Charter granted in 2012 by Alameda County Office of Education.
State charter number: 1464

Learning Without Limits

Charter granted in 2012 by Oakland Unified School District.
State charter number: 1442

EDUCATION FOR CHANGE

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)
 For the Year Ended June 30, 2015**

The Board of Directors and the Administration for the year ended June 30, 2015 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Nick Driver	Chair	2018
LaRayne Povlsen	Non-voting Secretary	No term
Eva Camp	Member	2016
Dirk Tillotson	Member	2017
Michael Barr	Member	2017
Paul Byrd	Member	2017
Adam Smith	Member	2016
Nikkole Benjamin-Ballard	Member	2018
Brian Rogers	Member	2017
Sudhir Aggarwal	Member	2018

ADMINISTRATION

Hae-Sin Thomas	Chief Executive Officer
Noah Bradley	Chief Academic Officer
Fabiola Harvey	Chief Operating Officer
Enikia Ford-Morthel	Chief of Schools

EDUCATION FOR CHANGE

**SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2015**

Grade Level	2014-15 Minutes			Instructional Days	Status
	Requirement	Reduced	Actual		
Achieve Academy					
Kindergarten	36,000	34,971	56,465	179	In compliance
Grades 1 - 3	50,400	48,960	55,155	179	In compliance
Grades 4 - 5	54,000	52,457	55,155	179	In compliance
ASCEND					
Kindergarten	36,000	34,971	61,825	179	In compliance
Grades 1 - 3	50,400	48,960	54,130	179	In compliance
Grades 4 - 6	54,000	52,457	55,400	179	In compliance
Grades 6 - 8	54,000	52,457	61,780	179	In compliance
Cox Academy					
Kindergarten	36,000	34,971	49,655	179	In compliance
Grades 1 - 3	50,400	48,960	55,980	179	In compliance
Grades 4 - 5	54,000	52,457	55,980	179	In compliance
Lazar Charter Academy					
Kindergarten	36,000	34,971	59,110	179	In compliance
Grades 1 - 3	50,400	48,960	56,425	179	In compliance
Grades 4 - 5	54,000	52,457	56,425	179	In compliance
Grades 6 - 8	54,000	52,457	62,710	179	In compliance
Learning Without Limits					
Kindergarten	36,000	34,971	61,035	179	In compliance
Grades 1 - 3	50,400	48,960	58,350	179	In compliance
Grades 4 - 5	54,000	52,457	58,350	179	In compliance
Epic Academy					
Grade 6	54,000	52,457	61,720	179	In compliance

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015**

Average Daily Attendance:	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Achieve Academy				
TK/K-3	506.27	507.68	505.23	506.64
Grades 4 and 5	209.34	209.91	209.42	210.04
Total Achieve Academy	715.61	717.59	714.65	716.68
ASCEND				
TK/K-3	185.66	186.40	185.43	186.13
Grades 4 through 6	138.16	139.01	138.23	139.02
Grades 7 and 8	94.14	94.51	94.24	94.58
Total ASCEND Academy	417.96	419.92	417.90	419.73
Cox Academy				
TK/K-3	368.68	369.64	367.58	368.68
Grades 4 and 5	189.61	189.89	188.63	188.91
Total Cox Academy	558.29	559.53	556.21	557.59
Lazear Charter Academy				
TK/K-3	172.39	173.05	172.24	172.78
Grades 4 through 6	145.45	146.55	145.26	146.25
Grades 7 through 8	97.47	97.93	97.29	97.82
Total Lazear Charter Academy	415.31	417.53	414.79	416.85
Learning Without Limits				
TK/K-3	270.47	272.25	269.28	271.24
Grades 4 through 5	123.61	123.95	123.21	123.55
Total Learning Without Limits	394.08	396.20	392.49	394.79
Epic Academy				
Grades 4 through 6	157.77	157.97	158.27	158.47
Total World Academy	157.77	157.97	158.27	158.47
Total Average Daily Attendance	2,659.02	2,668.74	2,654.31	2,664.11

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>
June 30, 2015 Annual Financial Report						
Fund Balances (Net Assets)	\$ 3,641,879	\$ 511,396	\$ 739,374	\$ 27,441	\$ 8,759	\$ 10,829
Adjustments and Reclassifications:						
Increasing (Decreasing) the Fund Balance (Net Assets):						
Cash	(2,144,472)	366,362	3	(153,809)	(444,231)	398
Accounts receivable	(79,447)	(15,954)	59,765	(53,084)	62,421	982
Equipment, net	(1,088)	-	(445)	223,345	-	-
Accounts payable	116,185	(95,560)	32,545	100,872	(78,180)	19,358
Intercompany payable	<u>-</u>	<u>(340,776)</u>	<u>-</u>	<u>(182,839)</u>	<u>-</u>	<u>-</u>
Net Adjustments and Reclassifications	<u>(2,108,822)</u>	<u>(85,928)</u>	<u>91,868</u>	<u>(65,515)</u>	<u>(459,990)</u>	<u>20,738</u>
June 30, 2015 Audited Financial Statement						
Fund Balances (Net Assets)	<u>\$ 1,533,057</u>	<u>\$ 425,468</u>	<u>\$ 831,242</u>	<u>\$ (38,074)</u>	<u>\$ (451,231)</u>	<u>\$ 31,567</u>

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through		Achieve Academy	ASCEND	Cox Academy	Epic Academy	Lazear Charter Academy	Learning Without Limits	Total Federal Expenditures
	Federal CFDA Number	Entity Identifying Number							
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	\$ 311,330	\$ 162,245	\$ 236,379	\$ 66,109	\$ 189,388	\$ 157,804	\$ 1,123,255
Title I, Part C, Migrant Ed	84.011	14326	-	-	-	-	4,250	-	4,250
Title II, Part A, Improving Teacher Quality	84.367	14341	5,150	2,588	3,410	988	2,576	2,353	17,065
Title III, Part A, Limited English Proficiency	84.365	14346	53,699	22,325	33,144	-	24,879	20,850	154,897
Title III, Part A, Immigrant Education Program	84.365	15146	4,741	279	-	558	930	1,023	7,531
Title V, Part B, Charter Schools	84.282A	14941	-	-	-	200,000	34,467	-	234,467
Special Education Cluster:									
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379	26,144	55,151	68,845	-	50,494	48,467	249,101
IDEA Mental Health Services, Part B	84.027A	14468	-	-	75,487	-	-	-	75,487
Subtotal Special Education Cluster			<u>26,144</u>	<u>55,151</u>	<u>144,332</u>	<u>-</u>	<u>50,494</u>	<u>48,467</u>	<u>324,588</u>
<i>Total U.S. Department of Education</i>			<u>401,064</u>	<u>242,588</u>	<u>417,265</u>	<u>267,655</u>	<u>306,984</u>	<u>230,497</u>	<u>1,866,053</u>
Total Expenditures of Federal Awards			<u>\$ 401,064</u>	<u>\$ 242,588</u>	<u>\$ 417,265</u>	<u>\$ 267,655</u>	<u>\$ 306,984</u>	<u>\$ 230,497</u>	<u>\$ 1,866,053</u>
Reconciliation to Federal Revenues									
Total Federal Program Expenditures			\$ 401,064	\$ 242,588	\$ 417,265	\$ 267,655	\$ 306,984	\$ 230,497	\$ 1,866,053
Add: Revenue in excess of expenditures related to Federal awards									
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	20,770	8,912	-	3,121	-	-	32,803
Title II, Part A, Improving Teacher Quality	84.367	14341	-	3,344	-	-	4	-	3,348
Less: Expenditures in excess of revenues related to Federal awards									
IDEA Mental Health Services, Part B	84.027A	14468.000	-	-	(15,011)	-	-	-	(15,011)
Title I, Part C, Migrant Ed	84.011	14326	-	-	-	-	(4,250)	-	(4,250)
Title II, Part A, Improving Teacher Quality	84.367	14341	(697)	-	-	-	-	-	(697)
Title V, Part B, Charter Schools	84.282A	14941	-	-	-	-	(34,467)	-	(34,467)
Total Federal Revenues			<u>\$ 421,137</u>	<u>\$ 254,844</u>	<u>\$ 402,254</u>	<u>\$ 270,776</u>	<u>\$ 268,271</u>	<u>\$ 230,497</u>	<u>\$ 1,847,779</u>

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

COMBINING STATEMENT OF FINANCIAL POSITION June 30, 2015

<u>ASSETS</u>	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS:									
Cash and cash equivalents	\$ 1,294,048	\$ 706,337	\$ 834,394	\$ -	\$ 665,558	\$ 433,437	\$ 822,449	\$ -	\$ 4,756,223
Accounts receivable - federal and state	829,394	499,533	681,406	223,475	466,564	476,361	6,146	-	3,182,879
Accounts receivable - other	-	-	-	-	-	-	1,376	-	1,376
Intercompany receivable	-	-	-	-	-	-	2,606,896	(2,606,896)	-
Prepaid expenses and other assets	264	-	219	817	918	-	14,287	-	16,505
Total current assets	<u>2,123,706</u>	<u>1,205,870</u>	<u>1,516,019</u>	<u>224,292</u>	<u>1,133,040</u>	<u>909,798</u>	<u>3,451,154</u>	<u>(2,606,896)</u>	<u>7,956,983</u>
PROPERTY, PLANT AND EQUIPMENT:									
Buildings and building improvements	-	-	-	500,000	-	-	-	-	500,000
Equipment	2,834	-	2,226	49,943	-	-	35,866	-	90,869
Accumulated depreciation	(2,110)	-	(1,655)	(26,656)	-	-	(35,866)	-	(66,287)
Total property, plant and equipment	<u>724</u>	<u>-</u>	<u>571</u>	<u>523,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>524,582</u>
Total assets	<u>\$ 2,124,430</u>	<u>\$ 1,205,870</u>	<u>\$ 1,516,590</u>	<u>\$ 747,579</u>	<u>\$ 1,133,040</u>	<u>\$ 909,798</u>	<u>\$ 3,451,154</u>	<u>\$ (2,606,896)</u>	<u>\$ 8,481,565</u>
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Accounts payable and accrued liabilities	\$ 591,373	\$ 439,626	\$ 685,348	\$ 120,575	\$ 374,271	\$ 487,189	\$ 101,243	\$ -	\$ 2,799,625
Intercompany payable	-	340,776	-	665,078	1,210,000	391,042	-	(2,606,896)	-
Total current liabilities	<u>591,373</u>	<u>780,402</u>	<u>685,348</u>	<u>785,653</u>	<u>1,584,271</u>	<u>878,231</u>	<u>101,243</u>	<u>(2,606,896)</u>	<u>2,799,625</u>
Total liabilities	<u>591,373</u>	<u>780,402</u>	<u>685,348</u>	<u>785,653</u>	<u>1,584,271</u>	<u>878,231</u>	<u>101,243</u>	<u>(2,606,896)</u>	<u>2,799,625</u>
NET ASSETS:									
Unrestricted	<u>1,533,057</u>	<u>425,468</u>	<u>831,242</u>	<u>(38,074)</u>	<u>(451,231)</u>	<u>31,567</u>	<u>3,349,911</u>	<u>-</u>	<u>5,681,940</u>
Total net assets	<u>1,533,057</u>	<u>425,468</u>	<u>831,242</u>	<u>(38,074)</u>	<u>(451,231)</u>	<u>31,567</u>	<u>3,349,911</u>	<u>-</u>	<u>5,681,940</u>
Total liabilities and net assets	<u>\$ 2,124,430</u>	<u>\$ 1,205,870</u>	<u>\$ 1,516,590</u>	<u>\$ 747,579</u>	<u>\$ 1,133,040</u>	<u>\$ 909,798</u>	<u>\$ 3,451,154</u>	<u>\$ (2,606,896)</u>	<u>\$ 8,481,565</u>

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

**COMBINING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES:									
State revenue:									
State aid	\$ 4,184,292	\$ 2,443,724	\$ 3,477,092	\$ 991,614	\$ 2,413,511	\$ 2,314,231	\$ -	\$ -	\$ 15,824,464
Other state revenue	591,422	593,922	668,523	218,153	512,969	479,119	389	-	3,064,497
Federal revenue:									
Grants and entitlements	421,137	254,844	402,254	270,776	268,271	230,497	-	-	1,847,779
Local revenue:									
In-lieu property tax revenue	1,305,425	763,910	1,017,886	287,376	759,562	721,687	-	-	4,855,846
Contributions	433	91,644	3,487	824,975	10,732	12,186	437,628	-	1,381,085
Other revenue	18	-	-	-	-	-	3,039,243	(3,039,243)	18
Total unrestricted revenues	<u>6,502,727</u>	<u>4,148,044</u>	<u>5,569,242</u>	<u>2,592,894</u>	<u>3,965,045</u>	<u>3,757,720</u>	<u>3,477,260</u>	<u>(3,039,243)</u>	<u>26,973,689</u>
EXPENSES:									
Program services	4,474,050	3,195,993	4,319,803	2,112,458	3,261,797	2,981,635	1,381,652	-	21,727,388
Management and general	1,401,205	758,366	1,276,651	448,218	883,494	757,851	2,270,347	(3,039,243)	4,756,889
Fundraising	-	-	1,582	-	4,957	-	-	-	6,539
Total expenses	<u>5,875,255</u>	<u>3,954,359</u>	<u>5,598,036</u>	<u>2,560,676</u>	<u>4,150,248</u>	<u>3,739,486</u>	<u>3,651,999</u>	<u>(3,039,243)</u>	<u>26,490,816</u>
Change in unrestricted net assets	627,472	193,685	(28,794)	32,218	(185,203)	18,234	(174,739)	-	482,873
Transfer for charter school merger	<u>(2,113,068)</u>	-	-	-	-	-	<u>2,113,068</u>	-	-
Change in unrestricted net assets after charter school merger	(1,485,596)	193,685	(28,794)	32,218	(185,203)	18,234	1,938,329	-	482,873
Beginning unrestricted net assets	<u>3,018,653</u>	<u>231,783</u>	<u>860,036</u>	<u>(70,292)</u>	<u>(266,028)</u>	<u>13,333</u>	<u>1,411,582</u>	-	<u>5,199,067</u>
Ending unrestricted net assets	<u>\$ 1,533,057</u>	<u>\$ 425,468</u>	<u>\$ 831,242</u>	<u>\$ (38,074)</u>	<u>\$ (451,231)</u>	<u>\$ 31,567</u>	<u>\$ 3,349,911</u>	<u>\$ -</u>	<u>\$ 5,681,940</u>

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

**COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015**

	<u>Achieve Academy</u>	<u>ASCEND</u>	<u>Cox Academy</u>	<u>Epic Academy</u>	<u>Lazear Charter Academy</u>	<u>Learning Without Limits</u>	<u>World Academy</u>	<u>Home Office</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS from OPERATING ACTIVITIES:										
Change in net assets	\$ (1,485,596)	\$ 193,685	\$ (28,794)	\$ 32,218	\$ (185,203)	\$ 18,234	\$ -	\$ 1,938,329	\$ -	\$ 482,873
Adjustments to reconcile change in net assets to net cash flows from operating activities:										
Depreciation	567	-	445	26,656	-	-	-	-	-	27,668
(Increase) decrease in operating assets:										
Accounts receivable - federal and state	(541,079)	419,031	371,283	1,525	420,651	338,768	971,973	73,941	-	2,056,093
Accounts receivable - other	128	-	-	-	-	-	247	(477)	-	(102)
Intercompany receivable	-	-	-	-	-	-	1,214,057	(1,396,896)	182,839	-
Prepaid expenses and other assets	336	-	7,463	14,933	1,032	-	-	60,012	-	83,776
Transfer for charter school merger (net)	2,113,068						(2,113,068)			
Increase (decrease) in operating liabilities:										
Accounts payable and accrued liabilities	388,443	93,621	138,358	41,772	70,551	76,435	(422,748)	36,048	-	422,480
Intercompany payable	-	-	-	182,839	-	-	-	-	(182,839)	-
Net cash flows from operating activities	<u>475,867</u>	<u>706,337</u>	<u>488,755</u>	<u>299,943</u>	<u>307,031</u>	<u>433,437</u>	<u>(349,539)</u>	<u>710,957</u>	<u>-</u>	<u>3,072,788</u>
CASH FLOWS from INVESTING ACTIVITIES:										
Purchases of property, plant and equipment	-	-	-	(299,943)	-	-	-	-	-	(299,943)
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(299,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(299,943)</u>
Net increase (decrease) in cash and cash equivalents	475,867	706,337	488,755	-	307,031	433,437	(349,539)	710,957	-	2,772,845
Cash and cash equivalents at the beginning of the year	818,181	-	345,639	-	358,527	-	349,539	111,492	-	1,983,378
Cash and cash equivalents at the end of the year	<u>\$ 1,294,048</u>	<u>\$ 706,337</u>	<u>\$ 834,394</u>	<u>\$ -</u>	<u>\$ 665,558</u>	<u>\$ 433,437</u>	<u>\$ -</u>	<u>\$ 822,449</u>	<u>\$ -</u>	<u>\$ 4,756,223</u>

See auditor's report and the notes to the supplementary information.

EDUCATION FOR CHANGE

NOTES TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the corresponding provisions of California Education Code.

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the School. 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.

Reconciliation of Annual Financial Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.

Combined Financial Statements

These statements report the financial position, activities, and cash flows for each of Education for Change's charter schools.



**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***

Board of Directors
Education for Change
Oakland, CA

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 Education for Change (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’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 the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 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.

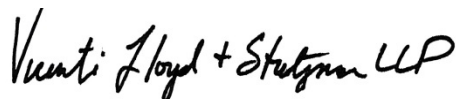
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 non-compliance 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015



VICENTI • LLOYD • STUTZMAN LLP

B U S I N E S S C O N S U L T A N T S A N D C P A S

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Education for Change
Oakland, CA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Education for Change (the School) 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, 2015. The School'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 the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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 June 30, 2015.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Report on Internal Control Over Compliance

Management of the School 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School'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, 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.

Purpose of this 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 11, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Education for Change
Oakland, CA

We have audited Education for Change's (the School) compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2015. The School's State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 School'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 State compliance. Our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No ²
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No ¹
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²The School had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2015.

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

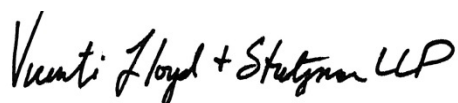
Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which are described in the accompanying schedule of findings and questioned costs as 2015-001. Our opinion on each state program is not modified with respect to these matters.

The School’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP
 Glendora, CA
 December 11, 2015

EDUCATION FOR CHANGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</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>None Reported</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>None Reported</i>
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</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? *Yes*

EDUCATION FOR CHANGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2015**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2015.

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2015.

STATE COMPLIANCE FINDINGS

Finding 2015-001 – Average Daily Attendance Reporting **10000**

Schools: ASCEND and Learning Without Limits

Criteria: Per Education Code Section 47612, Average Daily Attendance (ADA) reported on the P-2 should be computed by dividing the charter school’s total number of pupil days of attendance by the number of calendar days on which the school was taught. The calendar days on the divisor should correspond to the school calendar.

EDUCATION FOR CHANGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2015**

Finding 2015-001 – Average Daily Attendance Reporting
(Continued)

10000

Condition: Instructional days per the P-2 attendance reports for Learning Without Limits and Ascend did not agree with the respective published calendars. After inquiring about this issue we discovered that at Ascend and Learning Without Limits, the School was using the District system for attendance reporting (AERIES). The School mistakenly assumed the District would have the same reporting days as Ascend and Learning Without Limits. However, one school day was cancelled at all of the School's sites due to a storm. The District did not account for this and as a result 180 days were mistakenly reported for the fiscal year but with the weather day, only 179 should have been reported.

Cause: The School mistakenly assumed the District would have the same reporting days as Ascend and Learning Without Limits.

Effect: ADA was under-reported on the P-2 and P-Annual reports, for Learning Without Limits and over-reported on the P-2 and P-Annual reports for Ascend.

Questioned Costs and Units: ADA was over-reported by .37 for Ascend and was under-reported by .10 for Learning Without Limits. Correcting these errors will result in an estimated decrease to principal apportionment in the amount of \$2,992 for Ascend and an estimated increase to principal apportionment in the amount \$650 for Learning Without Limits.

Recommendation: We recommend the School work with the District to amend its attendance reports and to implement additional review procedures in order to identify potential errors resulting from irregular events such as cancelled school days.

Corrective Action Plan: The School was previously using Oakland Unified School District's Student Information System (SIS) - (AERIES) for ASCEND and Learning Without Limits. Beginning in FY 2015-2016, the School has converted ASCEND and Learning Without Limits over to the SIS (Illuminate) that is in use for all other of its schools. This will allow the School to more closely insure reporting accuracy. In addition, the School will implement a system of checks and balances within and separately from Illuminate, which will account for cancelled school days. This will include the Student Information System Administrator checking the reported days in Illuminate against the school calendar and the school calendar administrator (currently the Director of Human Resources/ Payroll) confirming the number of days (and cancelled days if applicable) via written communication at the P-2 and P-Annual reporting periods.

EDUCATION FOR CHANGE

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

There were no findings and questioned costs relating to the financial statements or federal awards for the prior year.

STATE COMPLIANCE FINDINGS

Finding 2014-001 – Unduplicated Local Control Funding Formula Pupil Counts **40000**

Schools: Achieve Academy, Cox Academy, Lazear Charter Academy, and World Academy

Criteria: Education code section 42238.02 (b)(2) requires a charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CALPADS). The CALPADS reports should accurately report the number of students as identified above.

Condition: Documentation did not support the number of students reported as eligible for free or reduced meals (FRPM).

Cause: A formula error in the spreadsheets used to calculate each student's eligibility caused no students to be classified as "paid" and all students to be classified as either "free" or "reduced."

Effect: The Schools are not in compliance with Education Code 42238.02 (b)(2) and 1.17 and 1.18 reports contained errors as follows:

EDUCATION FOR CHANGE

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

	Total Enrollment	Total Unduplicated Eligible Free/Reduced Meal Counts	EL Funding Eligible	Unduplicated FRPM/EL Eligible Count	Unduplicated FRPM/EL/Foster Youth Total
<i>Achieve Academy</i>					
As reported	207	198	100	200	200
Audit adjustments	-	(9)	-	(7)	(7)
As adjusted	<u>207</u>	<u>189</u>	<u>100</u>	<u>193</u>	<u>193</u>
<i>Cox Academy</i>					
As reported	558	529	337	546	546
Audit adjustments	-	(44)	-	(24)	(24)
As adjusted	<u>558</u>	<u>485</u>	<u>337</u>	<u>522</u>	<u>522</u>
<i>Lazear Charter Academy</i>					
As reported	401	372	254	386	386
Audit adjustments	-	(40)	-	(22)	(22)
As adjusted	<u>401</u>	<u>332</u>	<u>254</u>	<u>364</u>	<u>364</u>
<i>World Academy</i>					
As reported	475	448	349	463	463
Audit adjustments	-	(33)	-	(15)	(15)
As adjusted	<u>475</u>	<u>415</u>	<u>349</u>	<u>448</u>	<u>448</u>

Finding 2014-001 – Unduplicated Local Control Funding Formula Pupil Counts
 (Continued)

40000

Questioned Costs and Units: The Schools fixed the spreadsheet error and additional samples were tested from the revised data. No errors were noted in the revised data and therefore the revised reports were used to determine total questioned costs. The questioned costs result in a lower transition entitlement for each school as follows:

- Achieve Academy: \$2,289
- Cox Academy: \$5,589
- Lazear Charter Academy: \$6,135
- World Academy: \$3,763

Recommendation: We recommend each School revise its CALPADS reporting accordingly and implement additional review procedures to ensure that errors are prevented on future CALPADS reporting.

Status: Implemented.