



COUNCIL ON SOCIAL WORK EDUCATION

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED JUNE 30, 2019**

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## FINANCIAL STATEMENTS



COUNCIL ON SOCIAL WORK EDUCATION

**FOR THE YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Council on Social Work Education, Inc.  
Alexandria, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the Council on Social Work Education, Inc. (the Council), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, 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 audits 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, 2019, and the change 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.

### **Report on Summarized Comparative Information**

We have previously audited the Council's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page I-21, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 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 the effectiveness of the Council's internal control over financial reporting 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 over financial reporting and compliance.

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,494,671	\$ 2,169,036
Investments	4,047,414	3,854,177
Accounts receivable	253,544	208,891
Grants receivable	46,681	46,491
Inventory	35,864	29,223
Prepaid expenses	<u>314,281</u>	<u>299,120</u>
Total current assets	<u>7,192,455</u>	<u>6,606,938</u>
<b>FIXED ASSETS</b>		
Database	1,820,196	1,769,796
Furniture	102,332	92,082
Computer equipment	<u>257,745</u>	<u>226,206</u>
	2,180,273	2,088,084
Less: Accumulated depreciation and amortization	<u>(1,287,369)</u>	<u>(1,188,235)</u>
Net fixed assets	<u>892,904</u>	<u>899,849</u>
<b>OTHER ASSETS</b>		
Deposits	3,115	1,558
Certificate of deposit - restricted	35,802	35,802
Trademark	<u>262,556</u>	<u>243,161</u>
Total other assets	<u>301,473</u>	<u>280,521</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,386,832</u></b>	<b><u>\$ 7,787,308</u></b>

## LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 392,213	\$ 295,659
Deferred revenue:		
Membership	2,251,081	2,042,206
Conference	711,615	704,116
Accreditation fees	188,524	136,368
Technology fee	113,000	106,600
Research and other	60,240	-
Deferred rent, current portion	<u>78,536</u>	<u>61,975</u>
Total current liabilities	3,795,209	3,346,924
<b>LONG-TERM LIABILITIES</b>		
Deferred rent, long-term portion	<u>55,580</u>	<u>131,383</u>
Total liabilities	<u>3,850,789</u>	<u>3,478,307</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,519,497	3,339,197
With donor restrictions	<u>1,016,546</u>	<u>969,804</u>
Total net assets	<u>4,536,043</u>	<u>4,309,001</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,386,832</u></b>	<b><u>\$ 7,787,308</u></b>

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Membership	\$ 3,467,929	\$ -	\$ 3,467,929	\$ 3,301,486
Grants and contributions	1,614,310	1,230	1,615,540	1,954,140
Conference	1,361,599	-	1,361,599	979,440
Accreditation fees and related revenue	1,242,164	-	1,242,164	1,148,464
Publications	222,772	-	222,772	208,296
Investment income, net of fees	141,162	51,907	193,069	175,333
Advertising	92,275	-	92,275	96,980
Educational revenue	159,749	-	159,749	160,673
Sponsorship	234,030	-	234,030	155,005
Research	208,424	-	208,424	120,575
Technology fee	167,400	-	167,400	164,400
In-kind services	287,365	-	287,365	147,470
Other revenue	194,666	-	194,666	192,927
Net assets released from donor restrictions	<u>6,395</u>	<u>(6,395)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,400,240</u>	<u>46,742</u>	<u>9,446,982</u>	<u>8,805,189</u>
<b>EXPENSES</b>				
Program Services:				
Accreditation	1,867,739	-	1,867,739	1,767,735
Conference Faculty Development	1,298,944	-	1,298,944	1,419,731
Minority Fellowship Program Clinical	1,294,031	-	1,294,031	1,368,742
Publications	367,917	-	367,917	332,778
Communications and Marketing	509,304	-	509,304	412,225
Other Programs	1,721,396	-	1,721,396	1,691,088
Social Work Education Research	<u>1,160,736</u>	<u>-</u>	<u>1,160,736</u>	<u>960,786</u>
Total program services	<u>8,220,067</u>	<u>-</u>	<u>8,220,067</u>	<u>7,953,085</u>
Supporting Services:				
Management and General	835,365	-	835,365	720,736
Membership Services	<u>164,508</u>	<u>-</u>	<u>164,508</u>	<u>137,552</u>
Total supporting services	<u>999,873</u>	<u>-</u>	<u>999,873</u>	<u>858,288</u>
Total expenses	<u>9,219,940</u>	<u>-</u>	<u>9,219,940</u>	<u>8,811,373</u>
Change in net assets	180,300	46,742	227,042	(6,184)
Net assets at beginning of year	<u>3,339,197</u>	<u>969,804</u>	<u>4,309,001</u>	<u>4,315,185</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,519,497</u></b>	<b><u>\$ 1,016,546</u></b>	<b><u>\$ 4,536,043</u></b>	<b><u>\$ 4,309,001</u></b>

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019					
	Program Services					
	Accreditation	Conference Faculty Development	Minority Fellowship Program Clinical	Publications	Communications and Marketing	Other Programs
Salaries	\$ 792,457	\$ 200,496	\$ 183,994	\$ 192,915	\$ 321,299	\$ 642,284
Benefits and payroll taxes	214,369	63,705	32,651	40,221	69,371	165,292
Training and development	860	1,882	17,754	-	2,970	225
Advertising and promotion	300	11,150	-	2,831	5,362	589
Stipends/tuition	-	-	814,521	-	-	-
Facilities and equipment	-	-	-	-	-	138,486
Postage and delivery	1,713	4,640	-	496	156	8,658
Printing and production	-	15,509	680	4,867	-	-
Supplies	6,720	1,196	10,981	905	1,225	2,570
Telephone	4,806	1,763	497	787	1,227	3,751
Travel	16,036	28,609	137,422	1,793	2,107	29,041
Professional services	87,091	48,318	-	65,792	42,259	263,417
Occupancy	198,068	42,443	-	42,443	42,443	106,109
Depreciation and amortization	27,758	5,948	-	5,948	5,948	14,870
Temporary help	5,876	7,808	-	-	-	1,994
Insurance	5,736	5,627	-	1,229	1,229	3,074
Commission expenses	15,643	18,350	-	3,196	3,196	7,991
In-Kind services	287,365	-	-	-	-	-
Subscriptions and publications	9,050	270	-	2,201	3,671	6,222
Meetings and conventions	153,368	780,736	1,494	457	457	246,381
Bank fees	5,915	58,194	-	487	5,135	24
Grants	-	-	-	-	-	-
Office expense	34,608	1,249	2,765	1,249	1,249	3,770
Honorariums and scholarships	-	1,051	-	100	-	-
Grant administration	-	-	91,272	-	-	30,089
Licenses and fees	-	-	-	-	-	46,559
Other expenses	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,867,739</b>	<b>\$ 1,298,944</b>	<b>\$ 1,294,031</b>	<b>\$ 367,917</b>	<b>\$ 509,304</b>	<b>\$ 1,721,396</b>

See accompanying notes to financial statements.

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019						2018
	Program Services (Continued)			Supporting Services			Total Expenses
	Social Work Education Research	Total Program Services	Management and General	Membership Services	Total Supporting Services	Total Expenses	
Salaries	\$ 489,962	\$ 2,823,407	\$ 18,769	\$ 79,944	\$ 98,713	\$ 2,922,120	\$ 2,826,268
Benefits and payroll taxes	108,978	694,587	32,088	26,313	58,401	752,988	769,440
Training and development	2,494	26,185	5,820	-	5,820	32,005	53,050
Advertising and promotion	-	20,232	-	-	-	20,232	21,144
Stipends/tuition	-	814,521	-	-	-	814,521	922,625
Facilities and equipment	-	138,486	19,854	-	19,854	158,340	116,848
Postage and delivery	6,931	22,594	443	819	1,262	23,856	44,730
Printing and production	-	21,056	-	-	-	21,056	21,441
Supplies	5,540	29,137	13,402	7,472	20,874	50,011	37,179
Telephone	3,684	16,515	2,230	394	2,624	19,139	20,485
Travel	9,713	224,721	6,063	896	6,959	231,680	213,143
Professional services	307,445	814,322	374,341	4,721	379,062	1,193,384	793,070
Occupancy	134,404	565,910	120,256	21,222	141,478	707,388	713,338
Depreciation and amortization	18,835	79,307	16,853	2,974	19,827	99,134	79,700
Temporary help	29,932	45,610	-	1,286	1,286	46,896	42,029
Insurance	3,892	20,787	3,483	615	4,098	24,885	22,177
Commission expenses	10,122	58,498	151,060	1,598	152,658	211,156	137,120
In-Kind services	-	287,365	-	-	-	287,365	147,470
Subscriptions and publications	3,735	25,149	236	-	236	25,385	26,489
Meetings and conventions	16,408	1,199,301	11,295	228	11,523	1,210,824	924,735
Bank fees	-	69,755	20,934	15,402	36,336	106,091	77,151
Grants	-	-	-	-	-	-	138,650
Office expense	6,261	51,151	18,571	624	19,195	70,346	-
Honorariums and scholarships	-	1,151	6,000	-	6,000	7,151	-
Grant administration	2,400	123,761	-	-	-	123,761	-
Licenses and fees	-	46,559	13,667	-	13,667	60,226	-
Other expenses	-	-	-	-	-	-	663,091
<b>TOTAL</b>	<b>\$ 1,160,736</b>	<b>\$ 8,220,067</b>	<b>\$ 835,365</b>	<b>\$ 164,508</b>	<b>\$ 999,873</b>	<b>\$ 9,219,940</b>	<b>\$ 8,811,373</b>

See accompanying notes to financial statements.

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 227,042	\$ (6,184)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	99,134	79,700
Net appreciation of investments	(119,987)	(117,907)
(Increase) decrease in:		
Accounts receivable	(44,653)	327
Grants receivable	(190)	60,824
Inventory	(6,641)	5,676
Prepaid expenses	(15,161)	(62,654)
Deposits	(1,557)	-
Trademark	(19,395)	(24,941)
Increase (decrease) in:		
Accounts payable and accrued expenses	96,554	(99,780)
Deferred revenue	335,170	(304,698)
Deferred rent	<u>(59,242)</u>	<u>(43,302)</u>
Net cash provided (used) by operating activities	<u>491,074</u>	<u>(512,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(73,250)	(16,626)
Purchase of fixed assets	<u>(92,189)</u>	<u>(220,622)</u>
Net cash used by investing activities	<u>(165,439)</u>	<u>(237,248)</u>
Net increase (decrease) in cash and cash equivalents	325,635	(750,187)
Cash and cash equivalents at beginning of year	<u>2,169,036</u>	<u>2,919,223</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,494,671</u></b>	<b><u>\$ 2,169,036</u></b>

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Council on Social Work Education, Inc. (the Council) is a non-profit organization, incorporated in the Commonwealth of Virginia and located in Alexandria, Virginia. The Council is incorporated to set national standards for, and provide accreditation of, social work educational programs. The Council is officially recognized by the Council on Higher Education Accreditation as an accrediting agency for social work education. The Council seeks to improve the quality of social work education and promote competence among service professionals through educational development, assistance and review.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Cash and cash equivalents -

The Council considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of \$41,676 at June 30, 2019.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Council maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, net of investment expenses provided by external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Accounts and grants receivable -

Accounts and grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Inventory -

Inventory consists of publications and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2019 was \$99,134.

Intangible asset -

In accordance with FASB ASC 350, *Goodwill and Other Intangible Assets*, the Council's unamortized trademark balance is subject to at least an annual assessment for impairment by applying a fair-value-based test. There was no impairment noted for the year ended June 30, 2019. As of June 30, 2019, the balance of the trademark was \$262,556.

Income taxes -

The Council is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. The Council is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2019, the Council has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

Deferred revenue consists of school and individual membership dues, conference, research, and accreditation and technology fees. Payments of dues and fees are billed annually and revenue is recognized in the year in which the dues and fees are earned. The Council recognizes conference revenue when the related event has occurred. Payments of dues and fees that have not been earned are recorded as deferred revenue.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Net asset classification (continued) -

- **Net Assets With Donor Restrictions (continued)** - All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

The Council receives awards under grants and contracts from the U.S. government and other sources for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Uncollected revenue based on amounts earned as of the year-end is reflected as accounts receivable in the accompanying financial statements. Amounts received as of year-end but not yet earned are reflected as a refundable advance in the accompanying financial statements.

In-kind services -

In-kind services consist of services contributed by volunteer accreditation visitors and commissioners. In-kind services are recorded at their fair market value as of the date of the contribution.

Use of estimates -

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Council are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Investment risks and uncertainties -

The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Council adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Council accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$3,339,197 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amounts of \$467,807 and \$501,997, respectively, are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Council has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Council has not yet selected a transition method and is currently calculating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Council plans to adopt the new ASUs at the required implementation dates.

2. **INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Council has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Council has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end fund that is registered with the Securities and Exchange Commission (SEC). The fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Council are deemed to be actively traded.

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

## 2. INVESTMENTS (Continued)

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2019.

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 41,676	\$ -	\$ -	\$ 41,676
Mutual Funds:				
U.S. equity funds	1,568,333	-	-	1,568,333
International equity funds	474,089	-	-	474,089
Bond funds	1,963,316	-	-	1,963,316
Certificates of Deposit	<u>-</u>	<u>35,802</u>	<u>-</u>	<u>35,802</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 4,047,414</u></b>	<b><u>\$ 35,802</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,083,216</u></b>

Included in the investments balance are the endowment funds, and their respective accumulated investment earnings not yet authorized for spending, for the Katherine Kendall Fund and the Hokenstad Endowment Fund in the amounts of \$848,523 and \$106,739, respectively.

Included in investment income are the following for the year ended June 30, 2019:

Interest and dividends	\$ 100,776
Net appreciation of investments	119,987
Less: management fees	<u>(27,694)</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b><u>\$ 193,069</u></b>

## 3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2019:

Social Work Tribute Fund	\$ 17,876
Carl Scott Memorial	32,408
Director's Discretionary Fund	11,000
Accumulated investment earnings from endowed funds:	
Katherine Kendall Fund	446,526
Hokenstad Fund	6,739
Endowment contributions to be invested in perpetuity	<u>501,997</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 1,016,546</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Accumulated investment earnings from endowed funds:	
Katherine Kendall Fund	\$ 5,995
Hokenstad Fund	<u>400</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 6,395</u></b>

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**4. LIQUIDITY AND AVAILABILITY**

Financial assets available for use within one year of the Statement of Financial Position were comprised of the following at June 30, 2019:

Cash and cash equivalents	\$ 2,494,671
Investments	4,047,414
Accounts receivable	253,544
Grants receivable	<u>46,681</u>
 Total financial assets	 6,842,310
Less: Financial assets unavailable for expenditure within one year due to:	
Donor imposed restrictions for purpose	<u>(1,016,546)</u>
 <b>FINANCIAL ASSETS AVAILABLE FOR EXPENDITURE WITHIN ONE YEAR</b>	 <b><u>\$ 5,825,764</u></b>

The Council has a policy to structure their financial assets to be available and liquid as their obligations become due. As of June 30, 2019, the Council has financial assets available for expenditure to cover approximately eight months of operating expenses. The Council has a significant donor restricted net asset balance to fund programmatic activities in future periods.

**5. ENDOWMENT**

The Council's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Council has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Council considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the Council.

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

## 5. ENDOWMENT (Continued)

At June 30, 2019, endowment funds that are required to be retained in perpetuity by explicit donor stipulation consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor:			
Katherine Kendall Fund	\$ -	\$ 401,997	\$ 401,997
Hokenstad Fund	-	100,000	100,000
Accumulated investment earnings	<u>-</u>	<u>453,265</u>	<u>-</u>
<b>TOTAL FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 955,262</u></b>	<b><u>\$ 501,997</u></b>

Changes in endowment net assets for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>-</u>	\$ <u>909,750</u>	\$ <u>909,750</u>
Interest and dividends	-	22,171	22,171
Net appreciation of investments	<u>-</u>	<u>29,736</u>	<u>29,736</u>
Total investment return	<u>-</u>	<u>51,907</u>	<u>51,907</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(6,395)</u>	<u>(6,395)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 955,262</u></b>	<b><u>\$ 955,262</u></b>

## Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Council to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2019.

## Return Objectives and Risk Parameters -

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in-perpetuity or for a donor-specified period(s).

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 1% annually and/or the account's total return should exceed the increase in the Treasury Bill Index by a minimum of 2% annually. The average annual return objectives is 5.5% as measured over a five year period.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

5. **ENDOWMENT (Continued)**

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Board of Directors authorizes the appropriations of spending during the Board approval of the budget. The Council considers the long-term expected return on its endowment. Accordingly, over the long-term, the Council expects the current spending policy to allow its endowment to grow annually.

6. **LEASE COMMITMENT**

The Council leases office space under an eleven-year agreement, which originated on January 1, 2010. As part of its rental agreement, the Council opted to open a letter of credit in lieu of paying cash to the landlord for its security deposit. The letter of credit is secured by a certificate of deposit in the original amount of \$107,407. During fiscal year 2016, the letter of credit was amended and the amount of the certificate of deposit was decreased to \$35,802. Base rent increases annually by a factor of 3%, plus a proportionate share of operating expenses.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statements purposes is recorded as a deferred rent liability on the Statement of Financial Position.

Total future minimum rental payments are as follows:

**Year Ending June 30,**

2020	\$ 569,120
2021	<u>288,752</u>
	<b><u>\$ 857,872</u></b>

Rent expense included in occupancy expense in the accompanying Statement of Functional Expense was \$489,229 for the year ended June 30, 2019. Deferred rent liability as of June 30, 2019 was \$134,116.

7. **IN-KIND SERVICES**

During the year ended June 30, 2019, the Council was the beneficiary of donated services which allowed the Council to provide greater resources towards its accreditation program. For the year ended June 30, 2019, contributions of donated services of accreditation visitors and commissioners have been included in revenue and expense totaled \$287,365.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**8. RETIREMENT PLAN**

The Council maintains a contributory defined contribution retirement plan covering all eligible employees. The retirement plan is funded through the purchase of individual annuity contracts from the Teachers Insurance and Annuity Association (TIAA).

Premiums paid on the annuity contracts have been calculated as 7% of the gross salaries of all eligible employees. Retirement expense for the year ended June 30, 2019 totaled \$178,141 and is included with benefits and payroll taxes in the accompanying Statement of Functional Expenses.

**9. CONTINGENCIES**

The Council receives grants from the U.S. Department of Health and Human Services. Beginning for fiscal year ended June 30, 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**10. COMMITMENTS**

The Council is committed under agreements for conference space through the year 2024. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

**11. SUBSEQUENT EVENTS**

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.

Subsequent to year-end, the Council was notified that the vendor that was developing an integrated technology system was going out of business and will be liquidated. Due to the Council's considerable investment of approximately \$970,000 in this project, it is possible that there will be a sizeable material write-off in the following fiscal year, should what was developed by the vendor be scrapped for a new system. Another option would be to continue the development of the current system at an additional cost to the Council. As of , the date the financial statements were issued, the Council is in the process of determining the next steps, as well as the actual monetary value of the potential loss or additional cost.

**SUPPLEMENTAL INFORMATION**

## COUNCIL ON SOCIAL WORK EDUCATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Pass Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U. S. Department of Health and Human Services - Substance Abuse and Mental Health Services Administration (SAMHSA):</b>				
Minority Fellowship Program (8/1/2017 - 7/31/2018)	93.243	-	\$ -	\$ 43,356
Minority Fellowship Program (9/30/2017 - 9/29/2018)	93.243	-	-	172,768
Minority Fellowship Program (9/30/2018 - 9/29/2019)	93.243	-	<u>-</u>	<u>1,052,422</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>-</u></b>	<b>\$ <u>1,268,546</u></b>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the Council under programs of the United States Government for the year ended June 30, 2019. Information on the Schedule is presented in accordance with the requirements in *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of the Council; accordingly, 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 on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Council has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3. Reconciliation of Federal Grants Revenue**

Grants and contributions are broken out as follows for the year ended June 30, 2019:

Total grants and contributions	\$ 1,615,540
Non-Federal grants and contributions income	<u>(346,994)</u>
<b>FEDERAL GRANT REVENUE</b>	<b>\$ <u>1,268,546</u></b>

COUNCIL ON SOCIAL WORK EDUCATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

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

**Financial Statements**

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

3). Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

4). Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

5). Type of auditor's report issued on compliance for major programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA or Award Number</u>
Minority Fellowship Program	93.243

8). Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9). Auditee qualified as a low-risk auditee?  Yes  No

COUNCIL ON SOCIAL WORK EDUCATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Section II - Financial Statement Findings**

There were no reportable findings.

**Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))**

There were no reportable findings.

**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**

**Independent Auditor's Report**

To the Board of Directors  
Council on Social Work Education, Inc.  
Alexandria, Virginia

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 on Social Work Education, Inc. (the Council) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated .

**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 opinions 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 Council'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)**

**Independent Auditor's Report**

To the Board of Directors  
Council on Social Work Education, Inc.  
Alexandria, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the Council on Social Work Education, Inc.'s (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2019. The Council'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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council'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 the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 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 federal program. However, our audit does not provide a legal determination of the Council's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Council 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, 2019.

### 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 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 Uniform Guidance, 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.