

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

**Operating:**

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

**Audited Financial Statements**  
**For the Year Ended**  
**June 30, 2013**

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

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**June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Education for Change  
Oakland, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Education for Change (the Organization), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows 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.

***Opinion***

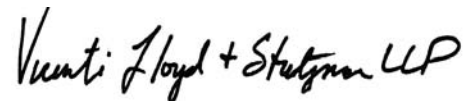
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules on pages 14 -16, and page 19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 17-18 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*, and is also 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2013 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* in considering the Organization's internal control over financial reporting and compliance.

  
VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 4, 2013

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

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2013**

<b>ASSETS</b>	<b>Achieve</b>	<b>ASCEND</b>	<b>Cox Academy</b>	<b>Lazear Charter Academy</b>	<b>Learning Without Limits</b>	<b>World Academy</b>	<b>Home Office</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents	\$ 444,119	\$ 19,881	\$ 1,052,111	\$ 142,135	\$ -	\$ 1,007,224	\$ 143,223	\$ -	\$ 2,808,693
Accounts receivable	434,776	934,937	1,165,361	945,909	903,971	996,379	84,513	-	5,465,846
Intercompany receivable	-	-	-	-	-	490,753	1,307,561	(1,798,314)	-
Prepaid expenses	1,024	299	2,517	9,004	-	2,052	299	-	15,195
Total current assets	<u>879,919</u>	<u>955,117</u>	<u>2,219,989</u>	<u>1,097,048</u>	<u>903,971</u>	<u>2,496,408</u>	<u>1,535,596</u>	<u>(1,798,314)</u>	<u>8,289,734</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>									
Equipment	961	-	2,226	-	-	1,873	35,866	-	40,926
Accumulated depreciation	(330)	-	(766)	-	-	(645)	(35,866)	-	(37,607)
Total property, plant and equipment	<u>631</u>	<u>-</u>	<u>1,460</u>	<u>-</u>	<u>-</u>	<u>1,228</u>	<u>-</u>	<u>-</u>	<u>3,319</u>
Total assets	<u>\$ 880,550</u>	<u>\$ 955,117</u>	<u>\$ 2,221,449</u>	<u>\$ 1,097,048</u>	<u>\$ 903,971</u>	<u>\$ 2,497,636</u>	<u>\$ 1,535,596</u>	<u>\$ (1,798,314)</u>	<u>\$ 8,293,053</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES:</b>									
Accounts payable	\$ 42,982	\$ 110,804	\$ 314,505	\$ 85,280	\$ 183,145	\$ 119,430	\$ 47,058	\$ -	\$ 903,204
Accrued liabilities	89,534	147,232	255,420	92,129	153,722	219,890	654	-	958,581
Revenue anticipation note payable	-	474,992	624,703	-	-	476,397	-	-	1,576,092
Intercompany payable	-	-	97,561	1,210,000	490,753	-	-	(1,798,314)	-
Total current liabilities	<u>132,516</u>	<u>733,028</u>	<u>1,292,189</u>	<u>1,387,409</u>	<u>827,620</u>	<u>815,717</u>	<u>47,712</u>	<u>(1,798,314)</u>	<u>3,437,877</u>
<b>NET ASSETS:</b>									
Unrestricted	748,034	222,089	929,260	(290,361)	76,351	1,681,919	1,487,884	-	4,855,176
Total net assets	<u>748,034</u>	<u>222,089</u>	<u>929,260</u>	<u>(290,361)</u>	<u>76,351</u>	<u>1,681,919</u>	<u>1,487,884</u>	<u>-</u>	<u>4,855,176</u>
Total liabilities and net assets	<u>\$ 880,550</u>	<u>\$ 955,117</u>	<u>\$ 2,221,449</u>	<u>\$ 1,097,048</u>	<u>\$ 903,971</u>	<u>\$ 2,497,636</u>	<u>\$ 1,535,596</u>	<u>\$ (1,798,314)</u>	<u>\$ 8,293,053</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, 2013**

	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	World Academy	Home Office	Eliminations	Total
<b>REVENUES:</b>									
Block grant - general purpose	\$ 763,818	\$ 1,471,897	\$ 1,839,101	\$ 1,042,648	\$ 1,229,467	\$ 1,430,631	\$ -	\$ -	\$ 7,777,562
Block grant - categorical	251,501	489,773	610,054	350,782	414,656	527,505	-	-	2,644,271
Property tax revenue	377,270	726,843	922,432	520,896	616,641	722,864	-	-	3,886,946
State lottery	40,402	61,454	89,170	37,967	52,138	76,124	-	-	357,255
Other state revenue	175,494	267,263	580,052	346,167	217,846	375,363	2,762	-	1,964,947
Federal revenue	131,483	512,880	315,066	494,038	633,037	239,264	40,000	-	2,365,768
Contributions	559	39,060	2,859	9,430	37,534	1,481	173,244	-	264,167
Class size reduction	-	-	293,454	-	-	383,418	-	-	676,872
Other local revenue	2,019	-	-	3,773	431	7,943	1,930,520	(1,930,250)	14,436
Total unrestricted revenues	<u>1,742,546</u>	<u>3,569,170</u>	<u>4,652,188</u>	<u>2,805,701</u>	<u>3,201,750</u>	<u>3,764,593</u>	<u>2,146,526</u>	<u>(1,930,250)</u>	<u>19,952,224</u>
<b>EXPENSES:</b>									
Program services	962,918	2,319,647	3,188,240	2,042,246	2,142,760	2,303,586	465,202	-	13,424,599
Management and general	576,447	1,027,434	1,387,089	1,051,165	982,639	1,219,725	1,590,985	(1,930,250)	5,905,234
Fundraising	-	-	-	2,651	-	973	360	-	3,984
Total expenses	<u>1,539,365</u>	<u>3,347,081</u>	<u>4,575,329</u>	<u>3,096,062</u>	<u>3,125,399</u>	<u>3,524,284</u>	<u>2,056,547</u>	<u>(1,930,250)</u>	<u>19,333,817</u>
Change in unrestricted net assets	203,181	222,089	76,859	(290,361)	76,351	240,309	89,979	-	618,407
Beginning unrestricted net assets	544,853	-	852,401	-	-	1,441,610	1,397,905	-	4,236,769
Ending unrestricted net assets	<u>\$ 748,034</u>	<u>\$ 222,089</u>	<u>\$ 929,260</u>	<u>\$ (290,361)</u>	<u>\$ 76,351</u>	<u>\$ 1,681,919</u>	<u>\$ 1,487,884</u>	<u>\$ -</u>	<u>\$ 4,855,176</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, 2013**

	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	World Academy	Home Office	Eliminations	Total
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>									
Change in net assets	\$ 203,181	\$ 222,089	\$ 76,859	\$ (290,361)	\$ 76,351	\$ 240,309	\$ 89,979	\$ -	\$ 618,407
Adjustments to reconcile change in net assets to net cash flows from operating activities:									
Depreciation	192	-	445	-	-	374	-	-	1,011
(Increase) decrease in operating assets:									
Accounts receivable	47,135	(934,937)	402,566	(945,909)	(903,971)	66,520	(22,792)	-	(2,291,388)
Intercompany receivable	-	-	-	-	-	(490,753)	(410,000)	900,753	-
Prepaid expenses	(1,024)	(299)	(2,517)	(9,004)	-	(2,052)	42,068	-	27,172
Increase (decrease) in operating liabilities:									
Accounts payable	(15,106)	110,804	42,026	85,280	183,145	25,674	(708)	-	431,115
Accrued liabilities	19,417	147,232	34,750	92,129	153,722	25,259	(11,285)	-	461,224
Intercompany payable	-	-	(800,000)	1,210,000	490,753	-	-	(900,753)	-
Net cash flows from operating activities	<u>253,795</u>	<u>(455,111)</u>	<u>(245,871)</u>	<u>142,135</u>	<u>-</u>	<u>(134,669)</u>	<u>(312,738)</u>	<u>-</u>	<u>(752,459)</u>
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>									
Proceeds from revenue anticipation note payable	<u>-</u>	<u>474,992</u>	<u>624,703</u>	<u>-</u>	<u>-</u>	<u>476,397</u>	<u>-</u>	<u>-</u>	<u>1,576,092</u>
Net cash flows from financing activities	<u>-</u>	<u>474,992</u>	<u>624,703</u>	<u>-</u>	<u>-</u>	<u>476,397</u>	<u>-</u>	<u>-</u>	<u>1,576,092</u>
Net increase (decrease) in cash and cash equivalents	253,795	19,881	378,832	142,135	-	341,728	(312,738)	-	823,633
Cash and cash equivalents at the beginning of the year	<u>190,324</u>	<u>-</u>	<u>673,279</u>	<u>-</u>	<u>-</u>	<u>665,496</u>	<u>455,961</u>	<u>-</u>	<u>1,985,060</u>
Cash and cash equivalents at the end of the year	<u>\$ 444,119</u>	<u>\$ 19,881</u>	<u>\$ 1,052,111</u>	<u>\$ 142,135</u>	<u>\$ -</u>	<u>\$ 1,007,224</u>	<u>\$ 143,223</u>	<u>\$ -</u>	<u>\$ 2,808,693</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE:</b>									
Cash paid for interest	<u>\$ -</u>	<u>\$ 25,704</u>	<u>\$ 28,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,459</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 91,956</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, 2013**

**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. The Organization currently manages six (6) charter schools, Achieve Academy (Achieve), ASCEND, Cox, Lazear Charter Academy (Lazear), Learning Without Limits (LWL), and World Academy (World) (the Schools). Cox and World were granted their charter in 2005; and Achieve in 2006; ASCEND, Lazear, and LWL in 2012, all pursuant to the terms of the Charter Schools Act of 1992, as amended. Achieve, ASCEND, LWL, and World are all sponsored by the Oakland Unified School District (the District); Cox and Lazear are sponsored by the Alameda County Office of Education (ACOE). 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 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, 2013**

**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 are 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, 2013**

**NOTE 2 – CONCENTRATION OF CREDIT RISK:**

The Organization maintains its cash deposits in several accounts with one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has a need maintain cash deposits in excess of the FDIC insured limit. The Organization 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.

**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 facility use and lease agreements and various equipment leases. These agreements have varying terms with expirations ranging from 2014 to 2017. Lease expense for the year ended June 30, 2013 was \$863,175. Future estimated minimum lease payments under these agreements are as follows:

<u>Year ending</u> <u>June 30,</u>	
2014	\$ 855,159
2015	802,644
2016	802,644
2017	<u>802,644</u>
Total	<u>\$ 3,263,091</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**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).

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

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

**Plan Description**

Each of the Organization's Schools participates in the State Teachers' Retirement System (STRS), a cost-sharing multiple-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, 2012, total plan net assets are \$151 billion, the total actuarial present value of accumulated plan benefits is \$270 billion, contributions from all employers totaled \$2.1 billion, and the plan is 67% 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](http://www.calstrs.com).

**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 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 6 – EMPLOYEE RETIREMENT: (continued)**

**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. 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, 2011, the Schools Pool total plan assets are \$45 billion, the total actuarial present value of accumulated plan benefits is \$69 billion, contributions from all employers totaled \$1.2 billion, and the plan is 78.7% 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](http://www.calpers.ca.gov).

**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 2012-13 was 11.417%. 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:

Year Ended <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	\$362,869	100%	\$143,750	100%
2012	\$320,648	100%	\$137,048	100%
2013	\$636,228	100%	\$170,128	100%

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**NOTE 7 – SUBSEQUENT EVENTS:**

All events subsequent to the statement of financial position date of June 30, 2013, through December 4, 2013, which is the date these financial statements were available to be issued, have been evaluated in accordance with applicable accounting standards.

In October 2013, the Organization purchased property in Oakland for the construction of a new school site.

In October 2013, the Organization submitted a charter petition for new charter school.

**SUPPLEMENTARY INFORMATION**

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

**HISTORY AND ORGANIZATION**  
**For the Year Ended June 30, 2013**

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 Cox Academy which was formerly named as E. Morris Cox Elementary Charter School. The Organization currently manages six (6) charter schools: Achieve Academy, ASCEND, Cox Academy, Lazear Charter Academy, Learning Without Limits, and World Academy (the Schools). 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

Achieve Academy, a 4-5 charter school  
Charter granted in 2006 by Oakland Unified School District. State charter number: 0780  
1700-28th Avenue  
Oakland, California

ASCEND, a K-8 charter school  
Charter granted in 2012 by Oakland Unified School District. State charter number: 1443  
3709 East 12th Street  
Oakland, CA 94601

Cox Academy, a K-5 charter school  
Charter granted in 2005 by Oakland Unified School District and renewed in 2010 by Alameda County Office of Education. State charter number: 0740  
9860 Sunnyside Street  
Oakland, California

Lazear Charter Academy, a K-8 charter school  
Charter granted in 2012 by Alameda County Office of Education. State charter number: 1464  
824 29th Avenue  
Oakland, CA 94601

Learning Without Limits, a K-5 charter school  
Charter granted in 2012 by Oakland Unified School District. State charter number: 1442  
2035 40th Avenue  
Oakland, CA 94601

World Academy, a K-3 charter school  
State charter number: 0745  
1700-28th Avenue  
Oakland, California

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

**HISTORY AND ORGANIZATION**  
**For the Year Ended June 30, 2013**

The Board of Directors and the Administrators for the fiscal year ended June 30, 2013 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 Cediell	Member	2011-2014
Nick Driver	Member	2011-2014

**Administrators**

Hai-Sin Thomas	Chief Executive Officer
Jessica Evans	Chief Academic Officer
Fabiola Harvey	Chief Operating Officer



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

**SCHEDULE OF EXPENSES BY STATE CATEGORIES**  
**For the Year Ended June 30, 2013**

	Achieve Academy	ASCEND	Cox Academy	Lazear Charter Academy	Learning Without Limits	World Academy	Home Office	Eliminations	Total
Program Services:									
Certificated salaries	\$ 557,334	\$ 1,376,692	\$ 1,667,082	\$ 1,037,661	\$ 1,060,671	\$ 1,336,708	\$ 244,494	\$ -	\$ 7,280,642
Classified salaries	-	-	86,144	-	-	-	8,843	-	94,987
Employee benefits	134,426	370,541	536,777	293,838	284,348	407,457	65,600	-	2,092,987
Books and supplies	67,563	53,697	100,093	271,292	89,109	142,980	22,973	-	747,707
Services and other operating expenses	203,403	518,717	797,699	439,455	708,632	416,066	123,292	-	3,207,264
Capital expenses and depreciation	192	-	445	-	-	375	-	-	1,012
Subtotal Program Services	<u>962,918</u>	<u>2,319,647</u>	<u>3,188,240</u>	<u>2,042,246</u>	<u>2,142,760</u>	<u>2,303,586</u>	<u>465,202</u>	<u>-</u>	<u>13,424,599</u>
Management and General:									
Certificated salaries	27,540	90,925	71,550	81,406	88,500	71,940	210,194	-	642,055
Classified salaries	125,891	89,777	338,937	172,548	94,328	251,647	689,937	-	1,763,065
Employee benefits	70,197	59,544	196,005	100,545	67,927	151,711	301,625	-	947,554
Books and supplies	12,066	4,585	31,295	28,276	8,657	24,628	27,731	-	137,238
Services and other operating expenses	340,753	756,899	720,509	668,390	723,227	697,340	346,498	(1,930,250)	2,323,366
Interest	-	25,704	28,793	-	-	22,459	15,000	-	91,956
Capital expenses and depreciation	-	-	-	-	-	-	-	-	-
Subtotal Management and General	<u>576,447</u>	<u>1,027,434</u>	<u>1,387,089</u>	<u>1,051,165</u>	<u>982,639</u>	<u>1,219,725</u>	<u>1,590,985</u>	<u>(1,930,250)</u>	<u>5,905,234</u>
Fundraising	-	-	-	2,651	-	973	360	-	3,984
Total Expenses	<u>\$ 1,539,365</u>	<u>\$ 3,347,081</u>	<u>\$ 4,575,329</u>	<u>\$ 3,096,062</u>	<u>\$ 3,125,399</u>	<u>\$ 3,524,284</u>	<u>\$ 2,056,547</u>	<u>\$ (1,930,250)</u>	<u>\$ 19,333,817</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, 2013**

<b>Grade Level</b>	<b>2012-13 Minutes</b>			<b>Status</b>
	<b>Requirement</b>	<b>Reduced</b>	<b>Actual</b>	
<b>Achieve Academy</b>				
Grade 4	54,000	52,457	59,100	In compliance
Grade 5	54,000	52,457	59,100	In compliance
<b>ASCEND</b>				
Kindergarten	36,000	34,971	59,235	In compliance
Grade 1	50,400	48,960	54,365	In compliance
Grade 2	50,400	48,960	54,365	In compliance
Grade 3	50,400	48,960	54,365	In compliance
Grade 4	54,000	52,457	55,635	In compliance
Grade 5	54,000	52,457	55,635	In compliance
Grade 6	54,000	52,457	62,040	In compliance
Grade 7	54,000	52,457	62,040	In compliance
Grade 8	54,000	52,457	62,040	In compliance
<b>Cox Academy</b>				
Kindergarten	36,000	34,971	53,100	In compliance
Grade 1	50,400	48,960	59,040	In compliance
Grade 2	50,400	48,960	59,040	In compliance
Grade 3	50,400	48,960	59,040	In compliance
Grade 4	54,000	52,457	59,040	In compliance
Grade 5	54,000	52,457	59,040	In compliance
<b>Lazear Charter Academy</b>				
Kindergarten	36,000	34,971	60,750	In compliance
Grade 1	50,400	48,960	58,950	In compliance
Grade 2	50,400	48,960	58,950	In compliance
Grade 3	50,400	48,960	58,950	In compliance
Grade 4	54,000	52,457	58,950	In compliance
Grade 5	54,000	52,457	58,950	In compliance
Grade 6	54,000	52,457	60,480	In compliance
<b>Learning Without Limits</b>				
Kindergarten	36,000	34,971	58,300	In compliance
Grade 1	50,400	48,960	55,870	In compliance
Grade 2	50,400	48,960	55,870	In compliance
Grade 3	50,400	48,960	55,870	In compliance
Grade 4	54,000	52,457	55,870	In compliance
Grade 5	54,000	52,457	55,870	In compliance
<b>World Academy</b>				
Kindergarten	36,000	34,971	53,100	In compliance
Grade 1	50,400	48,960	59,100	In compliance
Grade 2	50,400	48,960	59,100	In compliance
Grade 3	50,400	48,960	59,100	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, 2013**

<b>Average Daily Attendance:</b>	<b>Second Period Report</b>		<b>Annual Report</b>	
	<b>Classroom Based</b>	<b>Total</b>	<b>Classroom Based</b>	<b>Total</b>
<b>Achieve Academy</b>				
Grades 4 and 5	219.39	219.39	222.22	222.22
Total Achieve Academy	219.39	219.39	222.22	222.22
<b>ASCEND</b>				
Kindergarten	45.29	45.47	44.93	45.27
Grades 1 through 3	143.65	144.33	143.21	143.75
Grades 4 through 6	138.02	138.82	137.79	138.32
Grades 7 and 8	94.53	95.21	94.83	95.51
Total ASCEND Academy	421.49	423.83	420.76	422.85
<b>Cox Academy</b>				
Kindergarten	85.01	85.01	83.91	83.91
Grades 1 through 3	279.74	279.74	279.41	279.41
Grades 4 and 5	173.13	173.13	172.54	172.54
Total Cox Academy	537.88	537.88	535.86	535.86
<b>Lazear Charter Academy</b>				
Kindergarten	30.09	30.09	30.18	30.18
Grades 1 through 3	123.19	123.19	124.69	124.69
Grades 4 through 6	150.46	150.46	154.09	154.09
Total Lazear Charter Academy	303.74	303.74	308.96	308.96
<b>Learning Without Limits</b>				
Kindergarten	58.53	58.61	58.59	58.65
Grades 1 through 3	184.63	184.74	181.71	181.79
Grades 4 through 5	116.14	116.22	115.58	115.63
Total Learning Without Limits	359.30	359.57	355.88	356.07
<b>World Academy</b>				
Kindergarten	105.12	105.12	106.46	106.46
Grades 1 through 3	316.39	316.39	317.74	317.74
Total World Academy	421.51	421.51	424.20	424.20
Total Average Daily Attendance	2,263.31	2,265.92	2,267.88	2,270.16

*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, 2013**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Entity Identifying Number</b>	<b>Achieve Academy</b>	<b>ASCEND</b>	<b>Cox Academy</b>	<b>Lazear Charter Academy</b>	<b>Learning Without Limits</b>	<b>World Academy</b>	<b>Home Office</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Education</b>										
Pass-Through the California Department of Education										
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 97,452	\$ 158,510	\$ 203,084	\$ 110,916	\$ 134,270	\$ 213,615	\$ -	\$ 917,847
Title I, Part C, Migrant Ed	84.011	14326	-	-	-	650	-	-	-	650
Title II, Part A, Improving Teacher Quality	84.367	14341	697	4,081	5,815	2,843	3,480	792	-	17,708
Title III, Part A, Limited English Proficiency	84.365	14346	11,732	24,614	25,260	20,927	24,870	18,179	-	125,582
Title III, Part A, Immigrant Education Program	84.365	15146	-	-	3,999	-	-	-	-	3,999
Title V, Part B, Charter Schools	84.282A	14941	-	325,000	-	325,000	325,000	-	-	975,000
Special Education Cluster:										
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379	-	-	81,999	-	-	-	-	81,999
IDEA Mental Health Services, Part B	84.027A	14468	20,100	-	-	29,260	143,616	-	-	192,976
Subtotal Special Education Cluster			20,100	-	81,999	29,260	143,616	-	-	274,975
<i>Total U.S. Department of Education</i>			129,981	512,205	320,157	489,596	631,236	232,586	-	2,315,761
<b>U.S. Department of Health Care Services</b>										
Medi-Cal Administrative Activities	93.778	10060	-	-	-	-	-	-	40,000	40,000
<i>Total U.S. Department of Health Care Services</i>			-	-	-	-	-	-	40,000	40,000
<b>Total Expenditures of Federal Awards</b>			<u>\$ 129,981</u>	<u>\$ 512,205</u>	<u>\$ 320,157</u>	<u>\$ 489,596</u>	<u>\$ 631,236</u>	<u>\$ 232,586</u>	<u>\$ 40,000</u>	<u>\$ 2,355,761</u>

*See the notes to the supplementary information.*

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**For the Year Ended June 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Entity Identifying Number</b>	<b>Achieve Academy</b>	<b>ASCEND</b>	<b>Cox Academy</b>	<b>Lazear Charter Academy</b>	<b>Learning Without Limits</b>	<b>World Academy</b>	<b>Home Office</b>	<b>Total Federal Expenditures</b>
<b>Reconciliation to Federal Revenues</b>										
Total Federal Program Expenditures			\$ 129,981	\$ 512,205	\$ 320,157	\$ 489,596	\$ 631,236	\$ 232,586	\$ 40,000	\$ 2,355,761
<b>Add: Revenue in excess of expenditures related to Federal awards</b>										
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	-	-	-	172	436	3,088	-	3,696
Title I, Part C, Migrant Ed	84.011	14326	-	-	-	4,250	-	-	-	4,250
Title II, Part A, Improving Teacher Quality	84.367	14341	2,199	29	125	20	24	4,382	-	6,779
Title III, Part A, Limited English Proficiency	84.365	14346	-	646	-	-	1,341	-	-	1,987
<b>Less: Expenditures in excess of revenues related to Federal awards</b>										
Title II, Part A, Improving Teacher Quality	84.367	14341	(697)	-	(1,217)	-	-	(792)	-	(2,706)
Title III, Part A, Immigrant Education Program	84.365	15146	-	-	(3,999)	-	-	-	-	(3,999)
<b>Total Federal Revenues</b>			<u>\$ 131,483</u>	<u>\$ 512,880</u>	<u>\$ 315,066</u>	<u>\$ 494,038</u>	<u>\$ 633,037</u>	<u>\$ 239,264</u>	<u>\$ 40,000</u>	<u>\$ 2,365,768</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, 2013**

	<u>Achieve</u>		<u>Cox</u>	<u>Lazear</u>	<u>Learning</u>	
	<u>Academy</u>	<u>ASCEND</u>	<u>Academy</u>	<u>Academy</u>	<u>Without</u>	<u>World</u>
					<u>Limits</u>	<u>Academy</u>
June 30, 2013 Annual Financial Report						
Fund Balances (Net Assets)	\$ 675,154	\$ 86,830	\$ 956,748	\$ 803,455	\$ 16,539	\$ 1,640,531
Adjustments and Reclassifications:						
Increasing (Decreasing) the Fund Balance (Net Assets):						
Cash	134,856	(196,279)	865,430	(1,002,044)	(7,108)	(259,411)
Accounts receivable	34,447	(511,994)	(562,432)	24,087	207,327	(397,562)
Intercompany receivable	-	-	-	-	-	490,753
Prepaid expenses	-	-	-	-	(431)	-
Other current assets	(961)	-	(1,905)	-	-	-
Equipment, net	631	-	1,460	-	-	1,228
Accounts payable	(6,559)	546,179	(78,911)	(23,730)	504,499	(11,883)
Accrued liabilities	(89,534)	(147,232)	(255,420)	(92,129)	(153,722)	(219,890)
Revenue anticipation note payable	-	444,585	101,851	1,210,000	-	438,153
Intercompany payable	-	-	(97,561)	(1,210,000)	(490,753)	-
Net Adjustments and Reclassifications	<u>72,880</u>	<u>135,259</u>	<u>(27,488)</u>	<u>(1,093,816)</u>	<u>59,812</u>	<u>41,388</u>
June 30, 2013 Audited Financial Statement						
Fund Balances (Net Assets)	<u>\$ 748,034</u>	<u>\$ 222,089</u>	<u>\$ 929,260</u>	<u>\$ (290,361)</u>	<u>\$ 76,351</u>	<u>\$ 1,681,919</u>

*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, 2013**

**NOTE 1 - PURPOSE OF SCHEDULES**

**A. Schedule of Expenditures by State Categories**

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

**B. 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.

**C. 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.

**D. 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.

**E. 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.



**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 Organization), a non-profit California public benefit corporation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated December 4, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of financial statements, we considered the Organization'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 4, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND 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 Education for Change's (the Organization) compliance 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, 2013. 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.

***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 Organization'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Organizations 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, 2013.

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

**Report on Internal Control Over Compliance**

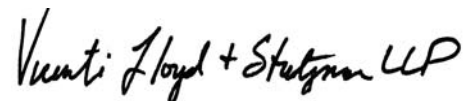
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance 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 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

***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  
Glendora, CA  
December 4, 2013



**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 *2012-13 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, 2013. The Organization’s State compliance requirements are identified in the table below.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on the Organization’s compliance based on our audit of the types of compliance requirements referred to below. 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 *2012-13 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.

***Compliance Requirements Tested***

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
Independent study	23	Not applicable
Continuation education	10	Not applicable
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable

**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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
Juvenile Court Schools	8	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	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-based instructional/independent study	15	No <sup>1</sup>
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	4	Yes


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

***Opinion on State Compliance***

In our opinion, the Organization complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2013.

***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 *2012-13 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

  
 VICENTI, LLOYD & STUTZMAN LLP  
 Glendora, CA  
 December 4, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued December 4, 2013: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? *No*

Significant deficiencies identified that are not considered to be material weakness(es)? *No*

Noncompliance material to financial statements noted? *No*

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? *No*

Significant deficiencies identified that are not considered to be material weakness(es)? *No*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of (Circular A-133)? *No*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282A	Title V, Part B, Charter Schools
84.027, 84.027A	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? *Yes*

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – RELATED TO FINANCIAL  
STATEMENTS, FEDERAL AWARDS, AND STATE AWARDS**  
**For the Year Ended June 30, 2013**

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 and questioned costs related to the financial statements, federal awards or state awards for the year ended June 30, 2013.

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

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

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