COLLABORATIVE FOR EDUCATIONAL SERVICES

Financial Statements
And
Supplementary Information

June 30, 2017 and 2016

collaborative.org
Collaborative for Educational Services

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To: Board of Directors, Collaborative for Educational Services
From: William Diehl, Ed.D., Executive Director
Re: Management Discussion and Analysis (MD&A) Report for FY17
Date: November 1, 2017

Introduction

The following discussion and analysis of the CES financial performance provides an overview of CES's financial activities for the fiscal year ended June 30, 2017. Please read this in conjunction with CES's financial statements, which follow.

CES complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

About the Collaborative for Educational Services

Since its inception in 1974, CES has worked closely with schools, school districts, educators, students, families, and a range of community partners to enhance educational opportunities for children, youth, and adults with a focus on those at risk of failure. CES has worked primarily with 36 member school districts in Franklin and Hampshire Counties, but also with other districts and major statewide programs. We continued in 2017 to identify emerging needs, develop resources, share effective practices, provide exemplary programs, train educators, and manage educational initiatives, all aimed at improving education for all learners.

Organizational Structure and Leadership

The CES Board of Directors is made up of one School Committee representative from each of our 36 member districts. The Board held six meetings in FY17, each well-attended and with a quorum, with members clearly invested in the success of CES. Among other responsibilities, the Board oversees and evaluates the Executive Director who, in turn, manages the operations of the agency. In FY17, CES had an internal Leadership Council that provided key direction on the values, priorities, strategic planning, and overall work of CES. A separate internal Operations Team provided leadership in shared services, policy and procedure development, and overall logistics. CES also had six inter-departmental teams called Platforms to promote collaboration and innovation in specific areas of our work. (Shared Services; Social Justice and Equity; Teaching and Learning; Markets; Knowledge Management; and the Design Team)

Starting on July 1, 2017, we began the implementation of an agency re-organization that had been planned throughout FY17. This re-organization was designed to make CES more prepared to meet the challenges ahead of us by becoming more effective, efficient, collaborative, innovative, inclusive, and sustainable, with a diverse and empowered staff. The functional areas – Birth-22 Direct Services; Professional Services; Finance and Operations; Business Development and External Relations; the Department of Youth Services Education Initiative; and the Special Education in Institutional Settings contract; and will begin the re-organization of our past departments, functions, and staff into these broader areas of work during FY18. Our continued agency focus on work in Social Justice, Equity, and Inclusion is reflected in the continuation of that Platform, while other targeted Platform worked has been absorbed into our new structure.

CES also has two leadership Advisory Boards, comprised of superintendents from Hampshire and Franklin Counties. These Advisory Boards met monthly to provide input on CES's services and to network about major issues and challenges they face and discuss solutions.

Financial Highlights

Assets and Liabilities: The total assets of CES at the close of FY17 were $8,113,681 which includes $1,901,364 in net capital assets. Deferred outflows of resources were $308,660 at the close of FY17. Total liabilities were $5,093,753 which includes $1,607,577 of long-term liabilities. Total net position at the close of FY17 was $3,328,588 consisting of $270,727 invested in capital assets, $59,441 in temporarily restricted net position and $2,998,420 in unrestricted.

General Fund and Special Revenue Fund Revenue and Expenditures: Total revenues for FY17 were $38,481,107 (not including pension revenue and offsetting expenses). This was a slight *decrease – 0.71%* -- in revenue from $38,755,123 in FY16. It still represented an increase from other years (e.g. from $38,026,671 in FY15).

CES had **expenditures** of $38,355,852, resulting in *lower expenditures than revenues*. This was a *decrease – 1.51% – in expenditures* from FY16. As a result, CES had ***$125,255 excess revenue over expenses***, an impressive increase of $252,062 from the deficit in 2016 of ($126,807).

General Fund: Of the revenue, $9,196,664 was in the general fund (a $549,654, or @6%, increase from $8,647,010 in FY16). This includes $2,612,441 from Special Education, $1,298,468 from Professional Development and $1,533,543 in State pension contributions. Total general fund expenditures in FY17 were $9,035,779 and consist of $7,787,638 in personal services, $1,174,985 in materials and services and $73,156 in interest. This leaves ***revenues exceeding expenses by $160,885*** and an ending fund balance of $4,103,040. This was a marked improvement from FY16 when expenses exceeded revenues by ($114,866) and reflects a return on investment of building CES staff capacity in targeted Special Education and professional development services. Special Education had a surplus of $55,911, and our Administration costs were notably lower than projected. While Professional Development had a deficit of $158,821, it was an important improvement from FY16 and indicates CES is going in the right direction in PD.

Special Revenue Fund: Of the revenue, $29,284,443 was in the special revenue fund and reflects primarily federal and state grants and contracts. Total special revenue fund expenditures were $29,320,073 and consists of $24,148,117 in personal services, $5,045,117 in materials and supplies and $126,839 in capital outlays. This leaves expenses exceeding revenues by ($35,630) and an ending fund balance of $368,396. This difference reflects expenses incurred by programs using allowable funds that were held over from previous years.

Highlights of Activities and Impacts for FY2017

FY17 has been a year of deepened and expanded practice at the Collaborative for Educational Services (CES). Data was collected on all programs and services for a December, 2017 report to the Department of Elementary and Secondary Education.

CES provided a range of **direct services** to children, youth, and families. These included CES programs in Special Education, alternative education, afterschool, internships, career-technical education, and early childhood programs. Combined, these programs touched over 3,262 **individuals** in our member districts, as well as other school districts. In addition to our Special Ed programs -- HEC Academy and CBWE – we served 750 students in afterschool programs, 850 in our Perkins Consortium and Connecting Activities programs (for occupational training), and 1,588 children and families through our Early Childhood department.

Over **5,500 educators** participated in CES **professional development (PD)**. CES conducted open enrollment or district-based PD workshops, institutes, coaching, and other educator supports in all grade levels. These included PD and coaching in literacy; ESL and ELL education, including SEI Endorsement; culturally responsive education; social justice, equity and inclusion; leadership; curriculum alignment, planning, mapping and development; literacy, numeracy, science, and social studies education; special education; assistive technology; technology/curriculum integration; project-based, inquiry and hands-on learning; differentiated instruction; authentic assessment; and professional learning communities and other collaborative staff development strategies. CES also continued its highly successful Licensure program, with 664 course registrations, 29 course offerings, and 62 program completers who were endorsed for their initial license.

CES provided **many more services** to member districts and beyond in FY17. These included: a) the Strategic Initiative for Families and Youth (SPIFFY), a coalition of sixty community partners working together to improve outcomes for youth; b) Community Health Solutions, consulting services that work with school and community groups on assessment and evaluation, evidence-based prevention strategies, and community engagement and organizing; c) the regional Title III Consortium that supported 15 member districts and many educators in meeting the educational needs of English Language Learners; d) services, mainly to member districts in areas including itinerant speech and language services, Assistive Technology, Occupational Therapy, and other special education services; e) alternative education offerings including Mount Tom Academy, Academic Support Programs, and a Perkins Consortium to provide career and technical education programs in four Hampshire County Districts; f) cooperative purchasing programs for food, school and art supplies, legal services, and technology services enable our collaborating districts to achieve estimated cost savings of 5-10%; and much more.

CES also continued to manage three large-scale statewide projects in FY17. CES provided all of the staffing, staff development, evaluation and program improvements for the educational programs under the auspices of the Department of Youth Services. CES also continued conducting similar work under a contract with the Massachusetts Departments of Elementary and Secondary Education's (ESE's) for Special Education in Institutional Settings (SEIS) across the Commonwealth. SEIS provided special education services to youth involved in the Departments of Youth Services, Mental Health, and Public Health, as well as County Houses of Correction. CES also continued to manage multiple trainings across the state in assessment for pre-school and kindergarten teachers though grants from EEC and ESE. These statewide efforts have brought added capacity to CES to serve our member districts and have kept costs to districts down through economies of scale.

Grants and Contracts

In FY17, CES received and managed 56 new or continuing local, state, federal, private, and foundation grants and contracts. This was a reduction from the 60 in FY16, and both years were a decrease from 75 in FY15. This trend reflects the continuing reduction in available grants from both state and federal sources. In this regard, CES recognized special fund revenue of $29,284,443, a decrease of $823,670 from the FY16 special fund revenue of $30,108,113. At the same time, expenses associated with the grants and contracts also decreased, with a total of expenses over revenues of $35,630. Grants came from many sources, including from: the MA Departments of Elementary and Secondary Education (ESE), Early Education and Care (EEC), and Youth Services (DYS); and the U.S. Department of Education, National Endowment for the Humanities and Library of Congress.

Contributing to these numbers, CES continued to be a favored contractor for the Department of Elementary and Secondary Education (ESE) and the Department of Early Education and Care (EEC) in multiple areas. To obtain contracts for professional development, curriculum module development and training, educator evaluation training, early childhood training and professional development, special education courses and training, WIDA and RETELL training for teachers and administrators, SEI Endorsement, and other areas, one had to become an approved provider. In FY17, CES became or continued to be an approved provider in nine separate categories.

Also contributing to the work and revenue through grants and contracts, CES continued our notable work in afterschool programs in Hampshire, Hampden, and Franklin Counties. New, continuation, demonstration site and exemplary site grants made CES the highest awardee of afterschool funding in the Commonwealth for the fifth year. CES also was the western Massachusetts regional center for the required SEI Endorsement Courses.

Prospects for FY18 and Beyond

In the FY16 Management Discussion and Analysis, I noted my concern that grant and contract funding for FY17 and beyond was not as clear as it had been in the past. That concern continues for FY18. While the re-authorization of the Elementary and Secondary Education Act (into ESSA) was finalized in FY16, the FY17 Presidential election and resulting changes to the education landscape left uncertainty about the future of any and all education funding at the federal level. In addition, cutbacks in state funding to the Departments of ESE and EEC have been leading to fewer and smaller grants. In addition, most of our member districts have seen shrinking enrollments due to school-age population declines and competition from charter schools, private schools, and school choice; this has resulted in reductions in expenditures, including expenditures for professional and direct services from CES.

Anticipating the continuation of these concerning trends, CES made several strategic decisions in FY17 which should reap dividends in FY18.

- First, and with the approval of the Board of Directors, CES made a determined commitment to **replace antiquated legacy information systems across the agency with sophisticated new systems.** Both fiscal and human resources and substantial time in staff training were invested in these efforts in FY17. By the end of FY17, we achieved three important milestones: a) the initial launch of key parts of our new financial system – Infinite Visions; b) successful implementation of most parts of our new customer relations management system – Salesforce; and c) the implementation of Applicant Tracking for HR's screening, interviewing, selection, and on-boarding processes. With these three new systems, and other enhancements in procedures, we are seeing many benefits in improving our responsiveness to our member districts, schools, educators, and other users of our services and in building our ability to be cohesive and efficient across the agency. **These innovations will help CES to be more efficient, cost effective and sustainable in FY18 and into the future.**

- Second, we placed a purposeful focus on **increasing our direct services** in areas such as Special Education and afterschool programs – a strategy that began to pay off in FY17 with increased revenue of 6%. **We expect this trend to continue in FY18.**

- Third, we continued to develop and implement **new business and strategic plans for areas of the agency that needed increased focus.** In FY16, that was Mount Tom Academy, resulting in the program meeting all expenses in FY17. In FY17, we focused on planning for the Occupational Therapy Center (OTC) and the Collaborative Center for Assistive Technology and Training (CCATT). **We anticipate that these Centers will also show improvements in FY18 in increasing revenues and decreasing expenses.**

- Fourth. we focused our energies and resources on **key areas that are expected to grow in local, state, national, and foundation funding**: a) professional development and courses preparing educators to meet the needs of ELL students and students with special needs; b) social-emotional learning and safe and supportive schools; c) Social Justice and Equity; d) early childhood education programs and services; e) technology services and professional development on integrating technology in the curriculum; f) personalized and competency-based learning; g) research and evaluation services; h) cooperative purchasing, especially as member districts struggle with decreasing enrollments and funding; and i) programs and services targeted at children and youth placed at the greatest risk of failure, including justice-involved and institutionalized youth, and children and youth with significant emotional, social or physical disabilities. **These foci will continue in FY18 and will allow CES to continue to grow and sustain all its work.**

- Fifth, we looked for other **expansion opportunities**, both in professional services and in geographical reach. As one example, we worked with superintendents in the northern Berkshires to establish a new Special Education program, run by CES, and opening in FY18.

Overall, then, CES is in strong fiscal shape going into FY18. The direct education programs, such as Special Education programs, are effective and well supported by CES's member districts and others. The two largest statewide contracts are firmly in place: DYS and SEIS are secure for the year. CES has other substantial grants from EEC, such as Coordinated Family and Community Engagement (CFCE) that provide a range of early childhood services to 13 member and 5 non-member districts. The Title III consortium, launched in FY14, has continued to expand. CES's SPIFFY and Healthy Families and Community work has grown notably and is expected to continue to grow through new grants, contracts, and fee-for-service. Plus, CES is the Sheltered English Instruction (SEI) Center for the Pioneer Valley and Berkshire regions and has more demand for SEI-endorsement courses than can currently be fielded; this area too will grow.

CES is committed to continuing its effective and efficient management of programs, services, and funds so that the growth of the organization can continue, member districts can be well-served, innovation can be supported, and outstanding staff can be recruited and retained into the future.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Collaborative for Educational Services

Report on the Financial Statements

We have audited the accompanying financial statements of Collaborative for Educational Services (a nonprofit organization), which comprise the statements of net position as of June 30, 2017 and 2016 and the related statements of activities and cash flows for the years 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.

Auditors' 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 auditors' 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 auditors consider 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 Collaborative for Educational Services as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of governmental fund revenues, expenditures and changes in fund balance/schedule of activities, the combining schedule of special revenue funds, and the reconciliation of treasurer's cash are presented for purposes of additional analysis and are 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.

The disclosures on pages 33-34 are required for Massachusetts Educational Collaboratives. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of Collaborative for Educational Services' 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 Collaborative for Educational Services' internal control over financial reporting and compliance.

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
November 15, 2017

COLLABORATIVE FOR EDUCATIONAL SERVICES

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,197,413	$ 1,021,424
Accounts receivable	1,210,987	1,106,413
Grants receivable	3,663,999	4,554,020
Prepaid expenses	74,616	64,113
Total Current Assets	6,147,015	6,745,970
Capital Assets	1,901,364	2,175,263
Other Assets		
Deposits	1,350	1,350
Infinite Visions Software	63,952	26,230
Total Other Assets	65,302	27,580
Total Assets	8,113,681	8,948,813
Deferred Outflows of Resources	308,660	301,657
LIABILITIES		
Current Liabilities		
Accounts payable	995,279	1,394,256
Accrued payroll and related withholdings	1,860,285	2,026,284
Accrued expenses - other	36,514	49,777
Deferred revenue	420,688	410,529
Grants payable	86,398	116,697
Mortgage payable - due with one year	87,012	83,644
Total Current Liabilities	3,486,176	4,081,187
Mortgage Payable - Due After One Year	1,607,577	1,692,050
Total Liabilities	5,093,753	5,773,237
Net Position		
Invested in capital assets, net of related debt	270,727	425,799
Restricted	59,441	59,690
Unrestricted	2,998,420	2,991,744
Total Net Position	$ 3,328,588	$ 3,477,233

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

COLLABORATIVE FOR EDUCATIONAL SERVICES

Statements of Activities

For the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Federal, State and other grants	$ 29,284,443	$ 30,108,113
Grant reimbursements to administration	2,982,250	2,978,384
Special education	2,612,441	2,522,805
State pension contribution	1,533,543	935,131
Professional development	1,298,468	1,482,070
Consultaton revenue	674,700	633,089
Member assessments	87,686	89,334
Contributions	6,175	4,485
Interest income	1,401	1,712
Total Revenues	38,481,107	38,755,123
Expense		
Operating:		
Personal services	31,935,755	31,214,070
Materials and services	6,220,102	7,506,140
Depreciation	400,739	424,111
Non-operating:		
Interest	73,156	77,426
Total Expense	38,629,752	39,221,747
Change in Net Position	(148,645)	(466,624)
Net Position - Beginning of Year	3,477,233	3,943,857
Net Position - End of Year	$ 3,328,588	$ 3,477,233

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

COLLABORATIVE FOR EDUCATIONAL SERVICES

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from program services	$ 37,698,018	$ 38,128,093
Cash received from contributors	43,751	85,109
Cash paid to suppliers and employees	(37,259,712)	(37,260,760)
Interest and dividends received	1,401	1,712
Interest paid	(73,156)	(77,426)
Net Cash Provided by Operating Activities	410,302	876,728
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(119,884)	(467,470)
Increase in construction in progress	(30,785)	(4,510)
Decrease in security deposits	-	170
Net Cash Used in Investing Activities	(150,669)	(471,810)
Net Cash Used in Financing Activities		
Principal payments - long-term debt	(83,644)	(80,212)
Net Increase Cash	175,989	324,706
Cash at beginning of year	1,021,424	696,718
Cash at End of Year	$ 1,197,413	$ 1,021,424

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

COLLABORATIVE FOR EDUCATIONAL SERVICES

Statements of Cash Flows – (*Continued)*

For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Position	$ (148,645)	$ (466,624)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	400,739	424,111
Imputed interest	2,539	2,539
Change in assets and liabilities -		
Accounts and grants receivable	785,447	681,030
Prepaid expense	(10,503)	8,571
Accounts payable	(443,169)	85,841
Accrued expenses	(179,262)	431,626
Deferred revenue	10,159	(286,108)
Deferred outflows of resources	(7,003)	(4,258)
Total Adjustments	558,947	1,343,352
Net Cash Provided by Operating Activities	$ 410,302	$ 876,728

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Collaborative for Educational Services (the Collaborative) provides educational services to the following member entities:

Amherst	Greenfield	R.C. Mahar Regional
Amherst-Pelham Regional	Hadley	Rowe
Belchertown	Hampshire Regional	Shutesbury
Chesterfield-Goshen	Hatfield	Smith Vocational
Conway	Hawlemont Regional	South Hadley
Deerfield	Leverett	Southampton
Easthampton	Mohawk Trail Regional	Sunderland
Erving Elementary	New Salem	Ware
Franklin County Technical School	Northampton	Wendell
Frontier Regional and Union 38	Orange	Westhampton
Gill-Montague Regional	Pelham	Whately
Granby	Pioneer-Valley Regional	Williamsburg

The Collaborative is a not-for-profit corporation under the laws of the Commonwealth of Massachusetts and is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code. The Collaborative was formed by member school systems for the purpose of pooling resources to maximize educational quality, particularly in the areas of occupational and career education in dealing with children with special needs. During the years ended June 30, 2017 and 2016, the Collaborative did not provide services to any individual over the age of 22.

The Collaborative is operated by a Board of Directors, appointed by the School Committees of each of the member towns and regional school districts. The Board of Directors appoints an Executive Director who is the chief operating official for the Collaborative.

The Collaborative utilizes classrooms in several of the member towns and regional school buildings to conduct its programs.

Reporting Entity

The Collaborative is the basic level of government that has financial accountability and control over all activities related to the Collaborative's educational activities in its member cities and towns. The Collaborative receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. In addition, there are no component units, as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, included in the Collaborative's reporting entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Collaborative's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments and governmental entities through its pronouncements (Statements and Interpretations). Governments and governmental entities are also required to follow pronouncements of the Financial Accounting Standards Board (FASB), when applicable, that do not conflict with or contradict GASB pronouncements. The more significant policies established in GAAP and used by the Collaborative are discussed below.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(CONTINUED)*

The Collaborative, in accordance with GASB Statement No. 34, is considered a special purpose governmental entity engaged only in business type activities and is not a component unit of another governmental entity. As such, the basic financial statements of the Collaborative are reported on the same basis as an enterprise fund, which is a proprietary fund in fund financial statements. The Collaborative is not a proprietary fund that is part of a government wide financial statement. As such, the notations "enterprise fund" and "proprietary fund" do not appear.

The Collaborative's statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue from cost reimbursement contracts is recognized when expenditures have been incurred that are reimbursable under the terms and conditions of the contract. Service revenue is recognized when the service is provided. Support from contributions is recognized when pledged. Expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Net Position Classification

Net position is classified in three components:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of "restricted" or "invested in capital, net of related debt".

Compensated Absences

The employees' accumulating rights to receive compensation for future absences due to illness are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, therefore a liability for unused sick leave is not recorded in the financial statements.

The Collaborative's administrative, maintenance, and certain clerical employees earn vacation which may be accumulated and carried forward within certain limits provided under various individual contracts. At June 30, 2017 and 2016, accrued vacation of $480,041 and $419,347, respectively is included in accrued payroll and related withholdings in the Statements of Net Position.

Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(CONTINUED)*

Capital Assets

The cost of capital assets acquired, in excess of $5,000, is recorded as expenditures in the governmental funds and capitalized in their respective asset accounts.

The Collaborative records depreciation on such assets using the straight-line method over the following estimated useful lives:

Buildings	27.5 years
Building improvements	10-20 years
Leasehold improvements	5-20 years
Office/classroom equipment	3-10 years
Motor vehicles	5 years

Depreciation expense for the years ended June 30, 2017 and 2016 was $402,770 and $424,111, respectively.

The following is a summary of the Collaborative's capital assets:

	Beginning Balances	Additions/ (Disposals)	Ending Balances
Land	$ 292,068	$ -	$ 292,068
Buildings and improvements	2,692,003	-	2,692,003
Leasehold improvements	223,531	-	223,531
Office/classroom equipment	3,848,255	126,840	3,975,095
Motor vehicles	75,220	-	75,220
Totals at historical cost	7,131,077	126,840	7,257,917
Less accumulated depreciation for:			
Buildings and improvements	1,564,504	108,086	1,672,590
Leasehold improvements	76,884	12,360	89,244
Office/classroom equipment	3,239,206	280,293	3,519,499
Motor vehicles	75,220	-	75,220
Total accumulated depreciation	4,955,814	400,739	5,356,553
Capital assets, net	$ 2,175,263	$ (273,899)	$ 1,901,364

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no need for a valuation allowance for the years ended June 30, 2017 and 2016.

Advertising Costs

The Collaborative expenses the cost of advertising as incurred. Advertising expense was $17,783 and $49,877 for the years ended June 30, 2017 and 2016, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *(CONTINUED)*

Income Taxes

Collaborative for Educational Services is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings.

Adoption of Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03 *Simplifying the Presentation of Debt Issuance Costs* which requires debt issuance costs be presented on the balance sheet as a reduction of the carrying amount of the debt rather than an asset. Debt issuance costs are amortized and reported as interest expense. The pronouncement is effective for fiscal years beginning after December 15, 2015. The requirements in ASU 2015-03 must be implemented retrospectively to all prior periods presented. Since comparative statements are presented as of and for the year ended June 30, 2016, the necessary accounts have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Prior Year Reclassifications

Prior year's financial statements have been reclassified to conform with the current year's presentation. The reclassification has no effect on the previously reported change in net assets for the year ended June 30, 2016.

Subsequent Events

Collaborative for Educational Services has evaluated events that have occurred subsequent to June 30, 2017 through November 15, 2017, the date these financial statements were available to be issued, and has determined there were no material events requiring recognition or disclosure.

NOTE 2 – CASH AND CASH EQUIVALENT

Generally, the Treasurer is authorized to invest in the following investments: term deposits or certificate of deposits, trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States government or an agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations.

The Collaborative considers all short-term investments with original maturities of three months or less to be cash equivalents.

	2017		2016	
	Carrying Amount	Bank Amount	Carrying Amount	Bank Amount
Insured	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Federally uninsured and uncollateralized *	947,413	1,234,863	771,424	891,395
Total Cash and Cash Equivalents	$ 1,197,413	$ 1,484,863	$ 1,021,424	$ 1,141,395

* Balances in excess of the amount covered by FDIC are insured by the Depositors Insurance Fund of Massachusetts.

NOTE 2 – CASH AND CASH EQUIVALENT - *(CONTINUED)*

The amounts presented in the columns "Carrying Amount" and "Bank Amount" represent the amounts per the accounting records and the amounts per bank statements, respectively. The difference between the two amounts represents normal reconciling items.

During the years ended June 30, 2017 and 2016, the Collaborative did not hold any funds that could be spent at the discretion of another person or entity.

NOTE 3 – ASSESSMENTS AND OTHER CHARGES FOR SERVICES

The annual administrative fee for member communities is billed in July of each fiscal year. Each month, the Collaborative bills communities based upon student or participant enrollment for services it provides.

NOTE 4 – RISK MANAGEMENT

The Collaborative is exposed to various risks of loss relating to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Collaborative has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – PENSIONS

Pensions for employees, other than Collaborative teaching staff, are provided through a contributory retirement system under the Massachusetts Contributory Retirement Law, which is governed by Chapter 32 of the Massachusetts General Laws.

Financial reporting information pertaining to the Collaborative's participation in the Massachusetts State Employees' Retirement System (MSERS) is prepared in accordance with Governmental Accounting Standard's Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement age for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e. the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation.

NOTE 5 – PENSIONS - *(CONTINUED)*

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of MSERS have been determined on the same basis as they are reported by MSERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employees' contributions are recognized when due and payable in accordance with the statutes governing MSERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the Collaborative's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As noted above, the Collaborative has a 100% special funding situation and is not responsible for and has not recorded a net pension liability.

For the year ended June 30, 2017, the pension expense recognized was $1,835,200 which included $1,533,543 for the State's pension contribution. For the year ended June 30, 2016, the Collaborative recognized a pension expense of $1,232,530 which included $935,131 for the State's pension contribution.

At June 30, 2017 and 2016, the Collaborative reported deferred outflows of resources $308,660 and $301,657, respectively related to the measurement date used by MSERS. The Collaborative had no deferred inflows of resources.

Actuarial Assumptions

Actuarial valuation of MSERS involves estimates of the reported amount and assumptions about profitability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new est

Significant actuarial assumptions and other inputs used to measure the total pension liability:

Measurement date	June 30, 2016
Valuation date	January 1, 2016
Expected return on investments	7.50%
Inflation	3.50%
Future salary increases	4.00% - 9.00% depending on group and length of service
Cost-of-living increases	3.00%

Mortality Assumption

Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Post-retirement – reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Disability - the morality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender district).

NOTE 5 – PENSIONS - *(CONTINUED)*

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefits of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

	1% Decrease to 6.50%	Current Discount Rate 7.50%	1% Increase to 8.50%
June 30, 2016	$ 17,969,000	$ 13,788,844	$ 10,246,000

Year Ended	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
06/30/2017	$ -	$ -	$ 5,777,464	N/A	$ -
06/30/2016	-	-	5,538,474	N/A	-
06/30/2015	-	-	5,310,691	N/A	-
06/30/2014	-	-	5,313,902	N/A	-

Year Ended	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess Deficiency	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
06/30/2017	$ 1,835,200	$ 301,657	$ 1,533,543	$ 5,777,464	5.22%
06/30/2016	$ 1,232,530	$ 297,399	$ 935,131	$ 5,538,474	5.37%
06/30/2015	$ 540,205	$ 297,579	$ 242,626	$ 5,310,691	5.60%
06/30/2014	$ -	$ 285,013	$ -	$ 5,313,902	5.36%

This schedule is required supplementary information and is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on the measurement date of MSERS net pension liability, which is as of the beginning of the Collaborative's fiscal year.

NOTE 5 – PENSIONS - *(CONTINUED)*

School department teaching staff contributes to the Massachusetts Teachers' Retirement System (a contributory defined benefit plan) administered by the Massachusetts Teachers' Retirement Board. The Collaborative makes no contributions to this plan.

Membership in the plans is mandatory immediately upon the commencement of employment for all permanent full-time employees.

NOTE 6 – CONTINGENCIES

The Collaborative receives state and federal grants that are subject to review and audit by the grantor agencies. This could lead to an agency requiring return of grant funds for an expenditure disallowed under terms of the grant although there is no indication at this time that this will happen.

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Collaborative provides educational services to the children of the aforementioned member entities, and as such, is dependent on the economic environment of these towns.

During the year ended June 30, 2009, a majority of full-time and regular part-time professional and non-professional employees of the Collaborative voted to be represented by Local 509, SEIU, AFL/CIO. For the years ended June 30, 2017 and 2016, this union represented approximately 44% and 45%, respectively, of the Collaborative's employees. The contract expired June 30, 2017 and a new contract is currently being negotiated.

NOTE 8 – RENTAL LEASES

Collaborative for Educational Services has entered into various property lease agreements. All of these leases are for one year or less.

Rent expense for the years ended June 30, 2017 and 2016 was $190,586 and $161,843, respectively.

The Collaborative has entered into multiple copier and office equipment leases which range from 34 months to 60 months with expiration dates which run through June, 2021. Monthly payments range from $49 to $917.

Future minimum lease payments are as follows:

06/30/2018	$	42,968
06/30/2019		38,675
06/30/2020		36,634
06/30/2021		15,875
06/30/2022		436
	$	134,588

Equipment lease expense for the years ended June 30, 2017 and 2016 was $75,489 and $45,725, respectively.

NOTE 9 – LINE OF CREDIT

Collaborative for Educational Services maintains a $3,000,000 bank line of credit. This credit line expires December 10, 2043 and is secured by all assets of the Collaborative. The note is payable on demand with interest to be adjusted monthly to equal the New York prime rate. No amount was outstanding at June 30, 2017 and 2016.

NOTE 10 – MORTGAGE PAYABLE

	2017	2016
Bank note payable to PeoplesBank, as Trustee for the benefit of PB Partners, Inc. pursuant to Massachusetts Development Finance Agency Revenue Bonds, secured by all assets of the Collaborative, monthly payments of $12,829 including interest at 3.90%, (prepayments are permitted but at 102% of the principal amount to be repaid, if repaid on or before May, 2017), matures May, 2032.	$ 1,732,407	$ 1,816,051
Less - amount due within one year	(87,012)	(83,644)
Less - debt issuance costs	(37,818)	(40,357)
Mortgage Payable - Due After One Year	$ 1,607,577	$ 1,692,050

Maturities are expected to be as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Mortgages payable	$ 1,816,051	$ -	$ 83,644	$ 1,732,407	$ 87,012

	Principal	Interest
2018	$ 87,012	$ 66,941
2019	90,516	63,438
2020	93,997	59,956
2021	97,946	56,008
2022	101,889	52,064
2023-2027	574,258	195,509
2028-2032	686,789	70,776
	$ 1,732,407	$ 564,692

NOTE 11 – STATE SURPLUS REVENUE RETENTION

The Commonwealth of Massachusetts has regulations governing the excess of state revenues over expenses for not-for-profit organizations subject to the Operational Services Division's (OSD) authority. If a not-for-profit provider accrues an annual surplus from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00, the provider may retain, for future use, a portion of that surplus not to exceed 20% of said revenues. Surpluses may be used by the provider for any of its established charitable purposes, provided that no portion of the surplus is used for non-reimbursable costs as set forth in 808 CMR 1.05, the free care prohibition excepted. OSD shall be responsible for determining the amount of surplus that may be retained by each provider in any given year and may determine whether any excess surplus shall be used to reduce future prices or be recouped.

For the years ended June 30, 2017 and 2016, the Collaborative had no amounts in excess of the non-for-profit provider surplus revenue retention rule.

NOTE 12 – NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets were released from donor restrictions after satisfying the restricted purpose:

	Restricted Balance 7/1/16	Current Year Additions	Released in Current Year	Restricted Balance 6/30/17*
Bully Busters program	$ 5,677	$ -	$ -	$ 5,677
DiMarino Scholarship Fund	7,003	2,355	(1,571)	7,787
LEAP	5,000	-	-	5,000
Strong Foundations	13,432	10,076	(23,508)	-
Summer Learning Initiative	7,128	-	-	7,128
Food and Fitness	1,691	-	-	1,691
Becoming Helen Keller	569	-	-	569
Andrea Raphael Memorial fund	1,401	-	-	1,401
Joan Schuman Scholarship Fund	12,922	3,745	(507)	16,160
PWC Lending Library	4,867	75	(1,157)	3,785
United Way of Pioneer Valley	-	27,500	(17,257)	10,243
State pension contribution	-	1,533,543	(1,533,543)	-
	$ 59,690	$ 1,577,294	$ (1,577,543)	$ 59,441

* These funds are to be used in future years in accordance with donor restrictions.

NOTE 13 – LITIGATION

During the year ended June 30, 2013, a former employee filed a non-payment of wage and workplace complaint with the Fair Labor Division of the Commonwealth of Massachusetts Office of the Attorney General alleging violation of the Massachusetts Wage and Hour Laws. The Collaborative intends to defend the matter vigorously and it is not possible at this time to estimate the range of potential loss.

In October, 2014, an employee filed a charge of discrimination with MCAD alleging she was discriminated against because of her religion, age, gender, race and color and retaliation (based on an alleged complaint of sexual harassment). The MCAD dismissed this charge on August 2, 2016. The individual appealed the dismissal and the appeal was dismissed. The same employee also filed four separate but related grievances, three related to evaluations and one with respect to contract non-renewal. A decision was issued on April 24, 2016, that the underlying grievance was arbitrable. The Collaborative has appealed this decision and if the appeal is unsuccessful, the Collaborative will continue to vigorously defend its actions.

During the year ended June 30, 2015, a former employee filed a complaint with MCAD alleging age and sex discrimination as a result of the non-renewal of her contract. Subsequent to June 30, 2017, the employee withdrew her appeal and the matter is closed.

SEUI Local 509 (Union) filed an arbitration demand claiming a violation by the Collaborative of the parties' Collective Bargaining Agreement. The parties have settled by mutual agreement and no further arbitration is needed.

COLLABORATIVE FOR EDUCATIONAL SERVICES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Schedule 1

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Passed Through Massachusetts Department of Elementary and Secondary Education			
Special Education - Grants to States -			
Special Education in Institutional Settings	84.027	15CT85RFR15SEIMS	$ 3,683,079
SpEd 245 School Year	84.027	245-038-7-0532-R	5,000
SpEd 21st Enhanced School Year	84.027	245-035-7-0532	5,000
SpEd 245 Summer	84.027	245-005-7-0532	7,380
SpEd 245 B Summer	84.027	245-007-7-0532	5,000
			3,705,459
Passed Through Commonwealth Corporation			
Title 1 State Agency Program for Neglected and Delinquent Children -			
DYS - Title 1	84.013	71572	547,526
Passed Through Commonwealth Corporation			
Career and Technical Education -			
National Programs - DYS Perkins	84.048	715874	29,924
Passed Through Massachusetts Department of Elementary and Secondary Education			
Career and Technical Education - Basic Grants to States -			
Occupational Education Vocational Skills	84.048	400-052-7-0532-R	64,872
Occupational Education Vocational Skills	84.048	400-065-6-1094-Q	3,123
			97,919
Passed Through Massachusetts Department of Elementary and Secondary Education			
Special Education - Grants to States -			
Title III - English Language Acquisition	84.365	180-128-6-1094-Q	42,199
Title III - English Language Acquisition	84.365	180-137406-2017-0532	7,520
			49,719

COLLABORATIVE FOR EDUCATIONAL SERVICES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Schedule 1
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
Passed Through Massachusetts Department of Elementary and Secondary Education			
Twenty-First Century Community Learning Centers -			
Continuation - School Year	84.287	647-167-7-0532-R	592,824
Continuation - Summer	84.287	647-009-7-5032	55,945
CCLC Easthampton High School	84.287	647-166-7-0532-R	109,069
647-B-1 Summer Sheffield	84.287	647-085-7-0532	25,759
CCLC Summer Enhancement	84.287	647-016-7-0532-R	33,920
Exemplary 647-B-2 Summer	84.287	647-083-7-0532	73,150
21st CCLC Exemplary	84.287	647-165-7-0532-R	46,999
Regional Network Development	84.287	12COLLABEDU	3,000
			940,666
Passed Through Massachusetts Department of Early Education and Care			
Assessment - State	84.412	51317ASSESSMENT	400,000
U.S. Department of Health and Human Services			
Passed Through Masschusetts Department of Public Health			
Block Grants for Prevention and Treatment of Substance Abuse -			
BSAS	93.959	2354M04160222098	100,000
Passed Through City of Northampton			
1422 Grant	93.757	62-16-1	130,196
Total Expenditures of Federal Awards			$ 5,971,485

Schedule 1
(Continued)

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Collaborative for Educational Services under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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 Collaborative for Educational Services it is not intended to and does not present the financial position, changes in net assets, or cash flows of Collaborative for Educational Services.

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. Collaborative for Educational Services allocates its indirect costs per each agreed upon contract to a maximum of 9.16% for direct federal awards and 8.7% for awards passed through the State of Massachusetts.

NOTE 3 – SUBRECIPIENTS

There were no payments to subrecipients in any of the federal award programs during the year ended June 30, 2017

NOTE 4 – PASS-THROUGH STATE AGENCIES

Expenditures of federal awards for funds passed through state agencies is based on information provided by the Commonwealth of Massachusetts Operational Services Division.

COLLABORATIVE FOR EDUCATIONAL SERVICES
Schedule of Governmental Fund Revenues, Expenditures And Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

Schedule 2

	2017							2016
					Statement of Activities			
	General Fund	Special Revenue Fund	Total	Adjustments	Unrestricted	Temporarily Restricted	Total	Total
Revenues								
Federal, State and other grants	$ -	$ 29,284,443	$ 29,284,443	$ -	$ 29,246,867	$ 37,576	$ 29,284,443	$ 30,108,113
Grant reimbursements to administration	2,982,250	-	2,982,250	-	2,982,250	-	2,982,250	2,978,384
Special education	2,612,441	-	2,612,441	-	2,612,441	-	2,612,441	2,522,805
State pension contribution	1,533,543	-	1,533,543	-	-	1,533,543	1,533,543	935,131
Professional development	1,298,468	-	1,298,468	-	1,298,468	-	1,298,468	1,482,070
Consultation revenue	674,700	-	674,700	-	674,700	-	674,700	633,089
Member assessments	87,686	-	87,686	-	87,686	-	87,686	89,334
Contributions	6,175	-	6,175	-	-	6,175	6,175	4,485
Interest income	1,401	-	1,401	-	1,401	-	1,401	1,712
Net assets released from restrictions	-	-	-	-	1,577,543	(1,577,543)	-	-
Total Revenues	9,196,664	29,284,443	38,481,107	-	38,481,356	(249)	38,481,107	38,755,123
Expenditures/Expenses								
Operating:								
Personal services	7,787,638	24,148,117	31,935,755	-	31,935,755	-	31,935,755	31,214,070
Materials and services	1,174,985	5,045,117	6,220,102	-	6,220,102	-	6,220,102	7,506,140
Depreciation	-	-	-	400,739	400,739	-	400,739	424,111
Capital outlays	-	126,839	126,839	(126,839)	-	-	-	-
Debt Service:								
Interest	73,156	-	73,156	-	73,156	-	73,156	77,426
Total Expenditures/Expenses	9,035,779	29,320,073	38,355,852	273,900	38,629,752	-	38,629,752	39,221,747
Excess of Revenues Over Expenditures	160,885	(35,630)	125,255	(273,900)	-	-	-	-
Change in Net Position	-	-	-	-	(148,396)	(249)	(148,645)	(466,624)
Fund Balance/Net Position - Beginning of Year	3,942,155	404,026	4,346,181	-	3,417,543	59,690	3,477,233	3,943,857
Fund Balance/Net Position - End of Year								
Nonspendable:								
Prepaid expenses	74,616	-	74,616	-	-	-	-	-
Restricted:								
Special revenue fund	-	368,396	368,396	-	-	-	-	-
Unassigned	4,028,424	-	4,028,424	-	-	-	-	-
Unrestricted	-	-	-	-	3,269,147	-	3,269,147	3,417,543
Restricted	-	-	-	-	-	59,441	59,441	59,690
Total Fund Balance/Net Position - End of Year	$ 4,103,040	$ 368,396	$ 4,471,436	$ -	$ 3,269,147	$ 59,441	$ 3,328,588	$ 3,477,233

Schedule 2
(Continued)

NOTE 1 – BASIS OF PRESENTATION

Fund Types

The Collaborative uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts.

In the case of the Collaborative, funds are classified into only one category, governmental. This category, in turn, is divided into separate "fund types".

Governmental Funds

Governmental funds are used to account for the Collaborative's expendable financial resources and related liabilities. The measurement focus is upon determination of changes in financial position. The following are the Collaborative's governmental fund types:

General Fund - This fund is the general operating fund of the Collaborative. It is used to account for all financial resources except for those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

General Fund

For internal operating purposes, the Executive Director is responsible for compiling the preliminary annual budget based upon estimated expenditures submitted by all departments. This preliminary document is then reviewed by the Board of Directors who makes changes and alterations as deemed necessary before adopting the final budget. The annual budget consists of three main areas: 1) the administrative budget; 2) the special education program (SPED) budget; and 3) the professional development budget.

Administrative Budget - Each of the member towns and school districts pay an annual fee to subsidize the annual administrative costs of the Collaborative. Nonmember towns and school districts who choose to have their students participate in a Collaborative program pay tuition costs for the applicable program plus an administration charge equal to 10% of the basic tuition rate.

SPED Budget - the annual budget is used to estimate the annual basic tuition cost per student for each of the Collaborative's programs. The Collaborative bills tuition monthly based upon actual student enrollment.

Professional Development Budget - From time to time the Collaborative conducts a variety of professional development activities. The Collaborative generally conducts these activities on a break-even basis and charges participants based upon the cost for each event or program.

NOTE 1 – BASIS OF PRESENTATION – *(CONTINUED)*

The general fund's annual budget is prepared on a modified accrual basis of accounting. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. However, at the end of each fiscal year, the effect of any encumbrances that are outstanding at the time are reversed, and therefore not included in the amount shown as expenditures for the current fiscal year. These encumbrances, if any, are recorded at year end as a reservation of fund balance and accounted for as expenditures in the subsequent fiscal year when actual goods and services are received.

Special Revenue Funds

There is no formal requirement to adopt budgets for individual special revenue funds and as a result most funds have no budget. Special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year or are operated on a fiscal period which does not coincide with the Collaborative's fiscal year.

It is not practical for the Collaborative to report budgetary information for special revenue funds on a combined basis.

NOTE 2 – FUND BALANCE

The policy elected by the Collaborative's Board of Directors for fiscal year ended June 30, 1992, and all years thereafter, allows the Board to vote to use a portion of undesignated fund balance to reduce subsequent years' assessments, which would be reported as a component of general fund balance. At June 30, 2017, the Board had not voted to use any portion of the fund balance to reduce subsequent year assessments.

NOTE 3 – ADJUSTMENTS

When capital assets that are to be used in Collaborative activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the fund balance decreases by the amount of financial resources expended, whereas the net assets decrease by the amount of depreciation expense charged for the year.

COLLABORATIVE FOR EDUCATIONAL SERVICES
Combining Schedule of Special Revenue Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

Schedule 3

	Fund Balance Restricted June 30, 2016	Revenues	Operating Expenditures	Capital Outlays	Excess (Deficiency) Revenues Over Expenditures	Fund Balance Restricted June 30, 2017
Federal/State Grants/Others						
Governor's Alliance - High Risk	$ 2,858	$ -	$ -	$ -	$ -	$ 2,858
SETLI	-	169,983	168,277	-	1,706	1,706
FOCUS	-	100,000	99,543	-	457	457
ACLS Teacher Quality and Effectiveness	-	7,000	7,000	-	-	-
Bogin Playscape	650	-	1,530	-	(1,530)	(880)
DSAC	(3,645)	100,000	97,396	-	2,604	(1,041)
Baby & Me	4	-	4	-	(4)	-
STEP Services	4	-	-	-	-	4
Instructional Support/Literacy & Human Srvs	-	57,200	56,878	-	322	322
Early Learning Challenge Grant	2,777	-	1,677	-	(1,677)	1,100
Core to College	(7)	-	(7)	-	7	-
Title III English Language Acquisition	-	63,306	63,306	-	-	-
MA Licensure Academy	153	79,729	79,092	-	637	790
LEAP - PD	-	88,093	87,935	-	158	158
LEAP 2.0	-	20,254	20,254	-	-	-
Safe Schools	228	-	-	-	-	228
Gateway Regional/White Brook/Philip Coburn	12,019	33,920	34,060	-	(140)	11,879
Summit	-	2,410	2,410	-	-	-
Greenfield Middle School Program	280	-	-	-	-	280
EC Professional Development	(3,301)	5,762	3,983	-	1,779	(1,522)
P.L. 94-142	1,323	-	-	-	-	1,323
SpEd 245 Summer	-	12,380	12,380	-	-	-
SpEd 245B Enhanced School Year	-	5,000	5,000	-	-	-
SpEd 21st Enhanced - Converse	-	5,000	5,000	-	-	-
Bully Busters	5,677	-	-	-	-	5,677
Hasbro Summer Learning	7,128	-	-	-	-	7,128
21st Century	76,603	-	-	-	-	76,603
After School Learning Centers	(48,062)	8,530	25,659	-	(17,129)	(65,191)
BSAS	3,990	100,000	99,984	-	16	4,006
Assessment - State	82,474	365,921	397,940	-	(32,019)	50,455

COLLABORATIVE FOR EDUCATIONAL SERVICES
Combining Schedule of Special Revenue Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

Schedule 3
(Continued)

	Fund Balance Restricted June 30, 2016	Revenues	Operating Expenditures	Capital Outlays	Excess (Deficiency) Revenues Over Expenditures	Fund Balance Restricted June 30, 2017
RTTT - Projects 3.8 and 3.2	6,089	-	4,515	-	(4,515)	1,574
MA Family Network	10,156	-	-	-	-	10,156
Early Childhood Policy Coalition	8,146	-	-	-	-	8,146
PV Readiness	2,808	-	-	-	-	2,808
Northern Berkshires E&R	-	35,256	34,937	-	319	319
Community Service Learning Network	17,653	-	-	-	-	17,653
Mental Health Consultation	2,299	87,203	86,227	-	976	3,275
Community Partnerships Easthampton	26,281	517,800	516,931	-	869	27,150
PCHP FCC Provider Program	-	32,783	32,117	-	666	666
Perkins	(25,256)	53,739	61,125	6,855	(14,241)	(39,497)
Mass in Motion	16,207	47,500	47,954	-	(454)	15,753
1422 Grant	2,488	130,196	128,262	-	1,934	4,422
Teaching American History II	100	-	-	-	-	100
Teaching with Primary Sources	3,398	171,934	173,185	-	(1,251)	2,147
Becoming Helen Keller	569	-	-	-	-	569
Forge of Innovation	728	-	613	-	(613)	115
Star Residency	-	1,150	1,150	-	-	-
DYS Education Programs	47,094	16,730,866	16,621,801	109,704	(639)	46,455
PALMS	116	-	-	-	-	116
Afterschool Music and Art	100	-	-	-	-	100
ASOSTQ	4,122	15,242	15,182	-	60	4,182
Disability Outreach	220	-	-	-	-	220
Drug Free Communities	(1,187)	-	-	-	-	(1,187)
Social Norms Marketing	750	-	-	-	-	750
Food and Fitness	1,691	-	-	-	-	1,691
Town Hall Meetings	-	696	656	-	40	40
PNAS	-	12,500	12,178	-	322	322
Hospital Coalition	-	88,635	88,635	-	-	-
After School Program	21	-	-	-	-	21
Early Intervention Literacy	-	18,628	18,628	-	-	-
After School Academic Support	9,822	-	-	-	-	9,822

COLLABORATIVE FOR EDUCATIONAL SERVICES

Combining Schedule of Special Revenue Funds

Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2017

Schedule 3
(Continued)

	Fund Balance Restricted June 30, 2016	Revenues	Operating Expenditures	Capital Outlays	Excess (Deficiency) Revenues Over Expenditures	Fund Balance Restricted June 30, 2017
Competitive Academic Support Services	139	-	-	-	-	139
Work and Learning	(151)	-	-	-	-	(151)
TPS - Participants	-	4,952	5,319	-	(367)	(367)
RTTT - Project 6.2	8,102	-	8,102	-	(8,102)	-
Continuation - Summer	3,240	56,570	57,049	-	(479)	2,761
CCLC High School	-	109,069	106,297	-	2,772	2,772
21st CCLC	-	25,759	28,238	-	(2,479)	(2,479)
CCLC - Summer	316	-	316	-	(316)	-
Community Learning Expansion	2,545	-	-	-	-	2,545
21st Century Community Learning	6,953	-	-	-	-	6,953
Community Learning	(15,276)	-	-	-	-	(15,276)
21st SALT	(186,839)	-	-	-	-	(186,839)
Community Learning	5,629	-	1,134	-	(1,134)	4,495
Regional Network Development	-	3,000	3,000	-	-	-
Continuation - School Year	54,460	625,361	584,772	-	40,589	95,049
21st Exemplary	369,904	124,499	125,865	-	(1,366)	368,538
Verizon - Florence Heights	933	-	-	-	-	933
OST Programs	5,025	-	-	-	-	5,025
UWPV	-	27,500	16,064	-	11,436	11,436
MA Leadership Action	626	-	626	-	(626)	-
LEAP	5,000	-	-	-	-	5,000
Communities of Practice	229	-	229	-	(229)	-
TE4SJ Regional Initiative	-	25,000	25,000	-	-	-
Focus on Early Literacy	-	174,704	174,704	-	-	-
Art Works	(145)	-	-	-	-	(145)
Early Learning Opportunities	101	-	-	-	-	101
Strong Foundations	14,090	13,775	26,557	-	(12,782)	1,308
228 Pleasant Street	380	-	-	-	-	380
Connecting Activities	1,449	36,890	36,532	-	358	1,807
Adult Basic Education	1,794	-	-	-	-	1,794
Special Education in Institutional Settings	(150,046)	8,888,748	8,880,033	10,280	(1,565)	(151,611)
Totals	$ 404,026	$ 29,284,443	$ 29,193,234	$ 126,839	$ (35,630)	$ 368,396

COLLABORATIVE FOR EDUCATIONAL SERVICES
Reconciliation of Treasurer's Cash
June 30, 2017

Schedule 4

Bank Account - Interest Bearing		
PeoplesBank		$ 1,155,699
Total Cash - Interest Bearing	$ 1,155,699	
Checking and payroll accounts - PeoplesBank	41,314	
Petty cash	400	
Total Cash		$ 1,197,413
Cash is presented in the financial statements as follows:		
General fund		$ 1,197,413

COLLABORATIVE FOR EDUCATIONAL SERVICES

Disclosures Required by Chapter 43 of the Acts of 2012
of the Massachusetts General Laws
For the Year Ended June 30, 2017

1. The names, duties and total compensation of the five most highly compensated employees:

	2017	2016
William Diehl, Executive Director	$ 170,076	$ 172,440
Woodbury Clift, Director of DYS Project	143,857	133,382
Cecelia Buckley, Director of Licensure	139,212	149,848
Theresa Senio, Director of SEIS Contract	137,295	129,061
Barbara Siegel, Director of Finance	136,380	125,276

Compensation includes salary and all fringe benefits.

2. Transactions between the Collaborative and any related for-profit or non-profit organization, as defined by M.G.L. c.40, §4E:

None

3. Amounts expended on services for individuals aged 22 years and older:

None

4. The amounts expended on administration and overhead:

	2017	2016
Administration and overhead	$ 3,275,963	$ 3,338,800

5. Accounts held by the Collaborative that may be spent at the discretion of another person or entity:

None

6. Transactions or contracts related to purchase, sale, rental or lease of real property:

Month to month lease of classroom space:	
All Saints Episcopal Church - South Hadley	$ 1,692
Flywheel Arts Collective - Easthampton	1,900
Palmer Redevelopment Company - Palmer	6,525
First Congregational Church - Hatfield	570
United Church of Ware - Ware	3,610
Month to month lease of administrative space:	
123 Hawley Street LLC - Northampton	56,370
	$ 70,667
Mortgage payment - Principal	$ 83,644
- Interest	70,246
	$ 153,890

7. Cumulative Surplus Calculation:

At the end of each fiscal year unexpended general funds may be carried forward and used in subsequent budget cycles, however, in no event should cumulative surplus funds as defined under 603 CMR 50.07(9) exceed 25% of the previous year's general funds expenditures.

Definitions:

General Fund – Accounts for all financial resources except those required to be accounted for in another fund (mostly all core services and general administrative support)

Unexpended General Funds – Defined as current surplus (excess revenues over expenditures)

Cumulative Surplus – The addition of prior year surplus funds to current year surplus funds with certain adjustments

FY17 Cumulative Surplus Calculation			Page(s) in Financial Statements
(A) Voted cumulative surplus as of 6/30/16		$ (171,435)	P. 31 (FY16)
(B) 1 Amount of (A) used to support the FY17 budget	$ -		
2 Amount of (A) returned to member districts	-	-	
(C) Unexpended FY17 general funds		160,885	P. 26

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Directors
Collaborative for Educational Services

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 Collaborative for Educational Services, (a nonprofit organization), which comprise the statements of net position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Collaborative for Educational Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Collaborative for Educational Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
November 15, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Governors
Collaborative for Educational Services

Report on Compliance for Each Major Federal Program

We have audited Collaborative for Educational Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Collaborative for Educational Services' major federal program for the year ended June 30, 2017. Collaborative for Educational Services' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Collaborative for Educational Services' major federal program 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* 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 Collaborative for Educational Services' 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 the major federal program. However, our audit does not provide a legal determination of Collaborative for Educational Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Collaborative for Educational Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Collaborative for Educational Services 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 Collaborative for Educational Services' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the 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 Collaborative for Educational Services' 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purposes.

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
November 15, 2017

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	____ yes __x__ no
• Significant deficiency(ies) identified not considered to be material weakness(es)?	____ yes __x__ none reported
Noncompliance material to financial statements noted?	____ yes __x__ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____ yes __x__ no
• Significant deficiency(ies) identified not considered to be material weakness(es)?	____ yes __x__ none reported
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ yes __x__ no

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
84.027	Special Education – Grants to States (IDEA, Part B)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__x__ yes ____ no

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

There were no findings or questioned costs disclosed for the year ended June 30, 2016.