



COUNCIL ON SOCIAL WORK EDUCATION

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2017

COUNCIL ON SOCIAL WORK EDUCATION, INC.

CONTENTS

	PAGE NO.
I. Financial Section	
Financial Statements, for the Year Ended June 30, 2017, with Summarized Financial Information for 2016, Including the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I-(1 - 23)
II. 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	II-(1 - 2)
III. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance)	III-(1 - 2)

FINANCIAL STATEMENTS



COUNCIL ON SOCIAL WORK EDUCATION

**FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

COUNCIL ON SOCIAL WORK EDUCATION, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Statement of Financial Position, as of June 30, 2017, with Summarized Financial Information for 2016	I-(5 - 6)
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2017, with Summarized Financial Information for 2016	I-7
EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2017, with Summarized Financial Information for 2016	I-(8 - 9)
EXHIBIT D - Statement of Cash Flows, for the Year Ended June 30, 2017, with Summarized Financial Information for 2016	I-10
NOTES TO FINANCIAL STATEMENTS	I-(11 - 20)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended June 30, 2017	I-21
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2017	I-(22 - 23)

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2017, 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 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 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited the Council's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 October 13, 2017 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.



October 13, 2017

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,919,223	\$ 3,195,069
Investments	3,719,644	3,123,701
Accounts receivable	209,218	159,031
Grants receivable	107,315	73,212
Inventory	34,899	34,591
Prepaid expenses	<u>236,466</u>	<u>158,867</u>
Total current assets	<u>7,226,765</u>	<u>6,744,471</u>
FIXED ASSETS		
Database	1,605,496	1,413,996
Furniture	44,358	42,760
Computer equipment	<u>217,608</u>	<u>203,889</u>
	1,867,462	1,660,645
Less: Accumulated depreciation and amortization	<u>(1,108,535)</u>	<u>(1,066,161)</u>
Net fixed assets	<u>758,927</u>	<u>594,484</u>
OTHER ASSETS		
Deposits	1,558	1,558
Certificate of deposit - restricted	35,802	35,802
Trademark	<u>218,220</u>	<u>212,095</u>
Total other assets	<u>255,580</u>	<u>249,455</u>
TOTAL ASSETS	<u>\$ 8,241,272</u>	<u>\$ 7,588,410</u>

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 395,439	\$ 271,281
Deferred revenue:		
School membership dues	1,989,411	1,838,430
Individual membership dues	237,089	233,574
Annual Meeting	754,340	875,078
Accreditation fees	185,098	119,725
Technology fees	112,800	107,400
Other deferred revenue	15,250	33,130
Deferred rent, current portion	<u>45,898</u>	<u>30,307</u>
Total current liabilities	3,735,325	3,508,925
LONG-TERM LIABILITIES		
Deferred rent, long-term portion	<u>190,762</u>	<u>234,170</u>
Total liabilities	<u>3,926,087</u>	<u>3,743,095</u>
NET ASSETS		
Unrestricted	3,390,120	2,560,776
Temporarily restricted	423,068	782,542
Permanently restricted	<u>501,997</u>	<u>501,997</u>
Total net assets	<u>4,315,185</u>	<u>3,845,315</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,241,272</u>	<u>\$ 7,588,410</u>

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>			<u>2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE					
Membership	\$ 3,263,992	\$ -	\$ -	\$ 3,263,992	\$ 2,932,953
Grants and contributions	1,829,165	1,410	-	1,830,575	2,345,979
Conference	1,086,110	-	-	1,086,110	1,071,018
Accreditation fees and related revenue	880,344	-	-	880,344	1,050,671
Publications	246,660	-	-	246,660	248,462
Investment income (loss)	247,512	84,940	-	332,452	(18,308)
Advertising	109,425	-	-	109,425	103,370
Educational revenue	214,425	-	-	214,425	137,003
Sponsorship	116,200	-	-	116,200	104,135
Research	73,000	-	-	73,000	246,220
Technology fee	160,800	-	-	160,800	-
Other revenue	188,253	-	-	188,253	173,180
In-kind services	227,410	-	-	227,410	170,310
Net assets released from donor restrictions	<u>445,824</u>	<u>(445,824)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,089,120</u>	<u>(359,474)</u>	<u>-</u>	<u>8,729,646</u>	<u>8,564,993</u>
EXPENSES					
Program Services:					
Accreditation	1,700,775	-	-	1,700,775	1,470,077
Conference Faculty Development	992,525	-	-	992,525	962,822
Minority Fellowship Program					
Clinical	1,358,949	-	-	1,358,949	1,342,205
Publications	340,611	-	-	340,611	297,630
John A. Hartford Program	2,234	-	-	2,234	373,286
Communications and Marketing	306,486	-	-	306,486	241,704
Other Programs	1,854,097	-	-	1,854,097	1,397,007
Membership Services	132,525	-	-	132,525	137,269
Social Work Education Research	<u>952,869</u>	<u>-</u>	<u>-</u>	<u>952,869</u>	<u>979,453</u>
Total program services	7,641,071	-	-	7,641,071	7,201,453
Supporting Services:					
Administration	<u>618,705</u>	<u>-</u>	<u>-</u>	<u>618,705</u>	<u>570,362</u>
Total expenses	<u>8,259,776</u>	<u>-</u>	<u>-</u>	<u>8,259,776</u>	<u>7,771,815</u>
Change in net assets	829,344	(359,474)	-	469,870	793,178
Net assets at beginning of year	<u>2,560,776</u>	<u>782,542</u>	<u>501,997</u>	<u>3,845,315</u>	<u>3,052,137</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,390,120</u>	<u>\$ 423,068</u>	<u>\$ 501,997</u>	<u>\$ 4,315,185</u>	<u>\$ 3,845,315</u>

See accompanying notes to financial statements.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017				
	Program Services				
	Accreditation	Conference Faculty Development	Minority Fellowship Program Clinical	Publications	John A. Hartford Program
Salaries	\$ 566,417	\$ 122,877	\$ 225,519	\$ 136,069	\$ -
Benefits and payroll taxes	143,144	43,120	49,465	26,640	-
Training and development	850	2,249	24,042	-	-
Advertising and promotion	-	31,181	-	6,267	-
Stipends/tuition	-	-	857,999	-	-
Facilities and equipment	-	-	-	-	-
Postage and delivery	1,874	6,170	-	913	-
Printing and production	-	7,165	705	11,403	-
Supplies	1,921	521	4,156	-	-
Telephone and utilities	1,614	1,087	465	-	-
Travel	11,308	18,079	91,012	-	-
Other expenses	25,730	145,396	104,199	722	-
Professional services	23,101	16,559	-	32,770	-
Occupancy	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-
Temporary help	-	-	-	-	-
Insurance	-	4,000	-	-	-
Commission expenses	-	15,080	-	-	-
In-kind services	227,410	-	-	-	-
Subscriptions and publications	8,700	-	-	4,548	-
Meetings and conventions	122,739	457,762	1,387	-	2,000
Bank fees	-	-	-	-	234
Grants	-	-	-	-	-
Subcontracts	-	-	-	-	-
Sub-total	1,134,808	871,246	1,358,949	219,332	2,234
Allocation of administration	565,967	121,279	-	121,279	-
TOTAL	\$ 1,700,775	\$ 992,525	\$ 1,358,949	\$ 340,611	\$ 2,234

								2016
					Supporting Services			
Communications and Marketing	Other Programs	Membership Services	Social Work Education Research	Total Program Services	Administration	Total Expenses	Total Expenses	
\$ 133,661	\$ 505,957	\$ 53,067	\$ 256,558	\$ 2,000,125	\$ 652,046	\$ 2,652,171	\$ 2,516,416	
19,654	134,221	18,068	64,295	498,607	176,237	674,844	630,357	
3,372	8,444	-	555	39,512	2,797	42,309	40,287	
2,733	1,383	-	435	41,999	-	41,999	44,735	
-	4,000	-	-	861,999	-	861,999	901,960	
-	175,289	-	-	175,289	18,269	193,558	25,453	
21	5,899	547	-	15,424	3,200	18,624	24,742	
438	1,266	-	48	21,025	-	21,025	104,429	
358	344	82	526	7,908	41,654	49,562	184,809	
240	3,804	-	6,654	13,864	11,510	25,374	21,533	
3,105	19,166	-	1,260	143,930	41,437	185,367	489,749	
-	115,852	-	5,297	397,196	121,786	518,982	408,236	
21,060	306,912	-	222,539	622,941	283,195	906,136	423,450	
-	-	-	-	-	690,080	690,080	694,026	
-	-	-	-	-	42,374	42,374	13,530	
-	5,964	-	4,146	10,110	3,398	13,508	16,565	
-	-	-	-	4,000	29,584	33,584	32,727	
-	-	-	-	15,080	103,057	118,137	135,719	
-	-	-	-	227,410	-	227,410	170,310	
565	-	-	58	13,871	-	13,871	39,157	
-	94,993	-	1,107	679,988	42,009	721,997	422,203	
-	-	122	-	356	33,760	34,116	72,856	
-	155,407	-	5,342	160,749	-	160,749	174,613	
-	12,000	-	-	12,000	-	12,000	183,953	
185,207	1,550,901	71,886	568,820	5,963,383	2,296,393	8,259,776	7,771,815	
121,279	303,196	60,639	384,049	1,677,688	(1,677,688)	-	-	
\$ 306,486	\$ 1,854,097	\$ 132,525	\$ 952,869	\$ 7,641,071	\$ 618,705	\$ 8,259,776	\$ 7,771,815	

COUNCIL ON SOCIAL WORK EDUCATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 469,870	\$ 793,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,374	13,530
Net (appreciation) depreciation of investments	(187,304)	161,445
(Increase) decrease in:		
Accounts receivable	(50,187)	101,123
Grants receivable	(34,103)	332,427
Inventory	(308)	19,777
Prepaid expenses	(77,599)	(9,374)
Trademark	(6,125)	(12,786)
Increase (decrease) in:		
Accounts payable and accrued expenses	124,158	(42,749)
Deferred revenue	86,651	153,334
Deferred rent	(27,817)	(12,743)
Net cash provided by operating activities	<u>339,610</u>	<u>1,497,162</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(408,639)	(144,649)
Redemption of certificate of deposit - restricted	-	71,605
Purchase of fixed assets	(206,817)	(60,633)
Net cash used by investing activities	<u>(615,456)</u>	<u>(133,677)</u>
Net (decrease) increase in cash and cash equivalents	(275,846)	1,363,485
Cash and cash equivalents at beginning of year	<u>3,195,069</u>	<u>1,831,584</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,919,223</u>	<u>\$ 3,195,069</u>

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 FASB ASC 958, *Not-for-Profit Entities*.

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, 2016, 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. Included in investments at June 30, 2017 are cash and cash equivalents of \$39,473.

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. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts and grants receivable -

Accounts and grants receivable approximate fair value and are expected to be collected within the year. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Inventory -

Inventory consists of publications which are recorded at the lower of cost or market value using the first-in, first-out method. Management reviews inventory for obsolescence on an annual basis. Based on the Council's review, there is no allowance for obsolescence.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Fixed assets -

Fixed assets are 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. The Council capitalizes all items over \$1,000. Depreciation expense for the year ended June 30, 2017 was \$42,374.

Intangible asset -

The Council has adopted Financial Accounting Standards Board (FASB) issued FASB ASC 350, *Goodwill and Other Intangible Assets*. In connection with the adoption of this standard, the Council's unamortized trademark balance will be 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, 2017. As of June 30, 2017, the balance of their trademark was \$218,220.

Income taxes -

The Council is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Council is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2017, 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.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Council and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Council.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

For cost-reimbursable type grants and contracts, revenue is recognized as expenses are incurred. 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.

The Council receives funding under contracts from organizations 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, they are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the contract.

Deferred revenue -

Deferred revenue consists of school and individual membership dues, annual meeting, 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. Payments of dues and fees that have not been earned are recorded as deferred revenue.

In-kind services -

In-kind services consist of time spent by commissioners and site visitors on their accreditation program. 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.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Council's financial statements, it is not expected to alter the Council's reported financial position.

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.

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 fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Council plans to adopt the new ASU at the required implementation date.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

New accounting pronouncement not yet adopted (continued) -

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 ASU at the required implementation date.

2. **INVESTMENTS**

Investments, at fair value, consisted of the following at June 30, 2017:

	<u>Fair Value</u>
Money market funds	\$ 39,473
Mutual funds:	
U.S. equity funds	1,289,693
International equity funds	485,640
Bond funds	1,762,021
Other asset funds	142,817
Certificate of deposit - restricted	<u>35,802</u>
TOTAL INVESTMENTS	<u>\$ 3,755,446</u>

Included in the investments balance are the permanently restricted funds and accumulated investment earnings, not yet authorized for spending for the Katherine Kendall Fund and the Hokenstad Endowment Fund in the amounts of \$763,160 and \$102,900, respectively.

Included in investment income are the following for the year ended June 30, 2017:

Interest and dividends	\$ 145,148
Net appreciation of investments	<u>187,304</u>
TOTAL INVESTMENT INCOME	<u>\$ 332,452</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2017:

Social Work Tribute Fund	\$ 16,756
Carl Scott Memorial	31,249
Director's Discretionary Fund	11,000
Accumulated investment earnings from endowed funds:	
Hokenstad Fund	2,900
Katherine Kendall Fund	<u>361,163</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 423,068</u>

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

4. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

Gero-Ed National Center	\$	428,144
Sage Women's Council		11,140
Carl Scott Memorial		1,000
Accumulated investment earnings from endowed funds:		
Katherine Kendall Fund		5,540

TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	<u>445,824</u>
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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 has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Council to appropriate for expenditures or accumulate so much of an endowment fund as the Council determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, the Council has not changed the way permanently restricted net assets are classified. See note 1 for further information on net asset classification. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate 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.

At June 30, 2017, permanently restricted endowment funds that are required to be retained permanently by explicit donor stipulation and the income from which is expendable consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowed funds:				
Katherine Kendall Fund	\$ -	\$ 361,163	\$ 401,997	\$ 763,160
Hokenstad Fund	-	2,900	100,000	102,900
TOTAL FUNDS	\$ -	\$ 364,063	\$ 501,997	\$ 866,060

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

5. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>-</u>	\$ <u>284,663</u>	\$ <u>501,997</u>	\$ <u>786,660</u>
Investment income	-	32,025	-	32,025
Net appreciation (realized and unrealized)	<u>-</u>	<u>52,915</u>	<u>-</u>	<u>52,915</u>
Total investment return	<u>-</u>	<u>84,940</u>	<u>-</u>	<u>84,940</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(5,540)</u>	<u>-</u>	<u>(5,540)</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>-</u>	\$ <u>364,063</u>	\$ <u>501,997</u>	\$ <u>866,060</u>

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. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2017.

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 10.5% as measured over a five year period.

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.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

5. ENDOWMENT (Continued)

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. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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,

2018	\$ 536,482
2019	552,558
2020	569,120
2021	<u>288,752</u>
	<u>\$ 1,946,912</u>

Rent expense included in occupancy expense in the accompanying statements of functional expense was \$489,229 for the year ended June 30, 2016. Deferred rent liability as of June 30, 2017 was \$236,660.

7. IN-KIND SERVICES

The Council receives services contributed by volunteer accreditation visitors and commissioners. The value of these services, which is susceptible to measurement, is shown as contribution revenue and accreditation expense in the accompanying financial statements. Contributions of donated services of accreditation visitors and commissioners for the year ended June 30, 2017, totaled \$227,410.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 totaled \$149,874.

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 2016. 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 2023. 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. FAIR VALUE MEASUREMENT

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.

COUNCIL ON SOCIAL WORK EDUCATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

11. FAIR VALUE MEASUREMENT (Continued)

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, 2017.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, the Council's investments as of June 30, 2017:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 39,473	\$ -	\$ -	\$ 39,473
Mutual funds:				
U.S. equity funds	1,289,693	-	-	1,289,693
International equity funds	485,640	-	-	485,640
Bond funds	1,762,021	-	-	1,762,021
Other asset funds	142,817	-	-	142,817
Certificate of deposit - restricted	<u>35,802</u>	<u>-</u>	<u>-</u>	<u>35,802</u>
TOTAL	<u>\$ 3,755,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,755,446</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through October 13, 2017, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

COUNCIL ON SOCIAL WORK EDUCATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through to Subrecipients</u>	<u>2017 Expenditures</u>
U. S. Department of Health and Human Services - SAMHSA:			
Minority Fellowship Program (8/1/2015 -7/31/2016)	93.243	\$ -	\$ 59,255
Minority Fellowship Program (9/30/2015 - 9/29/2016)	93.243	-	152,891
Minority Fellowship Program (8/1/2016 - 7/31/2017)	93.243	-	737,303
Minority Fellowship Program (9/30/2016 - 9/29/2017)	93.243	<u>-</u>	<u>409,731</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>-</u>	\$ <u>1,359,180</u>

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 Federal government for the year ended June 30, 2017. The information in 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). Because the Schedule presents only a selected portion of the operations of the Council, 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 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, 2017:

Total grants and contributions	\$ 1,830,575
Non-Federal grants income	<u>471,395</u>
FEDERAL GRANTS INCOME	\$ <u>1,359,180</u>

COUNCIL ON SOCIAL WORK EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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 that are not considered to be material weakness(es)? 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 that are not considered to be material weakness(es)? 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, 2017**

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, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 13, 2017.

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.

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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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

October 13, 2017

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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 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, 2017. 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 requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 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 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.



October 13, 2017