

COUNCIL FOR EDUCATIONAL CHANGE, INC.

Financial Statements

December 31, 2012



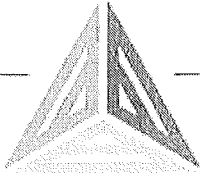
S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

COUNCIL FOR EDUCATIONAL CHANGE, INC.
FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Council for Educational Change, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Council for Educational Change, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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INDEPENDENT AUDITOR'S REPORT – Continued

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 Council for Educational Change, Inc. as of December 31, 2012, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, Rules of the Auditor General and the Florida Single Audit Act is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013, on our consideration of the Council for Educational Change, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

INDEPENDENT AUDITOR'S REPORT – Continued

with *Government Auditing Standards* in considering the Council for Educational Change, Inc.'s internal control over financial reporting and compliance.

S. Davis & Associates, P.A.

Hollywood, Florida
September 27, 2013

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Statement of Financial Position
December 31, 2012

Assets

Current Assets

Cash and Cash Equivalents	\$ 1,747,469
Grants Receivable – Current Portion	338,153
Unconditional Promises to Give – Current Portion	274,000
Other Current Assets	<u>28,883</u>

Total Current Assets 2,388,505

Property and Equipment, Net 1,622

Grants Receivable – Long Term Portion, Net 20,388

Unconditional Promises to Give – Long Term Portion, Net 41,704

Total Assets \$ 2,452,219

Liabilities and Net Assets

Liabilities

Accounts Payable	\$ 64,936
Accrued Expenses	28,323
Agency Payable	24,290
Grants Payable	<u>591,905</u>

Total Liabilities 709,454

Net Assets

Unrestricted	1,139,654
Temporarily Restricted	<u>603,111</u>

Total Net Assets 1,742,765

Total Liabilities and Net Assets \$ 2,452,219

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

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Statement of Activities
For the Year Ended December 31, 2012

Unrestricted Net Assets	
Revenues and Support	
Contributions and Grants	\$ 1,622,820
Product, Tuition, Miscellaneous Revenue	75,000
Interest	<u>7,624</u>
Total Unrestricted Revenues and Support	<u>1,705,444</u>
Net Assets Released from Restrictions:	
Program Restrictions Released	497,010
Time Restrictions Released	<u>110,000</u>
Total Net Assets Released from Restrictions	<u>607,010</u>
Total Unrestricted Revenues, Gains and Other Support	<u>2,312,454</u>
Expenses	
Program Services	1,788,928
General and Administrative	305,801
Fundraising	<u>114,995</u>
Total Expenses	<u>2,209,724</u>
Change in Unrestricted Net Assets	<u>102,730</u>
Temporarily Restricted Net Assets	
Contributions	<u>783,909</u>
Net Assets Released from Restrictions:	
Program Restrictions Released	(497,010)
Time Restrictions Released	<u>(110,000)</u>
Total Net Assets Released from Restrictions	<u>(607,010)</u>
Change in Temporarily Restricted Net Assets	<u>176,899</u>
Change in Net Assets	279,629
Net Assets, Beginning of the Year	<u>1,463,136</u>
Net Assets, End of the Year	<u><u>\$ 1,742,765</u></u>

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

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants	\$ 1,095,410	\$ -	\$ -	\$ 1,095,410
Payroll and Related Expenses	470,515	92,777	99,405	662,697
Meetings	48,811	-	-	48,811
Professional Fees	-	110,600	-	110,600
Travel and Entertainment	82,549	2,593	-	85,142
Bad Debts	-	75,000	-	75,000
Occupancy	57,945	11,426	12,242	81,613
Printing and Reproduction	12,899	778	-	13,677
Telephone	5,200	2,697	961	8,858
Postage and Delivery	9,109	247	32	9,388
Office	6,188	819	2,292	9,299
Insurance	-	8,144	-	8,144
Computer and Website Maintenance	-	660	-	660
Depreciation	<u>302</u>	<u>60</u>	<u>63</u>	<u>425</u>
Total	<u>\$ 1,788,928</u>	<u>\$ 305,801</u>	<u>\$ 114,995</u>	<u>\$ 2,209,724</u>

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

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash Flows from Operating Activities

Change in Net Assets	\$ 279,629
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	425
Changes in Certain Assets and Liabilities:	
Other Receivables	10,650
Grants Receivable	(118,235)
Unconditional Promises to Give	199,381
Accounts Payable and Accrued Expenses	6,165
Agency Payable	23,627
Grants Payable	<u>(214,919)</u>
Net Cash Used in Operating Activities	<u>186,723</u>
Net Change in Cash and Cash Equivalents	186,723
Cash and Cash Equivalents, Beginning of the Year	<u>1,560,746</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 1,747,469</u>

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

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Notes to Financial Statements
December 31, 2012

NOTE 1. ORGANIZATION

The Council for Educational Change, Inc. (the "Council"), a nonprofit organization, was incorporated in the state of Florida in October 2001. The Council's mission is to improve the quality of education and strengthen the academic performance for all children in the state of Florida. The programs designed by the Council prepare and empower school leaders, partner with the business community, mobilize parents and the community, engage in research and development, and serve as a catalyst for public policy.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Date of Management's Review: In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through September 27, 2013, the date that the financial statements were issued.

Financial Statement Presentation: The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment: Property and equipment is stated at acquisition cost if purchased or fair value if contributed. The Council capitalizes all assets purchased in excess of \$250. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for routine maintenance and repairs are expensed as incurred.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Notes to Financial Statements
December 31, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued): The Council estimates an allowance for uncollectible promises to give based on the credit-worthiness of its donors. Specifically, the Council determines that a promise to give needs to be allowed depending on the aging of the individual balances receivable, recent payment history, contractual terms and other qualitative factors such as the status of the relationship with the donor. Unconditional promises to give are written off in the fiscal year when all collection procedures have been exhausted. At December 31, 2012, allowance for unconditional promises to give was \$15,000.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses: The costs of providing 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 supporting services benefited.

Income Taxes: The Council is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Penalties and interest assessed by income taxing authorities are included in operating expenses. There are no penalties and interest included in these financial statements.

The federal income tax returns of the Council for Educational Change, Inc. for the years ending December 31, 2010, 2011 and 2012 are subject to examination by the federal authorities, generally for three years after they are filed.

Cash and Cash Equivalents: All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. Cash balances are periodically maintained at a single financial institution in excess of the federally insured limit. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, the Council had \$1,601,330 in excess of FDIC insured limits. The Council has not experienced any losses in such accounts.

Fair Value of Financial Instruments: Cash, grants receivable, accounts payable, accrued expenses, grants payable and related items are reflected in the financial statements at cost, which approximates fair values because of the short-term maturity of those instruments.

Grants and Contracts: Grant revenues are recognized as income when the Council incurs expenses allowable under expense-reimbursement type grant agreements. Contract revenues are recognized as services are rendered, measured by costs incurred or by contract services provided. For the Partnership to Advance School Success grant (PASS), related grant amounts receivable and the grant revenue are recognized when the Council enters into a matching pledge agreement with a private donor and when certain other factors are met. Concurrently, a liability for unexpended grants and a school grant expense are recorded for the same amount (the sub-grant amount). Certain expenditure amounts included in the PASS sub-grant amount will be paid to the Council for coordination services.

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Notes to Financial Statements
December 31, 2012

NOTE 3. DESCRIPTION OF PROGRAMS

Partnership to Advance School Success (PASS®): This program teams a chief executive officer, ("CEO"), of a major Florida corporation with the Principal of an underperforming school for three years. The CEO incorporates successful business strategies into school management techniques and commits funds and resources to the school. The team works hands-on with an education coach improving operations and academics with the goal of raising the school's grade to an "A" over the three-year life of the partnership, and to transform the lessons learned into on-going policies.

Executive PASS®: This program has many elements of the Council's PASS program. It pairs a business leader with a Principal of the school seeking improved student achievement, for an indefinite period. The partnership focuses on realistic school improvement goals, agreed upon by the business and school leaders. It is currently in operation in: Miami-Dade, Broward and Pinellas School Districts.

Project (Science Technology Engineering Math) STEM-Strong and Steady, Building Capacity for Student STEM Success Through Excellence in Instructional Leadership: an initiative that is helping to build and support STEM leadership teams at 10 middle schools throughout Hillsborough County with plans to eventually touch all middle schools. With a grant of \$471,000 from the Helios Education Foundation in Project STEM over three years in partnership with Hillsborough County Public Schools, this program "hopes to marry STEM content and deep leadership expertise to establish teams of school-based leaders in Hillsborough County that will serve as ambassadors for creating a new, district-wide approach to STEM instruction." The project began with a week-long summer leadership academy where school teams were immersed in leadership training, content knowledge training and planning for the program implementation at their schools.

Over the course of the initiative, the school teams will participate together in Saturday professional development sessions, such as developing STEM leadership, effective STEM instructional practice, rigorous and relevant STEM curriculum and STEM pathways to postsecondary education and career. In addition, school teams will be expected to develop individualized plans for their schools, including sharing best practices with other STEM teachers, increasing STEM curriculum rigor and relevance and strategies to increase parent and student STEM awareness.

Leonard Miller Principal Leadership Award: \$10,000 annual award to outstanding Principal in a Council program who has raised student achievement, empowered staff, and instituted meaningful community involvement.

Lenore Annenberg School Fund for Children: The Council works with the Lenore Annenberg School Fund for Children by:

- (a) nominating schools for their annual award and acting as the fiscal agent for the award; in 2012 three schools received approximately \$70,000 each. Requirements for the school award are that the school must serve a student population where at least 90% of the students receive free or reduced price lunch, and the project selected by the school must touch every child.
- (b) Nominating outstanding performing students that fit within their criteria to be considered for scholarships of \$250,000. In 2012, four students were selected to receive scholarships.

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Notes to Financial Statements
December 31, 2012

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of December 31, 2012 for the following purposes or periods:

Programs or specific schools	\$ 533,111
Future Periods	<u>70,000</u>
	<u>\$ 603,111</u>

Net assets are released from donor restrictions by incurring expenses for these specific programs or at specific schools satisfying the restricted purposes or by the occurrence of other events specified by donors. For the year ending December 31, 2012, \$607,010 temporarily restricted net assets were released from restrictions.

NOTE 5. GRANTS RECEIVABLE

Grants receivable at December 31, 2012 consisted of the following:

Due from Florida Department of Education:	
Florida PASS Program Approved Projects	\$ 71,796
Due from the Committee for Economic Development	60,000
Due from the Helios Education Foundation	<u>227,357</u>
	359,153
Less: Discounts to Net Present Value	<u>(612)</u>
	<u>\$ 358,541</u>

Grants receivable are scheduled to be collected as follows:

Receivable in less than one year	\$ 338,153
Receivable in one to five years	<u>21,000</u>
	<u>\$ 359,153</u>

Grants receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3%.

NOTE 6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2012 are as follows:

Receivable in less than one year	\$ 274,000
Receivable in one to five years	<u>60,000</u>
Total Unconditional Promises to Give	334,000
Less: Allowance for Doubtful Accounts	(15,000)
Discounts to Net Present Value	<u>(3,296)</u>
	<u>\$ 315,704</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3%.

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Notes to Financial Statements
December 31, 2011

NOTE 7. PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2012 consists of computer and office equipment with a cost of \$47,332, less accumulated depreciation of \$45,710. Depreciation expense was \$425 for the year ended December 31, 2012.

NOTE 8. GRANTS PAYABLE

Grants payable consist of amounts awarded, but not paid, to local school partnerships under various grant agreements.

NOTE 9. CONCENTRATIONS

For the year ended December 31, 2012, the Council received 39% of its total unrestricted revenues and other support from two State of Florida grants as follows:

Department of Education – PASS grant	\$	502,753
Department of Education – CLA grant		161,760
Total Department of Education grants	\$	664,513

NOTE 10. RETIREMENT PLAN

The Council sponsors a defined contribution retirement plan covering substantially all employees. After minimum service and age requirements are met, the Council will match an employee's contribution up to three percent of each eligible employee's salary. For the year ended December 31, 2012, the contribution was \$15,271.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Office Lease: The Council leases office space under a long-term operating lease agreement that expires on December 15, 2015. Future minimum lease payments are as follows:

Year Ending:	2013	\$	44,933
	2014		46,294
	2015		47,693
		\$	138,920

Total rental expense for the year ending December 31, 2012 was \$43,608.

NOTE 12. CONCENTRATIONS OF RISK

Financial instruments which potentially subject the Council to concentrations of credit risk consist principally of unsecured receivables. The Council's ability to collect these receivables is dependent upon economic conditions and the financial condition of its customers. The Council has not experienced significant losses related to receivables. Management believes no additional credit risk is inherent in the Council's accounts and grants.

COUNCIL FOR EDUCATIONAL CHANGE, INC.
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2012

<u>AGENCY</u>	<u>FEDERAL PROGRAM/STATE PROJECT</u>	<u>CFDA, CSFA #</u>	<u>TAPS NUMBER</u>	<u>EFFECTIVE DATES</u>	<u>GRANT AMOUNT</u>	<u>EXPENDITURES</u>
<u>State Financial Assistance</u>						
Florida Department of Education:						
Partnership to Advance School Success (PASS):						
Mentoring/Student Assistance Initiatives						
	871-97010-2PC01	48.068	12A300	8/26/11 – 6/30/12	\$509,983	\$430,957
	871-97010-3PF01	48.068	13A300	9/14/12 – 6/30/13	\$608,983	<u>71,796</u>
Total State Financial Assistance						<u>\$ 502,753</u>

COUNCIL FOR EDUCATIONAL CHANGE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 PURPOSE OF THE SCHEDULE

The schedule of expenditures of state financial assistance presents the activity of all state financial assistance of the Council for Educational Change, Inc. (the "Council"). State financial assistance consists of direct assistance from Florida granting agencies.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of state financial assistance is presented on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A- 122, *Cost Principles for Non-Profit Organizations*. Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement. Expenditures include a portion of costs associated with general activities (indirect costs) under provisional rates approved by the Florida Department of Education. Where PASS grants require matching funds, the state financial assistance monies are expended before the matching funds coming from the private sector. The PASS program is a three-year program with selected schools and the state grants cover only the first year of each school project.

NOTE 3 RECONCILIATION TO FINANCIAL STATEMENTS

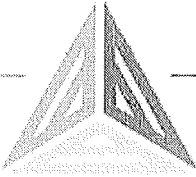
The expenditures listed in the accompanying schedule represent actual disbursements made during the year ended December 31, 2012. Due to the nature of the state financial assistance received, grants and related expenses in the statement of functional expense are recorded when the Council enters into a matching pledge agreement with a private donor and when certain other factors are met which, generally, occur prior to the dates of the actual disbursement of funds.

NOTE 4 STATE FINANCIAL ASSISTANCE

The Council has met the dollar threshold for a single audit to be performed in relation to the State financial assistance.

NOTE 5 CONTINGENCIES

Grant monies received and disbursed by the Council are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. The Council does not believe that such disallowances, if any, would have a material effect on the financial position of the Council. As of December 31, 2012, management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.



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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*

To the Board of Trustees of
The Council for Educational Change, Inc.

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 the Council for Educational Change, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council for Educational Change, Inc.'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 Council for Educational Change, Inc.'s internal control. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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* – Continued**

Compliance and Other Matters

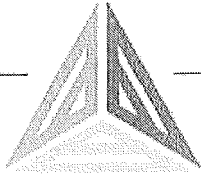
As part of obtaining reasonable assurance about whether the Council for Educational Change, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S. Davis & Associates, P.A.

Hollywood, Florida
September 27, 2013



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL AND THE FLORIDA SINGLE AUDIT ACT

To the Board of Trustees of
The Council for Educational Change, Inc.

Report on Compliance for Each Major State Project

We have audited the Council for Educational Change, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on the Council for Educational Change, Inc.'s major state project for the year ended December 31, 2012. The Council for Educational Change, Inc.'s major state project is 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 state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council for Educational Change, Inc.'s major state projects 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; Chapter 10.650, Rules of the Auditor General; and the Florida Single Audit Act. Those standards and the Florida Single Audit Act 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 state project occurred. An audit includes examining, on a test basis, evidence about the Council for Educational Change, Inc.'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 state project. However, our audit does not provide a legal determination of the Council for Educational Change, Inc.'s compliance.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL AND THE
FLORIDA SINGLE AUDIT ACT - Continued**

Opinion on Each Major State Project

In our opinion, the Council for Educational Change, Inc. 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 state project for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Council for Educational Change, Inc. 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 Council for Educational Change, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance Chapter 10.650, Rules of the Auditor General and the Florida Single Audit Act, 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 Council for Educational Change, Inc.'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 state project 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 state project 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 state project 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.

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 Chapter 10.650, Rules of the Auditor General and the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.

S. Davis & Associates, P.A.

Hollywood, Florida
September 27, 2013

COUNCIL FOR EDUCATIONAL CHANGE, INC.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

State Financial Assistance

Internal Control over major projects:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Type of auditor's report issued on compliance for major project: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 215.97, Florida Statutes or Chapter 10.650, Rules of the Auditor General? Yes No

Identification of major project:

CSFA Number(s)
 CSFA 48.068

Name of State Project
 Mentoring/Student Assistance
 Initiatives (Partnership to Advance
 School Success (PASS))

Dollar threshold used to distinguish between Type A and Type B programs:
 State \$150,826

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported in the current or prior years.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported in the current or prior years.

COUNCIL FOR EDUCATIONAL CHANGE, INC.
Schedule of Findings and Questioned Costs - Continued
For the Year Ended December 31, 2012

OTHER ISSUES

- A. No management letter was required as there were no finding required to be reported in the management letter in the current or prior years.
- B. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state projects.
- C. No Corrective Action Plan is required because there were no finding to be reported under the Florida Single Audit Act.