

EDUCATION FOR CHANGE

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2014**

Operating:

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

Epic 1112 LLC

EDUCATION FOR CHANGE

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June 30, 2014

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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, 2014, 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.

2210 E. Route 66, Suite 100, Glendora, CA 91740

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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, 2014, 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.

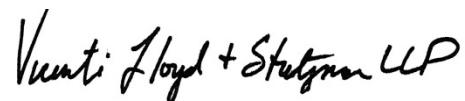
Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2014 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 10, 2014

EDUCATION FOR CHANGE

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

CURRENT ASSETS:

| | |
|---|------------------|
| Cash and cash equivalents | \$ 1,983,378 |
| Accounts receivable - federal and state | 5,238,972 |
| Accounts receivable - other | 1,274 |
| Prepaid expenses and other assets | <u>100,281</u> |
| Total current assets | <u>7,323,905</u> |

PROPERTY, PLANT AND EQUIPMENT:

| | |
|-------------------------------------|---------------------|
| Buildings and building improvements | 250,000 |
| Equipment | 40,926 |
| Accumulated depreciation | <u>(38,619)</u> |
| Total long-term assets | <u>252,307</u> |
| Total assets | <u>\$ 7,576,212</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|--|---------------------|
| Accounts payable and accrued liabilities | \$ <u>2,377,145</u> |
| Total current liabilities | <u>2,377,145</u> |

NET ASSETS:

| | |
|----------------------------------|---------------------|
| Unrestricted | <u>5,199,067</u> |
| Total net assets | <u>5,199,067</u> |
| Total liabilities and net assets | <u>\$ 7,576,212</u> |

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

EDUCATION FOR CHANGE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

REVENUES:

| | |
|------------------------------|-------------------|
| State revenue: | |
| State aid | \$ 12,589,297 |
| Other state revenue | 3,928,393 |
| Federal revenue: | |
| Grants and entitlements | 2,408,300 |
| Local revenue: | |
| In-lieu property tax revenue | 4,041,610 |
| Contributions | 718,947 |
| Other revenue | <u>13,469</u> |
| Total revenues | <u>23,700,016</u> |

EXPENSES:

| | |
|-----------------------------------|---------------------|
| Program services | 19,178,905 |
| Management and general | 4,172,177 |
| Fundraising | <u>5,043</u> |
| Total expenses | <u>23,356,125</u> |
| Change in unrestricted net assets | 343,891 |
| Beginning unrestricted net assets | <u>4,855,176</u> |
| Ending unrestricted net assets | <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, 2014

CASH FLOWS from OPERATING ACTIVITIES:

| | |
|--|------------------|
| Change in net assets | \$ 343,891 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | |
| Depreciation | 1,013 |
| Change in operating assets: | |
| Accounts receivable - federal and state | 220,371 |
| Accounts receivable - other | 5,228 |
| Prepaid expenses and other assets | (85,086) |
| Change in operating liabilities: | |
| Accounts payable and accrued liabilities | <u>515,360</u> |
| Net cash flows from operating activities | <u>1,000,777</u> |

CASH FLOWS from INVESTING ACTIVITIES:

| | |
|--|------------------|
| Purchases of property, plant and equipment | <u>(250,000)</u> |
| Net cash flows from investing activities | <u>(250,000)</u> |

CASH FLOWS from FINANCING ACTIVITIES:

| | |
|---|--------------------|
| Repayments of revenue anticipation note payable | <u>(1,576,092)</u> |
| Net cash flows from financing activities | <u>(1,576,092)</u> |

| | |
|--|---------------------|
| Net change in cash and cash equivalents | (825,315) |
| Cash and cash equivalents at the beginning of the year | <u>2,808,693</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 1,983,378</u> |

SUPPLEMENTAL CASH FLOW DISCLOSURE:

| | |
|------------------------|------------------|
| Cash paid for interest | <u>\$ 14,653</u> |
|------------------------|------------------|

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

EDUCATION FOR CHANGE

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2014

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Salaries and wages | \$ 9,308,846 | \$ 1,677,896 | \$ - | \$ 10,986,742 |
| Pension expense | 758,947 | 147,395 | - | 906,342 |
| Other employee benefits | 1,773,452 | 289,026 | - | 2,062,478 |
| Payroll taxes | 376,144 | 81,672 | - | 457,816 |
| Management fees | 135,513 | 13,481 | - | 148,994 |
| Legal expenses | - | 55,483 | - | 55,483 |
| Other fees for services | 3,441,051 | 1,472,750 | - | 4,913,801 |
| Advertising and promotion expenses | 51,445 | - | - | 51,445 |
| Office expenses | 248,200 | 89,372 | - | 337,572 |
| Printing and postage expenses | 19,999 | 2,968 | - | 22,967 |
| Information technology expenses | 368,870 | 41,517 | - | 410,387 |
| Occupancy expenses | 1,488,204 | 96,809 | - | 1,585,013 |
| Travel expenses | 59,370 | 54,817 | - | 114,187 |
| Conference and meeting expenses | 42,051 | 14,175 | - | 56,226 |
| Interest expense | 14,653 | - | - | 14,653 |
| Depreciation expense | 1,013 | - | - | 1,013 |
| Insurance expense | 11,841 | 68,137 | - | 79,978 |
| Instructional materials | 815,976 | - | - | 815,976 |
| Other expenses | 263,330 | 66,679 | 5,043 | 335,052 |
| | <u>\$ 19,178,905</u> | <u>\$ 4,172,177</u> | <u>\$ 5,043</u> | <u>\$ 23,356,125</u> |

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, 2014

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 seven (7) charter schools, Achieve Academy (Achieve), ASCEND, Cox, Epic Charter (Epic), Lazear Charter Academy (Lazear), Learning Without Limits (LWL), and World Academy (World) (the Schools). Cox and World were granted their 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 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). 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.

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.

Principles of Consolidation – The accompanying financial statements 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, 2014, the LLC had no assets, liabilities, net assets, or activities.

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2014

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, 2014. 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 \$1,013 for the year ended June 30, 2014.

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, 2014

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.

Evaluation of Subsequent Events – The School has evaluated subsequent events through December 10, 2014, the date these financial statements were available to be issued.

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.

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.

EDUCATION FOR CHANGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 3: EMPLOYEE RETIREMENT

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, 2013, total plan net assets are \$166.3 billion, the total actuarial present value of accumulated plan benefits is \$277 billion, contributions from all employers totaled \$2.3 billion, and the plan is 66.9% 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 8.0% 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, 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

| Year Ended | Required | Percent |
|-----------------|---------------------|--------------------|
| <u>June 30,</u> | <u>Contribution</u> | <u>Contributed</u> |
| 2012 | \$ 320,648 | 100% |
| 2013 | \$ 636,228 | 100% |
| 2014 | \$ 655,318 | 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

EDUCATION FOR CHANGE

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2014

NOTE 3: EMPLOYEE RETIREMENT

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, 2013, the Schools Pool total plan assets are \$49 billion, the total actuarial present value of accumulated plan benefits is \$72 billion, contributions from all employers totaled \$1.8 billion, and the plan is 80.5% 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 are required to contribute 7.0% 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 CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2014 was 11.442%. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to PERS

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

| Year Ended | Required | Percent |
|-----------------|---------------------|--------------------|
| <u>June 30,</u> | <u>Contribution</u> | <u>Contributed</u> |
| 2012 | \$ 137,048 | 100% |
| 2013 | \$ 170,128 | 100% |
| 2014 | \$ 251,024 | 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, 2014.

EDUCATION FOR CHANGE

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

NOTE 4: OPERATING LEASES

The School 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, 2014 was \$992,039. Future estimated minimum lease payments under these agreements are as follows:

Future minimum lease payments are as follows:

| Year Ended June 30, | |
|------------------------|---------------------|
| 2015 | \$ 1,135,432 |
| 2016 | 1,429,560 |
| 2017 | 1,603,932 |
| 2018 | <u>65,000</u> |
| Total | <u>\$ 4,233,924</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.

NOTE 6: CLOSURE OF WORLD ACADEMY

On June 11, 2014, the Oakland Unified School District approved the closure and merger of World Academy. As of June 30, 2014 World Academy closed and merged with Achieve Academy.

NOTE 7: SUBSEQUENT EVENTS

The School began construction on a facility (through the LLC) for Epic in the summer of 2014.

Epic began serving students in August 2014.

SUPPLEMENTARY INFORMATION

EDUCATION FOR CHANGE

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE For the Year Ended June 30, 2014

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 as E. Morris Cox Elementary Charter School. The Organization currently manages seven (7) charter schools: Achieve Academy, ASCEND, Cox Academy, Epic Charter, Lazear Charter Academy, Learning Without Limits, and World Academy. Epic Charter began serving students in August 2014. On June 11, 2014, Oakland Unified School District approved the closure and merger of World Academy. As of June 30, 2014 World Academy will merge with Achieve Academy. 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.
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 2010 by Alameda County Office of Education.
State charter number: 0740

Epic Charter (Opened in August 2014)

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

World Academy

Charter granted in 2005 by Oakland Unified School District.
State charter number: 0745

EDUCATION FOR CHANGE

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (continued)
For the Year Ended June 30, 2014**

The Board of Directors and the Administration for the year ended June 30, 2014 were as follows:

BOARD OF DIRECTORS

| <u>Member</u> | <u>Office</u> | <u>Term Expires</u> |
|----------------------|----------------------|----------------------------|
| Brian Rogers | Chair | 2017 |
| Nick Driver | Vice Chair | 2015 |
| Eva Camp | Member | 2016 |
| Dirk Tillotson | Member | 2017 |
| Paul Byrd | Member | 2017 |
| Adam Smith | Member | 2016 |

ADMINISTRATION

| | |
|----------------|-------------------------|
| Hae-Sin Thomas | Chief Executive Officer |
| Enikia Morthel | Chief of Schools |
| Fabiola Harvey | Chief Operating Officer |

EDUCATION FOR CHANGE

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2014**

| Grade Level | 2013-14 Minutes | | | Instructional Days | Status |
|--------------------------------|------------------------|----------------|---------------|---------------------------|---------------|
| | Requirement | Reduced | Actual | | |
| Achieve Academy | | | | | |
| Grade 4 | 54,000 | 52,457 | 55,380 | 180 | In compliance |
| Grade 5 | 54,000 | 52,457 | 55,380 | 180 | In compliance |
| ASCEND | | | | | |
| Kindergarten | 36,000 | 34,971 | 51,300 | 180 | In compliance |
| Grade 1 | 50,400 | 48,960 | 53,985 | 180 | In compliance |
| Grade 2 | 50,400 | 48,960 | 53,985 | 180 | In compliance |
| Grade 3 | 50,400 | 48,960 | 52,140 | 180 | In compliance |
| Grade 4 | 54,000 | 52,457 | 55,215 | 180 | In compliance |
| Grade 5 | 54,000 | 52,457 | 55,215 | 180 | In compliance |
| Grade 6 | 54,000 | 52,457 | 61,560 | 180 | In compliance |
| Grade 7 | 54,000 | 52,457 | 61,560 | 180 | In compliance |
| Grade 8 | 54,000 | 52,457 | 61,560 | 180 | In compliance |
| Cox Academy | | | | | |
| Kindergarten | 36,000 | 34,971 | 47,070 | 180 | In compliance |
| Grade 1 | 50,400 | 48,960 | 55,170 | 180 | In compliance |
| Grade 2 | 50,400 | 48,960 | 55,170 | 180 | In compliance |
| Grade 3 | 50,400 | 48,960 | 55,170 | 180 | In compliance |
| Grade 4 | 54,000 | 52,457 | 55,170 | 180 | In compliance |
| Grade 5 | 54,000 | 52,457 | 55,170 | 180 | In compliance |
| Lazear Charter Academy | | | | | |
| Kindergarten | 36,000 | 34,971 | 59,760 | 180 | In compliance |
| Grade 1 | 50,400 | 48,960 | 57,060 | 180 | In compliance |
| Grade 2 | 50,400 | 48,960 | 57,060 | 180 | In compliance |
| Grade 3 | 50,400 | 48,960 | 57,060 | 180 | In compliance |
| Grade 4 | 54,000 | 52,457 | 57,060 | 180 | In compliance |
| Grade 5 | 54,000 | 52,457 | 57,060 | 180 | In compliance |
| Grade 6 | 54,000 | 52,457 | 59,850 | 180 | In compliance |
| Grade 7 | 54,000 | 52,457 | 59,850 | 180 | In compliance |
| Learning Without Limits | | | | | |
| Kindergarten | 36,000 | 34,971 | 58,480 | 180 | In compliance |
| Grade 1 | 50,400 | 48,960 | 56,365 | 180 | In compliance |
| Grade 2 | 50,400 | 48,960 | 56,365 | 180 | In compliance |
| Grade 3 | 50,400 | 48,960 | 56,365 | 180 | In compliance |
| Grade 4 | 54,000 | 52,457 | 56,365 | 180 | In compliance |
| Grade 5 | 54,000 | 52,457 | 56,365 | 180 | In compliance |
| World Academy | | | | | |
| Kindergarten | 36,000 | 34,971 | 47,100 | 180 | In compliance |
| Grade 1 | 50,400 | 48,960 | 55,380 | 180 | In compliance |
| Grade 2 | 50,400 | 48,960 | 55,380 | 180 | In compliance |
| Grade 3 | 50,400 | 48,960 | 55,380 | 180 | 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, 2014**

| Average Daily Attendance: | Second Period Report | | Annual Report | |
|----------------------------------|-----------------------------|-----------------|------------------------|-----------------|
| | Classroom Based | Total | Classroom Based | Total |
| Achieve Academy | | | | |
| Grades 4 and 5 | <u>199.85</u> | <u>199.85</u> | <u>199.86</u> | <u>199.86</u> |
| Total Achieve Academy | <u>199.85</u> | <u>199.85</u> | <u>199.86</u> | <u>199.86</u> |
| ASCEND | | | | |
| TK/K-3 | 188.26 | 188.26 | 187.77 | 187.77 |
| Grades 4 through 6 | 140.09 | 140.09 | 140.02 | 140.02 |
| Grades 7 and 8 | <u>93.23</u> | <u>93.23</u> | <u>93.19</u> | <u>93.19</u> |
| Total ASCEND Academy | <u>421.58</u> | <u>421.58</u> | <u>420.98</u> | <u>420.98</u> |
| Cox Academy | | | | |
| TK/K-3 | 364.26 | 364.26 | 362.41 | 362.41 |
| Grades 4 and 5 | <u>161.91</u> | <u>161.91</u> | <u>160.88</u> | <u>160.88</u> |
| Total Cox Academy | <u>526.17</u> | <u>526.17</u> | <u>523.29</u> | <u>523.29</u> |
| Lazear Charter Academy | | | | |
| TK/K-3 | 180.03 | 180.03 | 179.17 | 179.17 |
| Grades 4 through 6 | 147.64 | 147.64 | 147.46 | 147.46 |
| Grade 7 | <u>58.31</u> | <u>58.31</u> | <u>57.51</u> | <u>57.51</u> |
| Total Lazear Charter Academy | <u>385.98</u> | <u>385.98</u> | <u>384.14</u> | <u>384.14</u> |
| Learning Without Limits | | | | |
| TK/K-3 | 255.23 | 255.23 | 254.72 | 254.72 |
| Grades 4 through 5 | <u>115.26</u> | <u>116.22</u> | <u>115.00</u> | <u>115.00</u> |
| Total Learning Without Limits | <u>370.49</u> | <u>371.45</u> | <u>369.72</u> | <u>369.72</u> |
| World Academy | | | | |
| TK/K-3 | <u>461.60</u> | <u>461.60</u> | <u>464.14</u> | <u>464.14</u> |
| Total World Academy | <u>461.60</u> | <u>461.60</u> | <u>464.14</u> | <u>464.14</u> |
| Total Average Daily Attendance | <u>2,365.67</u> | <u>2,366.63</u> | <u>2,362.13</u> | <u>2,362.13</u> |

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, 2014**

| | <u>Achieve Academy</u> | <u>ASCEND</u> | <u>Cox Academy</u> | <u>Lazear Charter Academy</u> | <u>Learning Without Limits</u> | <u>World Academy</u> |
|--|----------------------------|-------------------|------------------------|---------------------------------------|--|--------------------------|
| June 30, 2014 Annual Financial Report | | | | | | |
| Fund Balances (Net Assets) | \$ 913,351 | \$ 520,378 | \$ 883,226 | \$ 848,908 | \$ 496,223 | \$ 2,100,773 |
| Adjustments and Reclassifications: | | | | | | |
| Increasing (Decreasing) the Fund Balance (Net Assets): | | | | | | |
| Cash | 45,710 | (6,069) | 74 | - | (58,942) | (1,181,981) |
| Accounts receivable | (53,419) | 41,410 | (21,334) | (22,938) | 37,340 | (68,913) |
| Intercompany receivable | - | - | - | - | - | 1,214,057 |
| Prepaid expenses | - | - | - | 1,200 | - | - |
| Equipment, net | (192) | - | (444) | - | - | (375) |
| Accounts payable | 135 | 16,840 | (1,486) | 116,802 | (70,246) | 49,507 |
| Intercompany payable | - | (340,776) | - | (1,210,000) | (391,042) | - |
| Transfer for charter school merger | <u>2,113,068</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,113,068)</u> |
| Net Adjustments and Reclassifications | <u>2,105,302</u> | <u>(288,595)</u> | <u>(23,190)</u> | <u>(1,114,936)</u> | <u>(482,890)</u> | <u>(2,100,773)</u> |
| June 30, 2014 Audited Financial Statement | | | | | | |
| Fund Balances (Net Assets) | <u>\$ 3,018,653</u> | <u>\$ 231,783</u> | <u>\$ 860,036</u> | <u>\$ (266,028)</u> | <u>\$ 13,333</u> | <u>\$ -</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, 2014**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Achieve Academy | ASCEND | Cox Academy | EPIC | Lazear Charter Academy | Learning Without Limits | World Academy | Total Federal Expenditures |
|---|------------------------------------|--|----------------------------|-------------------|------------------------|-------------------|---------------------------------------|--|--------------------------|---|
| 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 | \$ 97,400 | \$ 155,670 | \$ 199,445 | \$ - | \$ 161,300 | \$ 132,729 | \$ 205,220 | \$ 951,764 |
| Title I, Part C, Migrant Ed | 84.011 | 14326 | - | - | - | - | 6,650 | - | - | 6,650 |
| Title II, Part A, Improving Teacher Quality | 84.367 | 14341 | 2,853 | 2,485 | 3,540 | - | 2,557 | 2,131 | 7,033 | 20,599 |
| Title III, Part A, Limited English Proficiency | 84.365 | 14346 | 11,346 | 27,325 | 34,755 | - | 25,862 | 23,012 | 31,484 | 153,784 |
| Title III, Part A, Immigrant Education Program | 84.365 | 15146 | - | - | - | - | - | - | - | - |
| Title V, Part B, Charter Schools | 84.282A | 14941 | - | 250,000 | - | 225,000 | 215,533 | 250,000 | - | 940,533 |
| Special Education Cluster: | | | | | | | | | | |
| IDEA Basic Local Assistance Entitlement, Part B | 84.027 | 13379 | 27,485 | 52,979 | 67,201 | - | 37,948 | 44,923 | 52,662 | 283,198 |
| IDEA Mental Health Services, Part B | 84.027A | 14468 | - | - | 14,059 | - | - | - | - | 14,059 |
| Subtotal Special Education Cluster | | | <u>27,485</u> | <u>52,979</u> | <u>81,260</u> | <u>-</u> | <u>37,948</u> | <u>44,923</u> | <u>52,662</u> | <u>297,257</u> |
| <i>Total U.S. Department of Education</i> | | | <u>139,084</u> | <u>488,459</u> | <u>319,000</u> | <u>225,000</u> | <u>449,850</u> | <u>452,795</u> | <u>296,399</u> | <u>2,370,587</u> |
| U.S. Department of Health Care Services | | | | | | | | | | |
| Medi-Cal Administrative Activities | 93.778 | 10060 | - | - | - | - | - | - | - | - |
| <i>Total U.S. Department of Health Care Services</i> | | | - | - | - | - | - | - | - | - |
| Total Expenditures of Federal Awards | | | <u>\$ 139,084</u> | <u>\$ 488,459</u> | <u>\$ 319,000</u> | <u>\$ 225,000</u> | <u>\$ 449,850</u> | <u>\$ 452,795</u> | <u>\$ 296,399</u> | <u>\$ 2,370,587</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, 2014**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Achieve Academy | ASCEND | Cox Academy | EPIC | Lazear Charter Academy | Learning Without Limits | World Academy | Total Federal Expenditures |
|---|------------------------------------|--|----------------------------|-------------------|------------------------|-------------------|---------------------------------------|--|--------------------------|---|
| Reconciliation to Federal Revenues | | | | | | | | | | |
| Total Federal Program Expenditures | | | \$ 139,084 | \$ 488,459 | \$ 319,000 | \$ 225,000 | \$ 449,850 | \$ 452,795 | \$ 296,399 | \$ 2,370,587 |
| Add: Revenue in excess of expenditures related to Federal awards | | | | | | | | | | |
| 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 |
| IDEA Mental Health Services, Part B | 84.027A | 14468 | - | - | 15,011 | - | - | - | - | 15,011 |
| Less: Expenditures in excess of revenues related to Federal awards | | | | | | | | | | |
| 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, Immigrant Education Program | 84.365 | 15146 | - | (646) | - | - | - | (1,341) | - | (1,987) |
| Total Federal Revenues | | | <u>\$ 137,582</u> | <u>\$ 487,784</u> | <u>\$ 333,886</u> | <u>\$ 225,000</u> | <u>\$ 484,125</u> | <u>\$ 450,994</u> | <u>\$ 288,929</u> | <u>\$ 2,408,300</u> |

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

EDUCATION FOR CHANGE

**COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2014**

| ASSETS | Achieve Academy | ASCEND | Cox Academy | EPIC Academy | Lazear Charter Academy | Learning Without Limits | World Academy | Home Office | Eliminations | Total |
|--|------------------------|-------------------|---------------------|---------------------|-------------------------------|--------------------------------|----------------------|---------------------|-----------------------|---------------------|
| CURRENT ASSETS: | | | | | | | | | | |
| Cash and cash equivalents | \$ 818,181 | \$ - | \$ 345,639 | \$ - | \$ 358,527 | \$ - | \$ 349,539 | \$ 111,492 | \$ - | \$ 1,983,378 |
| Accounts receivable - federal and state | 288,315 | 918,564 | 1,052,689 | 225,000 | 887,215 | 815,129 | 971,973 | 80,087 | - | 5,238,972 |
| Accounts receivable - other | 128 | - | - | - | - | - | 247 | 899 | - | 1,274 |
| Intercompany receivable | - | - | - | - | - | - | 1,214,057 | 1,210,000 | (2,424,057) | - |
| Prepaid expenses and other assets | 600 | - | 7,682 | 15,750 | 1,950 | - | - | 74,299 | - | 100,281 |
| Total current assets | <u>1,107,224</u> | <u>918,564</u> | <u>1,406,010</u> | <u>240,750</u> | <u>1,247,692</u> | <u>815,129</u> | <u>2,535,816</u> | <u>1,476,777</u> | <u>(2,424,057)</u> | <u>7,323,905</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | | | | | | | | | |
| Buildings and building improvements | - | - | - | 250,000 | - | - | - | - | - | 250,000 |
| Equipment | 961 | - | 2,226 | - | - | - | 1,873 | 35,866 | - | 40,926 |
| Accumulated depreciation | (522) | - | (1,210) | - | - | - | (1,021) | (35,866) | - | (38,619) |
| Total property, plant and equipment | <u>439</u> | <u>-</u> | <u>1,016</u> | <u>250,000</u> | <u>-</u> | <u>-</u> | <u>852</u> | <u>-</u> | <u>-</u> | <u>252,307</u> |
| Transfer for charter school merger | <u>2,536,668</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,536,668)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 3,644,331</u> | <u>\$ 918,564</u> | <u>\$ 1,407,026</u> | <u>\$ 490,750</u> | <u>\$ 1,247,692</u> | <u>\$ 815,129</u> | <u>\$ -</u> | <u>\$ 1,476,777</u> | <u>\$ (2,424,057)</u> | <u>\$ 7,576,212</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 202,078 | \$ 346,005 | \$ 546,990 | \$ 78,803 | \$ 303,720 | \$ 410,754 | \$ 423,600 | \$ 65,195 | \$ - | \$ 2,377,145 |
| Intercompany payable | - | 340,776 | - | 482,239 | 1,210,000 | 391,042 | - | - | (2,424,057) | - |
| Total current liabilities | <u>202,078</u> | <u>686,781</u> | <u>546,990</u> | <u>561,042</u> | <u>1,513,720</u> | <u>801,796</u> | <u>423,600</u> | <u>65,195</u> | <u>(2,424,057)</u> | <u>2,377,145</u> |
| Transfer for charter school merger | <u>423,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(423,600)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>625,678</u> | <u>686,781</u> | <u>546,990</u> | <u>561,042</u> | <u>1,513,720</u> | <u>801,796</u> | <u>-</u> | <u>65,195</u> | <u>(2,424,057)</u> | <u>2,377,145</u> |
| NET ASSETS: | | | | | | | | | | |
| Unrestricted | <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>-</u> | <u>1,411,582</u> | <u>-</u> | <u>5,199,067</u> |
| Total 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>-</u> | <u>1,411,582</u> | <u>-</u> | <u>5,199,067</u> |
| Total liabilities and net assets | <u>\$ 3,644,331</u> | <u>\$ 918,564</u> | <u>\$ 1,407,026</u> | <u>\$ 490,750</u> | <u>\$ 1,247,692</u> | <u>\$ 815,129</u> | <u>\$ -</u> | <u>\$ 1,476,777</u> | <u>\$ (2,424,057)</u> | <u>\$ 7,576,212</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, 2014**

| | <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> |
|--|----------------------------|-------------------|--------------------|-------------------------|---------------------------------------|--|--------------------------|---------------------|---------------------|---------------------|
| REVENUES: | | | | | | | | | | |
| State revenue: | | | | | | | | | | |
| State aid | \$ 1,009,120 | \$ 2,124,835 | \$ 2,947,004 | \$ - | \$ 1,934,430 | \$ 1,855,899 | \$ 2,718,009 | \$ - | \$ - | \$ 12,589,297 |
| Other state revenue | 322,182 | 709,155 | 883,264 | - | 655,463 | 717,350 | 640,979 | - | - | 3,928,393 |
| Federal revenue: | | | | | | | | | | |
| Grants and entitlements | 137,582 | 487,784 | 333,886 | 225,000 | 484,125 | 450,994 | 288,929 | - | - | 2,408,300 |
| Local revenue: | | | | | | | | | | |
| In-lieu property tax revenue | 341,767 | 720,814 | 899,280 | - | 658,513 | 632,960 | 788,276 | - | - | 4,041,610 |
| Contributions | 1,143 | 141,582 | 1,342 | 400,000 | 5,995 | 42,988 | 2,538 | 123,359 | - | 718,947 |
| Investment income | - | - | - | - | - | - | - | - | - | - |
| Other revenue | - | 1,969 | - | - | 1,000 | 3,500 | 2,000 | 2,581,466 | (2,576,466) | 13,469 |
| Total unrestricted revenues | <u>1,811,794</u> | <u>4,186,139</u> | <u>5,064,776</u> | <u>625,000</u> | <u>3,739,526</u> | <u>3,703,691</u> | <u>4,440,731</u> | <u>2,704,825</u> | <u>(2,576,466)</u> | <u>23,700,016</u> |
| EXPENSES: | | | | | | | | | | |
| Program services | 1,266,736 | 3,445,599 | 3,956,328 | 670,554 | 2,944,812 | 3,025,630 | 3,149,323 | 719,923 | - | 19,178,905 |
| Management and general | 387,507 | 730,846 | 1,177,622 | 24,738 | 768,186 | 741,079 | 859,259 | 2,059,406 | (2,576,466) | 4,172,177 |
| Fundraising | - | - | 50 | - | 2,195 | - | 1,000 | 1,798 | - | 5,043 |
| Total expenses | <u>1,654,243</u> | <u>4,176,445</u> | <u>5,134,000</u> | <u>695,292</u> | <u>3,715,193</u> | <u>3,766,709</u> | <u>4,009,582</u> | <u>2,781,127</u> | <u>(2,576,466)</u> | <u>23,356,125</u> |
| Change in unrestricted net assets | 157,551 | 9,694 | (69,224) | (70,292) | 24,333 | (63,018) | 431,149 | (76,302) | - | 343,891 |
| Transfer for charter school merger | <u>2,113,068</u> | - | - | - | - | - | <u>(2,113,068)</u> | - | - | - |
| Change in unrestricted net assets after charter school merger | 2,270,619 | 9,694 | (69,224) | (70,292) | 24,333 | (63,018) | (1,681,919) | (76,302) | - | 343,891 |
| Beginning 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>4,855,176</u> |
| Ending 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>\$ -</u> | <u>\$ 1,411,582</u> | <u>\$ -</u> | <u>\$ 5,199,067</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, 2014

| | Achieve Academy | ASCEND | Cox Academy | EPIC Academy | Lazear Charter Academy | Learning Without Limits | World Academy | Home Office | Eliminations | Total |
|--|--------------------|------------------|-------------------|------------------|------------------------------|-------------------------------|-------------------|-------------------|--------------|---------------------|
| CASH FLOWS from OPERATING ACTIVITIES: | | | | | | | | | | |
| Change in net assets | \$ 157,551 | \$ 9,694 | \$ (69,224) | \$ (70,292) | \$ 24,333 | \$ (63,018) | \$ 431,149 | \$ (76,302) | \$ - | \$ 343,891 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | | | | | | | | | |
| Depreciation | 192 | - | 445 | - | - | - | 376 | - | - | 1,013 |
| (Increase) decrease in operating assets: | | | | | | | | | | |
| Accounts receivable - federal and state | 146,461 | 16,373 | 112,522 | (225,000) | 58,693 | 88,842 | 24,406 | (1,926) | - | 220,371 |
| Accounts receivable - other | (128) | - | 150 | - | - | - | (247) | 5,453 | - | 5,228 |
| Intercompany receivable | - | - | - | - | - | - | (723,304) | 97,561 | 625,743 | - |
| Prepaid expenses and other assets | 424 | 299 | (5,166) | (15,750) | 7,055 | - | 2,052 | (74,000) | - | (85,086) |
| Increase (decrease) in operating liabilities: | | | | | | | | | | |
| Accounts payable and accrued liabilities | 69,562 | 87,969 | (22,935) | 78,803 | 126,311 | 73,887 | 84,280 | 17,483 | - | 515,360 |
| Intercompany payable | - | 340,776 | (97,561) | 482,239 | - | (99,711) | - | - | (625,743) | - |
| Net cash flows from operating activities | <u>374,062</u> | <u>455,111</u> | <u>(81,769)</u> | <u>250,000</u> | <u>216,392</u> | <u>-</u> | <u>(181,288)</u> | <u>(31,731)</u> | <u>-</u> | <u>1,000,777</u> |
| CASH FLOWS from INVESTING ACTIVITIES: | | | | | | | | | | |
| Purchases of property, plant and equipment | - | - | - | (250,000) | - | - | - | - | - | (250,000) |
| Net cash flows from investing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(250,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(250,000)</u> |
| CASH FLOWS from FINANCING ACTIVITIES: | | | | | | | | | | |
| Repayments of revenue anticipation note payable | - | (474,992) | (624,703) | - | - | - | (476,397) | - | - | (1,576,092) |
| Net cash flows from financing activities | <u>-</u> | <u>(474,992)</u> | <u>(624,703)</u> | <u>-</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 | 374,062 | (19,881) | (706,472) | - | 216,392 | - | (657,685) | (31,731) | - | (825,315) |
| Cash and cash equivalents at the beginning of the year | 444,119 | 19,881 | 1,052,111 | - | 142,135 | - | 1,007,224 | 143,223 | - | 2,808,693 |
| Cash and cash equivalents at the end of the year | <u>\$ 818,181</u> | <u>\$ -</u> | <u>\$ 345,639</u> | <u>\$ -</u> | <u>\$ 358,527</u> | <u>\$ -</u> | <u>\$ 349,539</u> | <u>\$ 111,492</u> | <u>\$ -</u> | <u>\$ 1,983,378</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURE: | | | | | | | | | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ 3,871</u> | <u>\$ 6,089</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,693</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,653</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, 2014

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 provisions of Education Code Sections 46200 through 46206.

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 statement of financial position as of June 30, 2014, 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 10, 2014.

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.

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**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 10, 2014

**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, 2014. 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, 2014.

**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
Glendora, CA
December 10, 2014

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 *2013-2014 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, 2014. 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 *2013-2014 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 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 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 |

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INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

| <u>Description</u> | <u>Procedures in Audit Guide</u> | <u>Procedures Performed</u> |
|---|--------------------------------------|---------------------------------|
| Instructional time for School Districts | 10 | 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 |
| Local Control Funding Formula Certification | 1 | Yes |
| California Clean Energy Jobs Act | 3 | Yes |
| After School Education and Safety Program: | | |
| General requirements | 4 | Yes |
| After school | 5 | Yes |
| Before school | 6 | Not applicable |
| Education Protection Account Funds | 1 | Yes |
| Common Core Implementation Funds | 3 | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | 3 | Yes |
| Charter Schools: | | |
| Contemporaneous records of attendance | 8 | Yes |
| Mode of Instruction | 1 | Yes |
| Nonclassroom-based instructional/independent study | 15 | Not applicable |
| Determination of funding for nonclassroom-based instruction | 3 | Not applicable |
| Annual instructional minutes – classroom based | 4 | Yes |
| Charter School Facility Grant Program | 1 | Not applicable |

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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2013-2014 Standards and Procedures for Audits of California K-12 Local Educational Agencies*, published by the Education Audit Appeals Panel, and which are described in the accompanying schedule of findings and questioned costs as 2014-001. 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.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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 *2013-2014 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 10, 2014

EDUCATION FOR CHANGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SUMMARY OF AUDITOR RESULTS For the Year Ended June 30, 2014

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> |
|-----------------------|---|
|-----------------------|---|

| | |
|---------|----------------------------------|
| 84.282A | Title V, Part B, Charter Schools |
|---------|----------------------------------|

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

| | |
|--|------------|
| Auditee qualified as low-risk auditee? | <i>Yes</i> |
|--|------------|

EDUCATION FOR CHANGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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 |

FINANCIAL STATEMENT FINDINGS

There were no findings and questioned costs related to the basic financial statements for the year ended June 30, 2014.

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2014.

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.”

EDUCATION FOR CHANGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

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

40000

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:

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

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

EDUCATION FOR CHANGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

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

40000

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.

Corrective Action Plan: The following processes have been implemented in response to the CALCPADS reporting errors:

- Review of Alternative Income forms by at least two individuals for accuracy.
- Manual sign off of all criteria met on the form prior to input into the calculation spreadsheet.
- Formula verification within calculation spreadsheet from two separate departments (Enrollment and Finance) prior to certification.
- Cross year data comparison by two separate departments (Enrollment and Finance) to verify numbers are in line with expectations prior to certification

EDUCATION FOR CHANGE

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.