

Council for Educational Change, Inc.

Financial Statements
and Additional Information
For the Year Ended June 30, 2017

Council for Educational Change, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Council for Educational Change, Inc. (a nonprofit organization) (the "Council"), which comprise the statement of financial position as of June 30, 2017, 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 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 as of June 30, 2017, 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 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 February 19, 2018, on our consideration of the Council'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 with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 19, 2018

FINANCIAL STATEMENTS

Council for Educational Change, Inc.
Statement of Financial Position
June 30, 2017

Assets:

Current Assets:

Cash and cash equivalents	\$ 869,175
Investments	104,554
Grants receivable	452,128
Unconditional promises to give, net	213,000
Prepaid expenses	<u>20,905</u>
Total current assets	<u>1,659,762</u>

Noncurrent Assets:

Property and equipment, net	5,048
Unconditional promises to give, net	<u>62,310</u>
Total noncurrent assets	<u>67,358</u>

Total assets	<u>\$ 1,727,120</u>
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Liabilities:

Current Liabilities:

Accounts payable	\$ 210,351
Accrued expenses	9,899
Agency payable	226,786
Grants payable	<u>620,823</u>
Total current liabilities	<u>1,067,859</u>

Noncurrent Liabilities:

Deferred rent	<u>11,721</u>
Total noncurrent liabilities	<u>11,721</u>

Total liabilities	<u>1,079,580</u>
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Net Assets:

Unrestricted	549,471
Temporarily restricted	<u>98,069</u>
Total net assets	<u>647,540</u>

Total liabilities and net assets	<u>\$ 1,727,120</u>
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The accompanying notes to financial statements are an integral part of these statements.

Council for Educational Change, Inc.
Statement of Activities
For the Year Ended June 30, 2017

Unrestricted Net Assets:

Revenues and support:	
Contributions and grants	\$ 1,502,961
Product, tuition, and miscellaneous revenue	76,288
Investment income	17,412
	<u>1,596,661</u>
Total unrestricted revenues and support	<u>1,596,661</u>

Net Assets Released From Restrictions:

Satisfaction of purpose restrictions	280,809
Satisfaction of time restrictions	23,103
	<u>303,912</u>
Total net assets released from restrictions	<u>303,912</u>
Total unrestricted revenues, support and net assets released from restrictions	<u>1,900,573</u>

Expenses:

Program services	1,881,174
General and administrative	208,025
Fundraising	84,932
	<u>2,174,131</u>
Total expenses	<u>2,174,131</u>
Change in unrestricted net assets	<u>(273,558)</u>

Temporarily Restricted Net Assets:

Contributions	<u>258,000</u>
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Net Assets Released From Restrictions:

Satisfaction of purpose restrictions	(280,809)
Satisfaction of time restrictions	(23,103)
	<u>(303,912)</u>
Total net assets released from restrictions	<u>(303,912)</u>
Change in temporarily restricted net assets	<u>(45,912)</u>
Change in net assets	(319,470)

Net Assets, June 30, 2016	<u>967,010</u>
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Net Assets, June 30, 2017	<u>\$ 647,540</u>
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The accompanying notes to financial statements are an integral part of these statements.

Council for Educational Change, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants	\$ 1,106,857	\$ -	\$ -	\$ 1,106,857
Payroll, benefits and taxes	410,574	99,869	44,386	554,829
Professional fees	42,000	73,000	30,000	145,000
Meetings	125,815	-	-	125,815
Travel and related expenses	109,908	5,711	65	115,684
Occupancy	57,406	11,481	7,654	76,541
Printing and reproduction	10,362	2,072	1,382	13,816
Office	619	9,374	-	9,993
Telephone	6,474	2,286	863	9,623
Insurance	5,019	1,879	-	6,898
Postage and delivery	3,108	621	414	4,143
Computer and media services	2,116	1,549	46	3,711
Provision for depreciation	916	183	122	1,221
	<u>916</u>	<u>183</u>	<u>122</u>	<u>1,221</u>
Total	\$ <u>1,881,174</u>	\$ <u>208,025</u>	\$ <u>84,932</u>	\$ <u>2,174,131</u>

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

Council for Educational Change, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows From Operating Activities:

Change in net assets	\$ (319,470)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	1,221
Net unrealized gain on investments	(15,373)
Changes in assets and liabilities:	
(Increase) Decrease in assets:	
Grants receivable	(2,301)
Unconditional promises to give, net	109,102
Prepaid expenses	(977)
Increase (Decrease) in liabilities:	
Accounts payable and accrued expenses	17,223
Agency payable	36,445
Grants payable	(27,749)
Deferred rent	865
	<hr/>
Net cash provided by (used in) operating activities	<u>(201,014)</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	(2,000)
Purchases of investments, net	(465)
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Net cash provided by (used in) investing activities	<u>(2,465)</u>

Net increase (decrease) in cash and cash equivalents	(203,479)
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Cash and Cash Equivalents, June 30, 2016	<u>1,072,654</u>
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Cash and Cash Equivalents, June 30, 2017	<u>\$ 869,175</u>
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Supplemental Disclosure of Cash Flow Information:

Cash received from interest and dividends	<u>\$ 2,039</u>
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The accompanying notes to financial statements are an integral part of these statements.

Note 1 - Organization and Operations

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 under the guidance of Financial Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*.

Net assets: The Council is required to report 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, which are defined as follows:

- Unrestricted net assets consist of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent net assets with donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Council.
- Permanently restricted net assets result primarily from contributions and other inflows of assets subject to donor restrictions requiring that the assets be maintained by the Council in perpetuity.

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 estimated fair value if contributed. The Council capitalizes all assets purchased in excess of \$ 1,000. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

The Council estimates an allowance for uncollectible promises to give based on the credit-worthiness of its donors and historical experience. Specifically, the Council determines that a promise to give needs to be reserved 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 efforts have been exhausted. At June 30, 2017, the allowance for unconditional promises to give was estimated at approximately \$ 25,000.

Contributions of donated noncash assets are recorded at their estimated 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 estimated 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.

Operating lease: Rental expense is recognized on a straight-line basis.

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 accompanying financial statements since the Council was deemed by management not to have unrelated business income.

The Council's tax returns are subject to examination by the taxing authorities. For federal income tax purposes, the tax returns remain open for examination generally for a period of three years after the respective filing deadline of those returns.

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 financial institutions in excess of the federally insured limit. Accounts are generally guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000, per financial institution. At June 30, 2017, the Council had approximately \$ 570,000 in excess of the FDIC insured limits. The Council has not experienced any losses in such accounts.

Fair value of financial instruments: Cash, cash equivalents, grants receivable, prepaid expenses, accounts payable, accrued expenses, agency and grants payable and related items are reflected in the financial statements at cost, which approximates fair value 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Concentration of credit risk and market risk: Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of temporary cash deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insured limits, investments, and also unsecured receivables. The Council limits its exposure by placing its deposits and investments with quality financial institutions.

The Council's ability to collect unsecured receivables is dependent upon economic conditions and the financial condition of its customers/grantors/donors. 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.

Date of management's review: In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through February 19, 2018, the date that the financial statements were issued.

Note 3 - Investments

Investments are presented in the financial statements at their estimated fair market value and consist of \$ 104,554 of mutual funds at June 30, 2017.

Investment income relative to these investments, and other cash equivalents, held by the Council for the year ended, is comprised of:

Net unrealized gain on investments	\$	15,373
Interest and dividends		<u>2,039</u>
Total	\$	<u><u>17,412</u></u>

Note 4 - Fair Value Measurements

In accordance with the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 820, *Fair Value Measurement and Disclosures*, the Council follows a defined and established framework for measuring fair value and expanded disclosures about fair value measurements. Various inputs are used in determining fair value of the Council's investments. These inputs are summarized in the three levels listed below:

- Level 1 - inputs are quoted market prices (unadjusted) in active markets for identical investments that the reporting entity can access at the measurement date.
- Level 2 - inputs are other than quoted prices within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)
- Level 3 - inputs are unobservable inputs (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

Note 4 - Fair Value Measurements (continued)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Description:	Fair Value Measurements at Reporting Date Using:			
	Fair Value June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 104,554	\$ 104,554	\$ -	\$ -

Note 5 - 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, Duval and Pinellas School Districts.

Commissioner's Leadership Academy: In the fall of 2012, the Florida Department of Education awarded a grant to the Council to implement the Commissioner's Leadership Academy (CLA). The program's primary objective is to create cadres of 25 outstanding principals annually that would disseminate best practices and aid with the implementation of the College and Career Readiness standards among other school administrators throughout the state. The Commissioner's Leadership Academy would also provide opportunities for these selected professionals to expand leadership skills while learning new proven strategies to build upon their strengths and sustain successes. These exceptional principals, would then mentor other principals and be available as a resource to build capacity in districts statewide, assisting other principals and school leaders with the goal of ultimately increasing student academic achievement. Currently, the Council continues its partnership with the Florida Department of Education on a designed Commissioner's Leadership Academy focusing on Instructional Leadership for 120-150 selected principals and principal supervisors from throughout the state.

Leonard Miller Principal Leadership Award: The award is an annual award of \$ 10,000 to an outstanding principal in a Council program who has raised student achievement, empowered staff, and instituted meaningful community involvement. Two finalists received awards of \$10,000 each.

Note 5 - Description of Programs (continued)

Leonore Annenberg School Fund for Children: The Council works with the Leonore Annenberg School Fund for Children by nominating schools for their annual award and acting as the fiscal agent for the award; during the year ended June 30, 2017, three schools received approximately \$ 50,000 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.

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of cash, cash equivalents, and certain pledges, and are available for the following, as of June 30, 2017:

Program or specific schools	\$ 51,759
Future periods	<u>46,310</u>
Total	<u>\$ 98,069</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 June 30, 2017, \$ 303,912 in temporarily restricted net assets were released from restrictions.

Note 7 - Grants Receivable

Grants receivable at June 30, 2017 consisted of the following:

Due from Florida Department of Education:	
Florida PASS Program Approved Projects	\$ 327,953
Commissioner's Leadership Academy	<u>124,175</u>
	<u>\$ 452,128</u>

Note 8 - Unconditional Promises to Give

Unconditional promises to give at June 30, 2017 are as follows:

Receivable in less than one year	\$ 213,000
Receivable in one to five years	<u>91,000</u>
	304,000
Less: Allowance for doubtful accounts	(25,000)
Discounts to net present value	<u>(3,690)</u>
	<u>\$ 275,310</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%.

Note 9 - Property and Equipment

Property and equipment at June 30, 2017 consists of computer and office equipment with a cost of \$ 37,853, less accumulated depreciation of \$ 32,805. Depreciation expense was \$ 1,221 for the year ended June 30, 2017.

Note 10 - Grants Payable

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

Note 11 - Concentrations

The Council receives a substantial portion of its support from grants administered by governmental agencies. Changes in governmental appropriations could have a material adverse effect on the Council's ability to continue to provide its services at the same level. For the year ended June 30, 2017, the Council received approximately 50% of its total unrestricted revenues and support from two State of Florida, Department of Education grants as follows:

Department of Education - PASS grant	\$	508,983
Department of Education - CLA grant		<u>295,202</u>
Total Florida Department of Education grants	\$	<u><u>804,185</u></u>

Note 12 - 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 employee contributions up to three percent of each eligible employee's salary. For the year ended June 30, 2017, the Council's contributions to this retirement plan were approximately \$ 13,000.

Note 13 - Commitments and Contingencies

Office Lease: The Council leases office space under a long-term operating lease agreement expiring in March 2021. Monthly base rent payments of approximately \$ 3,500 are due through December 2017 at which point the payments increase to approximately \$ 3,600 in accordance with an extension of the lease agreement. Payments then increase by approximately 3% per year through its expiration in March 2021. In addition to monthly base rent, the Council is responsible for its proportionate share of certain operating expenses including insurance and utility costs.

Approximate future minimum lease payments applicable to this lease agreement, including the Council's estimate of its proportionate share of certain operating expenses, are as follows:

Year Ending <u>June 30,</u>		<u>Amount</u>
2018	\$	70,700
2019	\$	72,000
2020	\$	73,300
2021	\$	62,900
Thereafter	\$	NONE

Note 13 - Commitments and Contingencies (continued)

Rent expense is recognized on a straight line basis. The difference between the base rent payments made and the amount of rent expense recognized is reported as deferred rent and totaled, at June 30, 2017, approximately \$ 12,000. Total rent expense related to this lease agreement for the year ending June 30, 2017 was approximately \$ 66,000.

Grants and contracts: Program expenditures made by the Council are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. As of June 30, 2017, no amounts are known to be owed to grantor agencies.

SUPPLEMENTAL INFORMATION

**Council for Educational Change, Inc.
Schedule of Expenditures of State Financial Assistance
For the Eighteen-Month Period Ended June 30, 2017**

<u>State Agency/ State Project</u>	<u>CSFA Number</u>	<u>Contract/ Agreement Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
State Financial Assistance:				
Direct Projects:				
Florida Department of Education:				
Partnership to Advance School Success (PASS):				
School and Instructional Enhancement Programs	*	48.040	\$ 324,523	\$ -
	*	48.040	<u>508,983</u>	<u>-</u>
Total Expenditures of State Financial Assistance			<u>\$ 833,506</u>	<u>\$ -</u>

* Denotes a major project.

See notes to the Schedule of Expenditures of State Financial Assistance.

Note 1 – Basis of Presentation

The Schedule of Expenditures of State Financial Assistance (the “Schedule”) 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 subject to the Florida Single Audit Act. The information in the Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are generally reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Chapter 10.650, *Rules of the Auditor General*, as well as other applicable provisions of contracts and grant agreements, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as applicable. 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 eighteen-month period ended June 30, 2017. 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.

Effective with the six-month fiscal period beginning January 1, 2016, the Council changed its fiscal year end from December 31 to June 30. Accordingly, the accompanying Schedule includes the grant activity of the Council for the period from January 1, 2016 through June 30, 2017.

Note 4 - Contingencies

Grant monies received and disbursed by the Council are for specific purposes and are subject to audits 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 June 30, 2017, management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.

INTERNAL CONTROLS AND COMPLIANCE

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 Directors
Council for Educational Change, Inc.
Weston, Florida

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 Council for Educational Change, Inc. (the "Council") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 February 19, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 19, 2018

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

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

Report on Compliance for Each Major State Project

We have audited the Council for Educational Change, Inc.'s (a nonprofit organization) (the "Council") compliance with the types of compliance requirements described in the *Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Council's major state projects for the eighteen-month period ended June 30, 2017. The Council's major state projects 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Council'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; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, 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'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's compliance.

Opinion on Each Major State Project

In our opinion, the Council's 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 projects for the eighteen-month period ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Council 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'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*, 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'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.

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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 19, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Council for Educational Change, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Council for Educational Change, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major state projects are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state projects for the Council for Educational Change, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major state projects for the Council for Educational Change, Inc. reported in Part C of this schedule.
7. The project tested as major project is as follows:

<u>State Projects:</u>	<u>State CSFA No.</u>
Partnership to Advance School Success (PASS): School and Instructional Enhancement Programs	48.040
8. The threshold for distinguishing Types A and B projects was \$ 250,051.

B. Findings - Financial Statements Audit

No matters were reported.

C. Findings and Questioned Costs - Major State Financial Assistance Project Audits

No matters were reported.

D. Other Issues

1. A separate management letter was not issued because there were no findings required to be reported in the management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
3. No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.