

COLLABORATIVE FOR EDUCATIONAL SERVICES

Financial Statements
And
Supplementary Information

June 30, 2016 and 2015



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, 2016 and 2015 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, 2016 and 2015, 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.

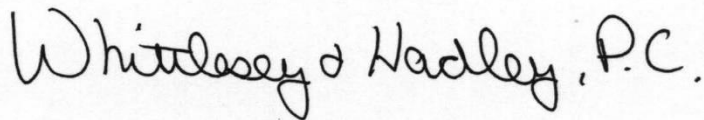
Other Information

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulation* (CFR) 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 30-31 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, 2016, 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.

A handwritten signature in black ink that reads "Whittlesey & Hadley, P.C." The signature is written in a cursive, slightly slanted style.

Holyoke, Massachusetts
November 15, 2016

COLLABORATIVE FOR EDUCATIONAL SERVICES
Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,021,424	\$ 696,718
Accounts receivable	1,106,413	1,786,357
Grants receivable	4,554,020	4,555,106
Prepaid expenses	64,113	72,684
Total Current Assets	<u>6,745,970</u>	<u>7,110,865</u>
Capital Assets	<u>2,175,263</u>	<u>2,493,360</u>
Other Assets		
Deposits	1,350	1,520
Construction in progress	26,230	21,720
Refinancing costs net of accumulated amortization of \$10,413 in 2016 and \$7,874 in 2015	40,357	42,896
Total Other Assets	<u>67,937</u>	<u>66,136</u>
Total Assets	<u>8,989,170</u>	<u>9,670,361</u>
Deferred Outflows of Resources	<u>301,657</u>	<u>297,399</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,394,256	1,726,290
Accrued payroll and related withholdings	2,026,284	1,589,647
Accrued expenses - other	49,777	54,788
Deferred revenue	410,529	696,637
Grants payable	116,697	60,278
Mortgage payable - due with one year	83,644	80,212
Total Current Liabilities	<u>4,081,187</u>	<u>4,207,852</u>
Mortgage Payable - Due After One Year	<u>1,732,407</u>	<u>1,816,051</u>
Total Liabilities	<u>5,813,594</u>	<u>6,023,903</u>
Net Position		
Invested in capital assets, net of related debt	425,799	661,713
Restricted	59,690	103,197
Unrestricted	2,991,744	3,178,947
Total Net Position	<u>\$ 3,477,233</u>	<u>\$ 3,943,857</u>

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

COLLABORATIVE FOR EDUCATIONAL SERVICES
Statements of Activities
For the Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Member assessments	\$ 89,334	\$ 90,755
Miscellaneous revenue	3,611,473	3,248,899
Interest income	1,712	2,452
Contributions	4,485	10,169
Special education	2,522,805	2,552,203
Professional development	1,482,070	1,576,750
Federal, State and other grants	30,108,113	30,302,817
State pension contribution	935,131	242,626
Total Revenues	38,755,123	38,026,671
Expense		
Operating:		
Personal services	31,214,070	29,612,579
Materials and services	7,506,140	7,711,272
Depreciation	424,111	333,545
Non-operating:		
Interest	77,426	78,227
Total Expense	39,221,747	37,735,623
Change in Net Position	(466,624)	291,048
Net Position - Beginning of Year	3,943,857	3,652,809
Net Position - End of Year	\$ 3,477,233	\$ 3,943,857

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, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from program services	\$ 38,128,093	\$ 37,542,987
Cash received from contributors	85,109	47,344
Cash paid to suppliers and employees	(37,260,760)	(37,171,218)
Interest and dividends received	1,712	2,452
Interest paid	(77,426)	(78,227)
	876,728	343,338
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(467,470)	(190,204)
Increase in construction in progress	(4,510)	(21,720)
Decrease in security deposits	170	6,107
	(471,810)	(205,817)
Net Cash Used in Financing Activities		
Principal payments - long-term debt	(80,212)	(77,302)
	324,706	60,219
Net (Decrease) Increase Cash		
Cash at beginning of year	696,718	636,499
	\$ 1,021,424	\$ 696,718
Cash at End of Year	\$ 1,021,424	\$ 696,718

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, 2016 and 2015

	2016	2015
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Position	\$ (466,624)	\$ 291,048
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	426,650	336,083
Change in assets and liabilities -		
Accounts receivable	681,030	(114,008)
Prepaid expense	8,571	58,954
Accounts payable	85,841	(124,940)
Accrued expenses	431,626	(26,725)
Deferred revenue	(286,108)	(77,254)
Deferred outflows of resources	(4,258)	180
Total Adjustments	1,343,352	52,290
Net Cash Provided by Operating Activities	\$ 876,728	\$ 343,338

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

COLLABORATIVE FOR EDUCATIONAL SERVICES

Notes to the Financial Statements

June 30, 2016

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 School Union 28	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, 2016 and 2015, 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, 2016 and 2015, accrued vacation of \$419,347 and \$387,932, respectively is included in accrued payroll and related withholdings in the Statements of Net Position.

Prior Year Information

The statement of governmental fund revenues, expenditures and changes in fund balances/statement of activities includes certain prior-year summarized comparative information in total but not by function, as well as, in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Collaborative's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

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, 2016 and 2015 was \$424,111 and \$333,545, 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	3,742,241	106,014	3,848,255
Motor vehicles	75,220	-	75,220
Totals at historical cost	7,025,063	106,014	7,131,077
Less accumulated depreciation for:			
Buildings and improvements	1,456,417	108,087	1,564,504
Leasehold improvements	64,353	12,531	76,884
Office/classroom equipment	2,937,458	301,748	3,239,206
Motor vehicles	73,475	1,745	75,220
Total accumulated depreciation	4,531,703	424,111	4,955,814
Capital assets, net	\$ 2,493,360	\$ (318,097)	\$ 2,175,263

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, 2016 and 2015.

Advertising Costs

The Collaborative expenses the cost of advertising as incurred. Advertising expense was \$49,877 and \$46,626 for the years ended June 30, 2016 and 2015, 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.

Subsequent Events

Collaborative for Educational Services has evaluated events that have occurred subsequent to June 30, 2016 through November 15, 2016, the date these financial statements were available to be issued, and has determined there were no material events requiring recognition or disclosure.

NOTE 2 – 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 3 – 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.

	2016		2015	
	Carrying Amount	Bank Amount	Carrying Amount	Bank Amount
Insured	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Federally uninsured and uncollateralized	771,424	891,395	446,718	1,179,882
Total Cash and Cash Equivalents	<u>\$ 1,021,424</u>	<u>\$ 1,141,395</u>	<u>\$ 696,718</u>	<u>\$ 1,429,882</u>

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

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, 2016 and 2015, the Collaborative did not hold any funds that could be spent at the discretion of another person or entity.

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 – PENSION

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.

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, 2016, the Collaborative recognized a pension expense of \$1,232,530 which included \$935,131 for the State's pension contribution. For the year ended June 30, 2015, the pension expense recognized was \$540,205 which included \$242,626 for the State's pension contribution.

NOTE 5 – PENSION - (CONTINUED)

At June 30, 2016 and 2015, the Collaborative reported deferred outflows of resources \$301,657 and \$297,399, 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 estimates are made about the future. The last actuarial valuation was as of January 1, 2015.

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

Measurement date	June 30, 2015
Valuation date	January 1, 2015
Expected return on investments	7.50%
Inflation	3.50%
Future salary increases	3.50% - 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 distinct).

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):

NOTE 5 – PENSIONS – (CONTINUED)

			1% Decrease to 6.50%	Current Discount Rate 7.50%	1% Increase to 8.50%
June 30, 2015			\$ 15,473,000	\$ 11,382,829	\$ 7,855,000

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
6/30/2016	\$ -	\$ -	\$ 5,538,474	N/A	\$ -
6/30/2015	-	-	5,310,691	N/A	-
6/30/2014	-	-	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
6/30/2016	\$ 1,232,530	\$ 297,399	\$ 935,131	\$ 5,538,474	5.37%
6/30/2015	\$ 540,205	\$ 297,579	\$ 242,626	\$ 5,310,691	5.60%
6/30/2014	\$ -	\$ 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.

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, 2016 and 2015, this union represented approximately 45% and 40%, respectively, of the Collaborative's employees. The contract expires June 30, 2017.

NOTE 8 – PROPERTY RENTAL LEASES

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

Rent expense for the years ended June 30, 2016 and 2015 was \$161,843 and \$153,198, respectively.

NOTE 9 – LINE OF CREDIT

Collaborative for Educational Services maintains a \$3,000,000 bank line of credit. This credit line is secured by all assets of the Collaborative. Interest to be adjusted monthly to equal the New York prime rate. No amount was outstanding at June 30, 2016 and 2015.

NOTE 10 – MORTGAGE PAYABLE

	<u>2016</u>	<u>2015</u>
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.	\$ 1,816,051	\$ 1,896,263
Less - amount due within one year	<u>83,644</u>	<u>80,212</u>
Mortgage Payable - Due After One Year	<u>\$ 1,732,407</u>	<u>\$ 1,816,051</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Mortgages payable	<u>\$ 1,896,263</u>	<u>\$ -</u>	<u>\$ 80,212</u>	<u>\$ 1,816,051</u>	<u>\$ 83,644</u>

Maturities are expected to be as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 83,644	\$ 70,309
2018	87,012	66,941
2019	90,516	63,438
2020	93,997	59,956
2021	97,946	56,008
2022-2026	552,030	219,737
2027-2031	672,541	97,224
2032	<u>138,365</u>	<u>3,388</u>
	<u>\$ 1,816,051</u>	<u>\$ 637,001</u>

NOTE 11 – NET ASSETS RELEASED FROM RESTRICTIONS

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

	Restricted Balance 7/1/15	Current Year Additions	Released in Current Year	Restricted Balance 6/30/16*
Bully Busters program	\$ 5,677	\$ -	\$ -	\$ 5,677
DiMarino Scholarship Fund	8,638	1,600	(3,235)	7,003
LEAP	5,000	-	-	5,000
Strong Foundations	12,892	30,320	(29,780)	13,432
Summer Learning Initiative	5,765	4,300	(2,937)	7,128
Food and Fitness	1,691	-	-	1,691
MA Leadership Action	14,980	1,850	(16,830)	-
Becoming Helen Keller	569	-	-	569
Andrea Raphael Memorial fund	1,401	-	-	1,401
Joan Schuman Scholarship Fund	10,244	2,735	(57)	12,922
PWC Lending Library	6,171	150	(1,454)	4,867
Baby and Me	30,169	24,654	(54,823)	-
Razzle Dazzle	-	19,500	(19,500)	-
State pension contribution	-	935,131	(935,131)	-
	<u>\$ 103,197</u>	<u>\$ 1,020,240</u>	<u>\$ (1,063,747)</u>	<u>\$ 59,690</u>

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

NOTE 12 – 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 authority. Such a surplus, up to 5% of current year state revenues, shall be retained by the organization for its charitable purposes. The sum of these annual surpluses may not exceed 20% of the organization's prior year state revenues. If an organization has a surplus in excess of the 5% or 20% rule, the Commonwealth may stipulate the use of such excess by the agency, request the return of the surplus to the state, or reduce state funding in future years. Amounts within the 5% and 20% rules are included in net assets. Any amount in excess of these rules is a liability to the Commonwealth.

Collaborative for Educational Services has no amounts in excess of the 5% and 20% rules. The amount of state surplus revenue included in net assets is as follows:

	2016	2015
Balance at beginning of year	\$ (67,205)	\$ (67,205)
Change during year	-	-
Balance at end of year	<u>\$ (67,205)</u>	<u>\$ (67,205)</u>

These amounts are subject to verification by the Commonwealth of Massachusetts Operational Services Division.

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 hearing was held on October 20, 2016. The Collaborative is awaiting the decision but continues to believe the charge is without merit and will continue to vigorously defend the matter. 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. The Collaborative, based on their insurer's authorization, has offered the claimant a settlement amount. The claimant has not responded during the five months which have elapsed since the offer was made.

SEUI Local 509 (Union) filed an arbitration demand claiming a violation by the Collaborative of the parties' Collective Bargaining Agreement. The parties have yet to select an arbitrator. The Collaborative believes the matter is without merit and intends to continue vigorously contesting this matter. It is not possible at this time to estimate the range of potential loss.

NOTE 14 – EQUIPMENT LEASES

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:

6/30/2017	\$	48,534
6/30/2018		32,038
6/30/2019		27,745
6/30/2020		26,395
6/30/2021		9,798
		<u>144,510</u>

Equipment lease expense for the years ended June 30, 2016 and 2015 was \$45,725 and \$55,853, respectively.

COLLABORATIVE FOR EDUCATIONAL SERVICES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Schedule 1

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
National Endowment for the Humanities			
<i>Promotion of Humanities</i>			
Forge of Innovation	45.163		<u>\$ 140,982</u>
U.S. Department of Education			
<i>Passed Through Department of Elementary and Secondary Education</i>			
Special Education - Grants to States -			
Special Education in Institutional Settings	84.027	15CT85RFR15SEIMS	4,039,724
Summer Enhanced	84.027	245-043-6-1094-Q	4,382
SpEd 245 Summer	84.027	245-018-6-1094-Q	12,418
SpEd 245 School Year	84.027	245-031-6-1094-Q	2,299
SpEd Program Improvement	84.027	274-289-6-1094-Q	1,000
Focus	84.027	14CT7214RFQOSTMEI	<u>80,000</u>
			<u>4,139,823</u>
<i>Passed Through Commonwealth Corporation</i>			
Title 1 State Agency Program for Neglected and Delinquent Children - DYS - Title 1			
	84.013		<u>552,097</u>
<i>Passed Through Commonwealth Corporation</i>			
Career and Technical Education - National Programs - DYS Perkins			
	84.048		26,557
<i>Passed Through Department of Elementary and Secondary Education</i>			
Career and Technical Education - Basic Grants to States -			
Occupational Education Vocational Skills	84.048	400-068-5-1094-P	5,393
Occupational Education Vocational Skills	84.048	400-065-6-1094-Q	<u>47,789</u>
			<u>79,739</u>

COLLABORATIVE FOR EDUCATIONAL SERVICES
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Schedule 1 (Continued) Federal Expenditures</u>
<i>Passed Through Department of Elementary and Secondary Education</i>			
<i>Twenty-First Century Community Learning Centers -</i>			
Continuation - School Year	84.287	647-147-6-1094-Q	389,320
Continuation - Summer	84.287	647-055-6-1094-Q	116,341
Sheffield	84.287	647-142-6-1094-Q	109,136
Exemplary - B1	84.287	647-173-6-1094-Q	280,028
Continuation Too	84.287	647-156-6-1094-Q	68,586
Summer	84.287	647-001-6-1094-Q	39,374
			<u>1,002,785</u>
<i>Passed Through Department of Elementary and Secondary Education</i>			
<i>English Language Acquisition State Grants -</i>			
Title III English Language Acquisition	84.365	180-128-6-1094-Q	<u>7,436</u>
<i>Passed Through Department of Early Education and Care</i>			
<i>Special Education - Preschool Grants</i>			
Communities of Practice	84.173	0900FY16SRF160091	<u>10,000</u>
<i>Passed Through Department of Early Education and Care</i>			
<i>Early Learning Challenge Grant -</i>			
Project 5.2	84.412	RTTT12018352	51,826
Race to the Top - Project 3.8 - Training	84.412	5131415ASSESS	239,801
Race to the Top - Project 3.2 - Substitutes	84.412	5131415ASSESS	218,549
Race to the Top - Project 6.2 - PD-SEL-APP	84.412	RTTT16000962	410,855
Assessment - State	84.412	5131415ASSESS	400,000
			<u>1,321,031</u>
U.S. Department of Health and Human Services			
<i>Passed Through Department of Public Health</i>			
<i>Block Grants for Prevention and Treatment of Substance Abuse -</i>			
BSAS	93.959	2354M04160222098	<u>100,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,353,893</u></u>

COLLABORATIVE FOR EDUCATIONAL SERVICES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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, 2016. 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 and does not present the financial position or changes in net assets 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 8.6% 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, 2016.

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, 2016

Schedule 2

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities		
					Unrestricted	Temporarily Restricted	Total
Revenues							
Member assessments	\$ 89,334	\$ -	\$ 89,334	\$ -	\$ 89,334	\$ -	\$ 89,334
Miscellaneous revenue	3,611,473	-	3,611,473	-	3,611,473	-	3,611,473
Interest income	1,712	-	1,712	-	1,712	-	1,712
Contributions	4,485	-	4,485	-	-	4,485	4,485
Special education	2,522,805	-	2,522,805	-	2,522,805	-	2,522,805
Professional development	1,482,070	-	1,482,070	-	1,482,070	-	1,482,070
Federal, State and other grants	-	30,108,113	30,108,113	-	30,027,489	80,624	30,108,113
State pension contribution	935,131	-	935,131	-	-	935,131	935,131
Net assets released from restrictions	-	-	-	-	1,063,747	(1,063,747)	-
Total Revenues	8,647,010	30,108,113	38,755,123	-	38,798,630	(43,507)	38,755,123
Expenditures/Expenses							
Operating:							
Personal services	7,250,697	23,963,373	31,214,070	-	31,214,070	-	31,214,070
Materials and services	1,408,741	6,097,399	7,506,140	-	7,506,140	-	7,506,140
Depreciation	-	-	-	424,111	424,111	-	424,111
Capital outlays	25,032	59,262	84,294	(84,294)	-	-	-
Debt Service:							
Interest	77,426	-	77,426	-	77,426	-	77,426
Total Expenditures/Expenses	8,761,896	30,120,034	38,881,930	339,817	39,221,747	-	39,221,747
Excess of Revenues Over Expenditures	(114,886)	(11,921)	(126,807)	(339,817)	-	-	-
Change in Net Position	-	-	-	-	(423,117)	(43,507)	(466,624)
Fund Balance/Net Position - Beginning of Year	4,057,041	415,947	4,472,988	-	3,840,660	103,197	3,943,857
Fund Balance/Net Position - End of Year							
Nonspendable:							
Prepaid expenses	64,113	-	64,113	-	-	-	-
Restricted:							
Special revenue fund	-	404,026	404,026	-	-	-	-
Unassigned	3,878,042	-	3,878,042	-	-	-	-
Unrestricted	-	-	-	-	3,417,543	-	3,417,543
Restricted	-	-	-	-	-	59,690	59,690
Total Fund Balance/Net Position - End of Year	\$ 3,942,155	\$ 404,026	\$ 4,346,181	\$ -	\$ 3,417,543	\$ 59,690	\$ 3,477,233

COLLABORATIVE FOR EDUCATIONAL SERVICES
Notes to Schedule of Governmental Fund Revenues, Expenditures And
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2016

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, 2015, 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, 2016

	Fund Balance Restricted June 30, 2015	Revenues	Operating Expenditures	Capital Outlays	Excess (Deficiency) Revenues Over Expenditures	Fund Balance Restricted June 30, 2016
Federal/State Grants/Others						
Governor's Alliance - High Risk	\$ 2,858	\$ -	\$ -	\$ -	\$ -	\$ 2,858
FOCUS	-	80,000	80,000	-	-	-
SCSC	1,456	-	1,456	-	(1,456)	-
ACLS Teacher Quality and Effectiveness	-	12,200	12,200	-	-	-
Bogin Playscape	-	650	-	-	650	650
DSAC	(1,191)	39,000	41,454	-	(2,454)	(3,645)
Instructor Training RETELL	-	30,910	30,910	-	-	-
Baby & Me	30,169	24,654	54,819	-	(30,165)	4
STEP Services	4	-	-	-	-	4
Pioneer Valley Readiness Center	960	-	960	-	(960)	-
Early Learning Challenge Grant	3,765	51,826	52,814	-	(988)	2,777
Curriculum Mapping PD	73	-	73	-	(73)	-
Core to College	120	311	438	-	(127)	(7)
PD for Science Curriculum Mapping	-	45,191	45,191	-	-	-
LEP Support	-	62,369	62,369	-	-	-
Title III English Language Acquisition	-	7,436	7,436	-	-	-
MA Licensure Academy	-	29,634	29,481	-	153	153
Safe Schools	228	-	-	-	-	228
Gateway Regional/White Brook/Philip Coburn	12,378	39,374	39,733	-	(359)	12,019
Greenfield Middle School Program	280	-	-	-	-	280
EC Professional Development	(7,059)	5,335	1,577	-	3,758	(3,301)
Summer PD Institute	40	-	40	-	(40)	-
Summer Assistive Technology Institute	78	5,085	5,163	-	(78)	-
SpEd Career Voc Tech Ed	164	-	164	-	(164)	-
P.L. 94-142	1,323	-	-	-	-	1,323
SpEd 245 Summer	8	12,418	12,426	-	(8)	-
SpEd 21st Enhanced - Converse	-	4,382	4,382	-	-	-
SpEd 245 School Year	387	2,299	2,686	-	(387)	-
SPED Program Improvement	-	1,000	1,000	-	-	-
Bully Busters	5,677	-	-	-	-	5,677
Hasbro Summer Learning	5,765	4,300	2,937	-	1,363	7,128
21st Century	76,603	-	-	-	-	76,603
After School Learning Centers	(27,012)	3,855	24,905	-	(21,050)	(48,062)
BSAS	3,484	100,000	99,494	-	506	3,990
Assessment - State	49,453	430,612	397,591	-	33,021	82,474
RTTT - Projects 3.8 and 3.2	8,585	458,350	460,846	-	(2,496)	6,089
MA Family Network	10,156	-	-	-	-	10,156
Early Childhood Policy Coalition	8,146	-	-	-	-	8,146
PV Readiness	2,808	-	-	-	-	2,808
Community Service Learning Network	17,653	-	-	-	-	17,653
Mental Health Consultation	270	84,113	82,084	-	2,029	2,299
Community Partnerships Easthampton	23,360	517,800	514,879	-	2,921	26,281
Perkins	(5,918)	53,155	58,237	14,256	(19,338)	(25,256)
Mass in Motion	1,262	47,500	32,555	-	14,945	16,207
1422 Grant	-	111,188	108,700	-	2,488	2,488
Striving Readers	168	57,200	57,368	-	(168)	-
Teaching American History II	100	-	-	-	-	100
Teaching with Primary Sources	3,434	150,847	150,883	-	(36)	3,398
Becoming Helen Keller	569	-	-	-	-	569

COLLABORATIVE FOR EDUCATIONAL SERVICES
Combining Schedule of Special Revenue Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

	Fund Balance Restricted June 30, 2015	Revenues	Operating Expenditures	Capital Outlays	Excess (Deficiency) Revenues Over Expenditures	Fund Balance Restricted June 30, 2016
History and Civics Project Support	-	15,000	15,000	-	-	-
Forge of Innovation	619	141,097	140,988	-	109	728
Star Residency	-	2,500	-	-	-	-
DYS Education Programs	47,683	16,806,727	16,762,310	45,006	(589)	47,094
PALMS	116	-	-	-	-	116
Afterschool Music and Art	100	-	-	-	-	100
ASOSTQ	4,402	17,459	17,739	-	(280)	4,122
Disability Outreach	220	-	-	-	-	220
Drug Free Communities	(1,085)	-	102	-	(102)	(1,187)
Social Norms Marketing	750	-	-	-	-	750
Northampton Coalition	203	-	203	-	(203)	-
Food and Fitness	2,532	-	841	-	(841)	1,691
HCOG	458	-	458	-	(458)	-
YSAPS	90	-	90	-	(90)	-
Hospital Coalition	-	46,651	46,651	-	-	-
After School Program	21	-	-	-	-	21
Early Intervention Literacy	-	55,347	55,347	-	-	-
After School Academic Support	9,822	-	-	-	-	9,822
Competitive Academic Support Services	452	7,200	7,513	-	(313)	139
Work and Learning	147	-	298	-	(298)	(151)
RTTT - Project 6.2	-	410,855	402,753	-	8,102	8,102
Continuation - Summer	-	117,815	114,575	-	3,240	3,240
CCLC - School Year	3,086	-	3,086	-	(3,086)	-
CCLC - Summer	-	32,245	31,929	-	316	316
Community Learning Expansion	2,545	-	-	-	-	2,545
21st Century Community Learning	6,953	-	-	-	-	6,953
Community Learning	(18,439)	109,136	105,973	-	3,163	(15,276)
21st Exemplary	362,535	280,028	272,659	-	7,369	369,904
21st SALT	(186,839)	-	-	-	-	(186,839)
Community Learning	6,381	69,836	70,588	-	(752)	5,629
Continuation - School Year	54,357	399,730	399,627	-	103	54,460
Verizon - Florence Heights	933	-	-	-	-	933
OST Programs	5,025	-	-	-	-	5,025
Razzle Dazzle	-	19,500	19,500	-	-	-
MA Leadership Action	14,980	1,850	16,204	-	(14,354)	626
LEAP	5,000	-	-	-	-	5,000
Communities of Practice	-	10,000	9,771	-	229	229
Focus on Early Literacy	-	144,076	144,076	-	-	-
District Determined Measures	494	-	494	-	(494)	-
Art Works	(145)	-	-	-	-	(145)
Early Learning Opportunities	101	-	-	-	-	101
Strong Foundations	12,892	30,320	29,122	-	1,198	14,090
228 Pleasant Street	380	-	-	-	-	380
Connecting Activities	1,612	35,974	36,137	-	(163)	1,449
Adult Basic Education	1,794	-	-	-	-	1,794
GED Test Centers	-	2,250	2,250	-	-	-
Special Education in Institutional Settings	(154,832)	8,879,523	8,874,737	-	4,786	(150,046)
Totals	\$ 457,864	\$ 30,108,113	\$ 30,060,772	\$ 59,262	\$ (11,921)	\$ 404,026

COLLABORATIVE FOR EDUCATIONAL SERVICES
Reconciliation of Treasurer's Cash
June 30, 2016

Schedule 4

Bank Account - Interest Bearing

PeoplesBank \$ 955,163

Total Cash - Interest Bearing \$ 955,163

Checking and payroll accounts - PeoplesBank 65,861

Petty cash 400

Total Cash \$ 1,021,424

Cash is presented in the financial statements as follows:

General fund \$ 1,021,424

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, 2016

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

*Compensation includes salary and all fringe benefits.

	2016	2015
William Diehl, Executive Director	\$ 172,440	\$ 167,081
Cecelia Buckley, Director of Professional Development (7/15 - 12/15), Director of Licensure (1/15 - 6/15)	149,848	129,629
Woodbury Clift, Director of DYS Education Initiative	133,382	128,759
Theresa Senio, Director of SEIS Contract	129,061	
Barbara Siegel, Director of Finance	125,276	
Christopher Taggart, Director of After School Programs		126,300
Kathleen Titus, Director of the SEIS Education Contract		125,047

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:

	2016	2015
Administration and overhead	\$ 3,338,800	\$ 2,959,184

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	\$ 1,350
Flywheel Arts Collective - Easthampton	1,900
Palmer Redevelopment Company - Palmer	6,225
First Congregational Church - Hatfield	465
United Church of Ware - Ware	3,610

Month to month lease of administrative space:

123 Hawley Street LLC - Northampton	49,995
	\$ 63,545

Mortgage payment - Principal	\$ 80,212
- Interest	73,741
	\$ 153,953

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

	2016	2015
<u>General Funds</u>		
Current year revenues	\$ 7,711,879	\$ 7,481,228
Adjustments to revenues	-	-
Current year expenditures	7,749,338	7,457,690
Adjustments to expenditures	80,212	77,302 [a]
Transfers in/(out)	-	-
Excess Revenues over Expenditures	(117,671)	(53,764)
Adjustments		
Deposits in capital reserves	-	-
Deposits in trusts	-	- [b]
Prepaid tuition or services	-	-
Current Surplus	(117,671)	(53,764)
Prior year surplus funds	(53,764)	340,035
Cumulative Surplus	\$ (171,435)	\$ 286,271
Current year's general fund expenditures	\$ 7,749,338	\$ 7,457,690
	-2.2%	3.8%

[a] Adjustment relates to debt principal payments that were applied directly to debt

[b] CES has temporarily restricted (deposits in trust) that have been removed and are presented under Temporarily Restricted in the Statement of Activities. As such no adjustment is needed.



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 statement of net assets as of June 30, 2016, and the related statement of governmental fund revenues, expenditures and changes in fund balances/statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2016.

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.

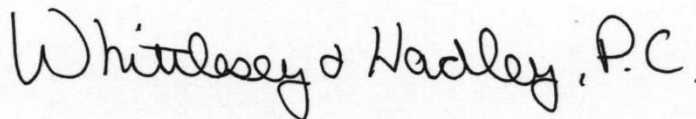
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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Holyoke, Massachusetts
November 15, 2016



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 each of Collaborative for Educational Services' major federal programs for the year ended June 30, 2016. Collaborative for Educational Services' major federal programs are 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 each of Collaborative for Educational Services' 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* 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 each 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 each of its major federal programs for the year ended June 30, 2016.

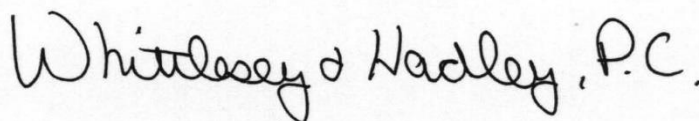
Report on Internal Control Over Compliance

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 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 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.

A handwritten signature in black ink that reads "Whittlesey & Hadley, P.C." The signature is written in a cursive, slightly slanted style.

Holyoke, Massachusetts
November 15, 2016

COLLABORATIVE FOR EDUCATIONAL SERVICES
Schedule of Findings and Questioned Costs
 Year Ended June 30, 2016

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified not considered to be material weakness(es)? yes 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 no

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Grants
84.412	Race to the Top

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

Auditee qualified as low-risk auditee? yes no

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

COLLABORATIVE FOR EDUCATIONAL SERVICES
Status of Prior Year's Findings and Questioned Costs
June 30, 2016

There were no findings or questioned costs disclosed for the year ended June 30, 2015.