

EDCO Collaborative

Financial Statements

For The Year Ended
June 30, 2017

EDCO Collaborative
Contents
For the Year Ended June 30, 2017

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14-25
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund – Budget to Actual	26
Schedule of the Collaborative's Proportionate Share of Net Pension Liability	27
Schedule of Pension Contributions	28
Other Information and Reports:	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	31-32
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	33-34
Schedule of Findings and Questioned Costs	35-36



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
EDCO Collaborative
Bedford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of EDCO Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise EDCO Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of EDCO Collaborative, as of June 30, 2017, and the respective changes in financial position for the year 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, budgetary comparison information and pension schedules on pages 3-7 and 26-28 be presented to supplement the basic financial statements. Such information, although not 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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.

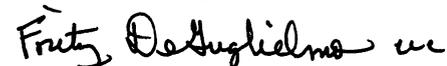
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise EDCO Collaborative's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of EDCO Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EDCO Collaborative's internal control over financial reporting and compliance.


Certified Public Accountants

Newburyport, Massachusetts
November 14, 2017

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2017

Our discussion and analysis of EDCO Collaborative's ("EDCO") financial performance provides an overview of EDCO's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements that begin on page 8.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to EDCO's financial statements. EDCO's financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements:

The government-wide financial statements report information about EDCO as a whole using accounting methods similar to those used by private sector companies.

- The **Statement of Net Position** presents information on all of EDCO's assets and liabilities with the difference between the two reported as net position. It is one way of measuring EDCO's financial health or position.
- The **Statement of Activities** presents information showing how EDCO's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Over time, increases or decreases in EDCO's net position is an indicator of whether its financial position is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions when evaluating the overall financial health of EDCO.

Fund Financial Statements:

Funds are accounting devices used to keep track of specific sources of funding and spending in particular categories: governmental funds, proprietary funds, and fiduciary funds. Presently, EDCO has only governmental funds.

- **Governmental funds** – EDCO's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance EDCO's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.

Notes to the Financial Statements:

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in EDCO's financial statements.

Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2017

Government-wide Financial Highlights

Revenue and Other Support

Revenue and other support for the fiscal year ended June 30, 2017 increased \$430,040 or 4% from the prior fiscal year, excluding retirement systems on-behalf revenue. EDCO Collaborative (EDCO) recorded dividend and interest income, and realized and unrealized gains on investments of \$29,888 and \$101,871, respectively, in fiscal year 2017. EDCO ceased operating its transportation network at the end of fiscal year 2016 resulting in a decrease in revenue of approximately \$475,000. The Collaborative's Federal and state grants experienced increases in revenues while the majority of the revenue increases are related to increased demand and rates for services.

Service fee income increased \$4,627 or 1% from the prior fiscal year. The increased service fee for fiscal year 2017 was agreed to by the LABBB Educational Collaborative (LABBB). The majority of the increase relates to sharing higher costs related to human resource and accounting staff.

Expenses

Expenses for the fiscal year ended June 30, 2017 increased \$63,819 or 1% from the prior fiscal year, including investment fees and interest expense and excluding retirement systems on-behalf expense. EDCO realized a reduction in expenses from the discontinued transportation network services of approximately \$477,000. While numerous programs experienced expense increases, including tuition based programs, the professional development program and the New England High School Equivalency Program, other programs and grants decreased. Programs and grants that experienced significant decreases in expenses are the EDCO Youth Alternative and the Title I program.

Service fee expenses increased \$10,930 or 3%. The majority of the increase relates to higher costs of human resource and accounting staff.

Management and general expenses increased \$130,057 or 9%, excluding depreciation expense. EDCO incurred approximately \$111,000 in direct buildout costs on its primary facility that are included in management and general expense that has been reimbursed by new tenants that are or intend to sub-let space. There was an approximately \$39,000 decrease in management and general payroll expenses and an increase of approximately \$58,000 in other general expenses in fiscal year 2017.

Change in Net Position

Net position for the fiscal year ended June 30, 2017 was \$190,926 or 6% higher than the prior ending net position. The increase is primarily due to revenue increases in excess of expense decreases. Expense increases are primarily due to increased occupancy and other expenses. EDCO continues to develop and enhance the special education programs offered and it is anticipated these efforts will provide additional revenue, cost offsets, and increases in net position in future years.

Total Assets

Total assets as of June 30, 2017 increased \$470,379 or 9% from June 30, 2016. Accounts receivable and unbilled revenue decreased by a combined \$34,712, primarily due to uncollected invoices being slightly higher at June 30, 2017. Equipment and leasehold improvements decreased by \$204,874 primarily due to depreciation, while cash and investments increased \$646,892. The majority of the changes relate to the general operations of the Collaborative.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2017

Government-wide Financial Highlights – (continued)

Total Assets – (continued)

EDCO maintains cash balances with Rockland Trust and the MMDT. Cash balances at Rockland Trust are maintained at levels that at times exceed FDIC protection. Cash balances at the MMDT are not FDIC insured. The MMDT is managed by the Massachusetts State Treasurer and Federated Investments and offers investors a stable investment option, competitive yields, low cost, liquidity, and professional management. The MMDT investment objectives are the preservation of capital, maintaining a high level of portfolio liquidity, and to attain the highest level of current income consistent with the objectives of preservation of capital and liquidity. To achieve the investment objectives, the MMDT limits investments to the highest quality U.S. dollar-denominated money market instruments of domestic and foreign issuers, U.S. government securities, and repurchase agreements. EDCO had a minimal amount invested with the MMDT during fiscal year 2017.

During the year ended June 30, 2014, EDCO received and recorded investments and investment activity related to the contributions from EDCO, Inc. The investments are professionally managed by Boston Private Bank & Trust Company. As of June 30, 2017, the portfolio composition included 66% equity securities, 23% fixed income securities, 2% mutual funds, and 9% cash and cash equivalents. The Collaborative manages its investments in accordance with state public finance laws that require that all moneys held in the name of the Collaborative, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. The Collaborative has directed Boston Private Bank & Trust Company to manage the funds as conservatively as possible. However, the investments are still subject to market risk of loss.

Net equipment and improvements decreased \$204,874 in fiscal year 2017. The decrease consists entirely of depreciation. Capitalized items cost a minimum of \$5,000 and are depreciated over their useful lives, ranging from 3 to 15 years, using the straight-line method of depreciation with a half year convention.

Liabilities and Net Position

Total liabilities as of June 30, 2017 increased \$279,453 or 16% from June 30, 2016. During the year ended June 30, 2016, EDCO entered into a \$1,200,000 note payable agreement with the owner of 36 Middlesex Turnpike in Bedford, Massachusetts to finance leasehold improvements. The Collaborative has paid down the balance of the note by \$92,766 during the year ended June 30, 2017. The remaining increase in liabilities is primarily due to a significant increase in deferred revenues received in fiscal year 2017 for fiscal year 2018 and additional payables not paid until after year end.

Governmental Funds Financial Highlights

The Collaborative reported a total general fund balance of \$2,725,744, of which \$1,906,813 is unassigned. The fund balance increased \$309,990 over the prior fiscal year, primarily as a result of operations. Accounts receivable and unbilled revenue increased by a combined \$34,712. Cash and investments increased \$646,892. Accounts payable and accrued expenses increased by \$58,588. In addition, deferred revenue increased by \$305,725.

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2017

Budgetary Highlights

EDCO's annual budget for fiscal 2017 was approved by its Board of Directors. For the fiscal year ended June 30, 2017, EDCO received operating revenues, excluding retirement systems on-behalf revenue, of approximately \$12,306,000 compared to amended budgeted revenues of approximately \$11,620,000. The difference between actual revenues received and budgeted revenues is approximately 6% of budgeted revenues.

For the fiscal year ended June 30, 2017, EDCO incurred operating expenses, excluding retirement systems on-behalf revenue, of approximately \$11,926,000 compared to amended budgeted expenses of approximately \$11,602,000. The difference between actual expenses incurred and budgeted expenses is approximately 3% of budgeted expenses. The primary differences between budgeted revenues and expenses is higher than expected tuition and service revenue and a corresponding increase in expenses.

Known Facts, Decisions, or Conditions

EDCO continues to invest in the quality of its educational programs through curriculum and technology enhancements, recruiting & retaining strong teachers and student support staff and improving rigor and relevancy of our professional development for our educators and administrators.

The McSwiney Center for Professional Learning continues to offer and enhance its high quality professional development programs for educators and administrators. Center staff members work closely with member districts to identify and develop course offerings that meet the needs of the districts. Since fiscal year 2013, the Center has sponsored institutes on The Art of Science, the Science of Art and Fostering Mathematical Practices with English Learners, initiated new roundtables for Guidance Counselors and Data Specialists and assisted districts in planning for implementation of district-determined measures. The Center staff continues to offer programs to support English Language Learners (ELL), and to sponsor math and literacy programs that address the Common Core standards for teaching and learning.

The LABBB/EDCO Transportation Network continues, under the joint management of LABBB and EDCO, and offers transportation services every month of the year. The Transportation Network transports students with disabilities from seven member school districts, namely Arlington, Belmont, Burlington, Lexington, Waltham, Watertown and Weston. The Transportation Network was developed to improve quality and planning for transportation services and substantially reduce costs for school districts through group purchasing and cost sharing. EDCO provides accounting, financial and procurement services for the Transportation Network and offsets some administrative costs to its administration.

EDCO Collaborative moved to a new building in Bedford, MA in September 2014. The building renovations began in the late spring of 2014. The new facility provides more office space for administration, larger and improved conference and meeting space for the McSwiney Center for Professional Learning, and new academic, clinical, extracurricular and culinary space for three schools: EDCO Collaborative's North Crossing Academy and Partners Program and for CASE Collaborative's Rise Program. The space includes fourteen classrooms, a science lab, an art studio, a media library, five sensory rooms, a recreation gym and fitness center, a full kitchen and student cafeteria. The Academy and Partners have the capacity to serve over one hundred thirty students.

The Academy offers three unique programs:

1. A Therapeutic Day School (North Crossing) – This program serves students in grades 6 to 12 who have had mental health, social/emotional, or behavioral needs, the impact of which adversely affects daily school performance.
2. 45-Day Assessment Program – This program serves students in grades 6 to 12 who are referred

EDCO Collaborative
Management's Discussion and Analysis
June 30, 2017

by their school districts for an in-depth analysis of learning, social, emotional and /or behavioral needs.

Known Facts, Decisions, or Conditions – (continued)

3. Youth Alternative Interim Program – A program for students who have been suspended from their school program for disciplinary code violation and/or school district personnel are unclear about the most effective educational options for students. This is an interim program for students in grades 9 to 12.

EDCO implemented GASB Statement No. 68 in fiscal year 2015. The standard relates to the accounting and financial reporting for pensions. EDCO's employees participate in the Massachusetts Teachers' (MTRS) or State Employees' Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts ("the Commonwealth").

Educational collaboratives contribute amounts equal to the normal cost of employees' benefits participating in MSERS at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. The Commonwealth is a nonemployer contributor in MTRS and MSERS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities' share of the collective net pension liability that is associated with the employer. In addition, EDCO must recognize its portion of the collective pension expense as both revenue and pension expense.

Requests for Information

This financial report is designed to provide readers of the financial statements an overview of EDCO's financial activities. If you have questions in regard to this report, contact our Executive Director, Colleen Dolan, or our Director of Business Management and Human Resources, Thomas Markham, at (617) 738-5600.

EDCO Collaborative
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,107,560
Investments	1,051,992
Accounts receivable, net	858,565
Unbilled receivables	671,325
Prepaid expenses	14,564
Total Current Assets	3,704,006
Non-current Assets	
Equipment and improvements, net	1,754,447
Deposits	15,876
Total Non-current Assets	1,770,323
Total Assets	\$ 5,474,329
LIABILITIES AND NET POSITION	
Current Liabilities	
Current portion of note payable	\$ 97,512
Accounts payable	282,499
Accrued liabilities	305,474
Deferred revenue	390,289
Total Current Liabilities	1,075,774
Non-current Liabilities:	
Compensated absences	98,047
Note payable, net of current portion	837,516
Total Non-current Liabilities	935,563
Total Liabilities	2,011,337
Net Position	
Invested in capital assets, net of related debt	819,419
Unrestricted	1,824,642
Restricted	818,931
Total Net Position	3,462,992
Total Liabilities and Net Position	\$ 5,474,329

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

EDCO Collaborative
Statement of Activities
For the Year Ended June 30, 2017

Functions/ Programs	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Administration	\$ 1,619,813	\$ -	\$ -	\$ (1,619,813)
Educational and instructional	8,873,424	4,148,892	6,066,075	1,341,543
Transportation	37,548	49,607	-	12,059
Professional development	862,466	779,692	-	(82,774)
Other Services	388,352	492,577	-	104,225
Intergovernmental revenue and expense	1,984,992	-	1,984,992	-
Interest expense	58,775	-	-	(58,775)
Depreciation and amortization	204,874	-	-	(204,874)
Total Governmental Activities	<u>\$ 14,030,244</u>	<u>\$ 5,470,768</u>	<u>\$ 8,051,067</u>	(508,409)
General revenue:				
Assessments to member districts				400,648
Interest and dividend income				29,888
Realized and unrealized gains on investments				101,871
Other				166,928
Total General Revenue				<u>699,335</u>
Change in Net Position				190,926
Net Position, Beginning of Year				<u>3,272,066</u>
Net Position, End of Year				<u>\$ 3,462,992</u>

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

EDCO Collaborative
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Professional Development Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,107,560	\$ -	\$ 1,107,560
Investments	233,061	818,931	1,051,992
Accounts receivable, net	858,565	-	858,565
Unbilled receivables	671,325	-	671,325
Prepaid expenses	14,564	-	14,564
	Total Assets	\$ 818,931	\$ 3,704,006
	\$ 2,885,075	\$ 818,931	\$ 3,704,006
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 282,499	\$ -	\$ 282,499
Accrued liabilities	305,474	-	305,474
Deferred revenue	390,289	-	390,289
	Total Liabilities	-	978,262
	978,262	-	978,262
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	818,931	818,931
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,906,813	-	1,906,813
	Total Fund Balances	818,931	2,725,744
	1,906,813	818,931	2,725,744
Total Liabilities and Fund Balances	\$ 2,885,075	\$ 818,931	\$ 3,704,006

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

EDCO Collaborative

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balances, governmental funds \$ 2,725,744

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of related debt, used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 819,419

The deposits asset is not a current financial resource and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. 15,876

The compensated absences liability is not a current obligation and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the Statement of Net Position. (98,047)

Net position of governmental activities \$ 3,462,992

EDCO Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Professional Development Fund	Total Governmental Funds
Revenues:			
Tuition and services revenue	\$ 5,470,768	\$ -	\$ 5,470,768
Member assessments	400,648	-	400,648
Grants and contributions	6,066,075	-	6,066,075
Intergovernmental revenue	1,984,992	-	1,984,992
Interest, investment and other income	298,687	-	298,687
Total Revenues	14,221,170	-	14,221,170
Expenditures:			
Administration	1,619,813	-	1,619,813
Program payroll	6,097,706	-	6,097,706
Program fringe benefits and payroll taxes	1,288,953	-	1,288,953
Contract services and professional fees	1,245,545	-	1,245,545
Transportation and travel	142,538	-	142,538
Rent and other occupancy	571,226	-	571,226
Building maintenance	7,870	-	7,870
Telephone and utilities	139,108	-	139,108
Supplies, equipment and technology	351,934	-	351,934
Education and training	191,997	-	191,997
Other	117,957	-	117,957
Intergovernmental expense	1,984,992	-	1,984,992
Capital outlay, net of debt incurred	-	-	-
Debt Service:			
Debt principal	92,766	-	92,766
Debt interest	58,775	-	58,775
Total Expenditures	13,911,180	-	13,911,180
Excess (deficit) of Revenues over Expenditures	309,990	-	309,990
Other Financing Sources:			
Transfer from professional development fund	80,000	(80,000)	-
Net Change in Fund Balances	389,990	(80,000)	309,990
Fund Balances, Beginning of Year -	1,516,823	898,931	2,415,754
Fund Balances, End of Year	\$ 1,906,813	\$ 818,931	\$ 2,725,744

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

EDCO Collaborative

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances of total governmental funds \$ 309,990

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay purchases, net of debt incurred	-
Depreciation	(204,874)

Governmental funds report debt service payments as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only the current year interest accrued on the debt as expense.

Debt principal payments	92,766
-------------------------	--------

Governmental funds report certain changes in non-current assets when they require the use of current financial resources. In contrast, the Statement of Activities does not report such changes.

Deposits	950
----------	-----

Governmental funds do not report certain expenses because they do not require the use of current financial resources. In contrast, the Statement of Activities reports such expenses.

Compensated absences	<u>(7,906)</u>
----------------------	----------------

Change in net position of governmental activities	<u><u>\$ 190,926</u></u>
----------------------------------------------------------	---------------------------------

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Collaborative

EDCO Collaborative (“The Collaborative”) was created by agreement pursuant to the provisions of Section 4E of Chapter 40, as amended by Chapter 43 of the Acts of 2012. EDCO provides educational programs and services for students within the Commonwealth. Services are predominantly funded by federal and state agencies and various municipalities of the Commonwealth. EDCO’s Board of Directors is comprised of the superintendent of schools or a school committee representative from each of the 16-member school districts with each member school district being entitled to one vote each.

EDCO is related to LABBB Collaborative (“LABBB”) through common board members. Four members of EDCO’s Board hold four of the five board seats of LABBB. EDCO obtains service fee income from LABBB for certain financial services. LABBB operates as a separate, independent, special education collaborative. Component units are included in the reporting entity if their operational and financial relationships with the Collaborative are significant. Pursuant to these criteria, the Collaborative did not identify LABBB as a component unit requiring inclusion in the accompanying financial statements.

Basis of Presentation

The Collaborative's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America "(GAAP)". The Governmental Accounting Standards Board "(GASB)" is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Collaborative are discussed below.

The Collaborative's basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The Collaborative does not have any activities classified as business type activities.

Government-wide Statements

In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long- term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Collaborative’s net position is reported in three parts—net investment in capital assets; restricted; and unrestricted. The Collaborative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the sources and uses of funds received by the Collaborative. Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the Collaborative’s functions and are included in fixed charges expense in the Statement of Activities. Depreciation, if any, is reported as one amount, in total, on the Statement of Activities. None of these costs are allocated among the respective functions.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative’s net position resulting from the current year’s activities.

Fund Financial Statements

The financial transactions of the Collaborative are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Collaborative - the Collaborative does not use proprietary funds:

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Collaborative:

General fund - is the general operating fund of the Collaborative. It is used to account for all financial resources not accounted for and reported in another fund.

Professional development fund – consists of funds restricted for use in professional development programs, and was established upon the dissolution of EDCO, Inc., as described in Note M.

Non-major governmental funds - consist of other special revenue and permanent funds that are aggregated and presented in the non-major governmental funds column on the government funds financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Collaborative may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Cash and Cash Equivalents

Cash equivalents include cash balances maintained in checking accounts and money market accounts. EDCO considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent.

EDCO maintains cash and cash equivalent balances at three institutions located in Massachusetts. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. EDCO's cash balances, at times, may exceed federally insured limits. EDCO monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. EDCO also maintains cash and cash equivalents at the Massachusetts Municipal Depository Trust and Boston Private Bank and Trust Company, which are collateralized by underlying assets.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Accounts Receivable

Accounts Receivable consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received. At June 30, 2017 management recorded an allowance for doubtful accounts of \$30,818.

Capital Assets

Equipment and improvements are recorded at cost. Donated assets are recorded at fair value determined at the date of donation. EDCO capitalizes purchases with a cost basis of \$5,000 or more. Depreciation on capital assets is provided for over the estimated useful lives of the respective assets on the straight-line basis. Equipment is depreciated over 3-5 years while the leasehold improvements are generally depreciated over the life of the lease, up to 15 years. Expenditures for repairs and maintenance are charged to expense as incurred.

Deferred Revenue

Deferred revenue consists primarily of amounts received from federal and state agencies and various municipalities for programs which have not yet been earned under the terms of the agreement.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted - this component of net position consists of restricted net assets reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on specific purposes for which amounts in the funds can be spent. Fund balances can be classified in the following components:

Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – consists of amounts upon which constraints have been placed on their use whether (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by the Collaborative's highest level of decision making, the Board of Directors. Any modification or rescission must also be made by a vote of the Board of Directors.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Assigned fund balance – consists of amounts that are constrained by the Collaborative’s intent to be used for specific purposes. Intent is expressed by (a) the governing body itself, or (b) a Board of Directors, or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance – consists of the residual classification for the remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

Revenue Recognition

Program revenue is earned under cost reimbursement and fee for service arrangements with various federal, state, municipal and local funding agencies. Revenue is recognized when costs are incurred or when services are rendered depending on the nature of the arrangement.

Contributions and unconditional promises to give are recorded as revenue in the period received or verifiably committed. Asset contributions are considered to be available for the general programs of EDCO unless restricted by the donor.

EDCO also receives a service fee from LABBB for providing accounting and other administrative services which are recorded as revenue ratably over the contract period (see Note I).

Federal and State Grants

EDCO has expended resources in connection with federal and state grants and contracts that are subject to review and audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agency if expenditures are disallowed. Management is not aware of any specific disallowances.

Income Tax Status

EDCO was established under Chapter 40 Section 4(e) under the general laws of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

EDCO accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. EDCO has identified its tax status as a tax-exempt entity as its only significant tax position; however, EDCO has determined that such tax positions do not result in an uncertainly requiring recognition. EDCO is not currently under examination by any taxing jurisdiction. As a Chapter 40 government entity, EDCO is exempt from filing certain non-profit filings and, accordingly, there are no returns currently open for examination.

Compensated Absences

It is EDCO’s policy to permit employees to accumulate earned but unused vacation pay benefits. Employees may use this time in addition to other vacation time earned each year. Unused time is paid to the employee upon termination or retirement. Compensated absences are recorded as a non-current liability in the statement of net position. The amount estimated to be paid during the next fiscal year is reported as current.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Post-Retirement Healthcare Plan

EDCO accrues all costs related to current and future benefits of current employees and retirees under a post-retirement healthcare plan. As of July 1, 2014, the date of the last actuarial report, the Plan was fully funded (see Note G).

Investments and Fair Value Measurements

All investments of the Collaborative (see Note C) are measured at fair value, generally based on quoted market prices in accordance with level 1 of the Fair Value Hierarchy established under GASB Statement No. 72, *Fair Value Measurement and Application*. The Collaborative manages its investments in accordance with state public finance laws that require that all moneys held in the name of the Collaborative, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety, liquidity and yield. The Collaborative has directed a local investment management service to manage the funds as conservatively as possible. However, the investments are still subject to market risk of loss.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates used.

Subsequent Events

The Collaborative has evaluated subsequent events through November 14, 2017, which is the date the financial statements were issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net positions date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net positions date, which are necessary to disclose to keep the financial statements from being misleading.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following at June 30, 2017:

Bank balance of cash and cash equivalents	\$1,330,613
Deposits held in a Massachusetts Municipal Depository Trust	538
Reconciling items (deposits in transit, outstanding checks, etc.), net	<u>(223,591)</u>
Total cash and cash equivalents as reported on the statement of net position	<u>\$1,107,560</u>
Bank deposits insured by the Federal Deposit Insurance Corporation	<u>\$ 353,288</u>

NOTE C – INVESTMENTS

Investments as of June 30, 2017 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Investments	\$893,101	\$1,051,992	\$158,891

As of June 30, 2017, investments consisted of mutual funds and equities held with an investment company totaling \$1,051,992.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE D – LINE OF CREDIT

EDCO has entered into a \$500,000 line of credit agreement with an institution located in Massachusetts. The note requires interest-only payments and is payable on demand. The interest rate at June 30, 2017 was 4.75%. The line of credit is fully secured by a money market account. The balance at June 30, 2017 was \$0.

NOTE E – EQUIPMENT AND IMPROVEMENTS

Equipment and improvement activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment and improvements:				
Equipment	\$ 609,485	\$ -	\$ -	\$ 609,485
Improvements	<u>1,920,832</u>	<u>-</u>	<u>-</u>	<u>1,920,832</u>
Total at historic cost	2,530,317	-	-	2,530,317
Less: accumulated depreciation for:				
Equipment	367,483	76,238	-	443,721
Improvements	<u>203,513</u>	<u>128,636</u>	<u>-</u>	<u>332,149</u>
Total accumulated depreciation	<u>570,996</u>	<u>204,874</u>	<u>-</u>	<u>775,870</u>
Total equipment and improvements, net	<u>\$1,959,321</u>	<u>\$(204,874)</u>	<u>\$ -</u>	<u>\$1,754,447</u>

NOTE F – GRANTS AND CONTRACTS REVENUE

Grants and contracts revenue was provided by the following funding sources for the years ended June 30, 2017:

Federal government	28%
State government	17%
Private and city/local sources	<u>55%</u>
	<u>100%</u>

NOTE G – POST-RETIREMENT HEALTHCARE BENEFITS

EDCO sponsors a post-retirement benefit plan (the “Plan”) which provides health and dental benefits to qualified retirees.

EDCO’s policy is to make contributions to a trust established for the Plan on an annual basis within six months after the fiscal year end. The amount contributed to the Plan is determined based on the unexpended fringe benefit revenues earned on EDCO’s grants and contracts. Since management plans only to provide benefits to the extent that resources are available, the funded status of these benefits has been limited to funds made available under grants and contracts. Benefits under this Plan are adjusted periodically based on the limitations of the funds that may become available for these purposes as EDCO does not intend to fund these benefits from its other resources. EDCO invests the funds of this Plan in a VEBA Trust. As of July 1, 2014, the date of the last actuarial report, the Trust held \$2,408,462 and the Plan was fully funded.

NOTE H – LEASE COMMITMENTS

EDCO has entered into operating leases for the use of certain facilities and office equipment which expire at various dates through 2029. Rent expense charged to operations was approximately \$489,686 for the year ended June 30, 2017, which includes leases for certain facilities where EDCO is a tenant-at-will.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE H – LEASE COMMITMENTS – *continued*

Approximate future minimum rental payments under non-cancellable leases are as follows:

2018	\$ 400,874
2019	515,978
2020	475,975
2021	474,076
2022	476,928
2023-2027	2,664,576
2028-2029	<u>1,088,640</u>
	<u>\$6,097,047</u>

During the year ended June 30, 2017, EDCO entered into a sublease agreement to sub-let space in its Bedford location to an unrelated entity. EDCO also entered into a tentative agreement to sub-let additional space to another unrelated entity. However, this agreement has not been formally agreed to. EDCO agreed to coordinate the build-out of the space for both parties and then was reimbursed for the costs incurred. During the year ended June 30, 2017, EDCO collected \$31,916 of rent revenue and \$132,013 of build-out reimbursement. Future minimum rental receipts under non-cancellable leases are as follows:

2018	\$ 34,413
2019	35,283
2020	35,066
2021	36,970
2022 and thereafter	<u>-</u>
	<u>\$141,732</u>

NOTE I – RELATED PARTY TRANSACTIONS

LABBB – Accounting and Administrative Services

EDCO provides accounting and other administrative services for LABBB through a signed agreement. Each year after, if both parties wish to continue, an increase of a mutually agreed percentage or amount will be added to the annual fee. In the event that LABBB requires additional office space, a separate agreement will be negotiated. In December 2016, EDCO entered into a management services and rent/use of space agreement with LABBB. The agreement covers the period of July 1, 2016 to June 30, 2017 for management services and July 1, 2014 to June 30, 2019 for rent/use of space. The fee for the rent/use of space is determined on an annual basis by the EDCO Board of Directors upon approval of the annual budget. Service fee income received from LABBB totaled \$432,465 for the year ended June 30, 2017.

LABBB – Transportation Network

EDCO entered into a joint venture in fiscal 2009 with LABBB to establish the LABBB-EDCO Transportation Network. During fiscal 2017, EDCO provided accounting and financial services for the Transportation Network and received \$49,607 which represents direct costs for these services. This joint venture is expected to continue through fiscal 2018 and the service fees are expected to be similar to fiscal 2017.

NOTE J – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEMS

Plan Descriptions:

The Collaborative’s employees participate in the Massachusetts Teachers’ (MTRS) or State Employees’ Retirement System (MSERS), statewide cost-sharing multi-employer defined benefit plans public employee retirement systems (PERS) covering all employees of local school districts within the Commonwealth of Massachusetts. The retirement systems issue publicly available annual reports that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

**NOTE J – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEMS -
*continued***

Benefits Provided:

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 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 for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

MTRS 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 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 for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions:

Member contributions for MSERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975.....	5% of regular compensation
1975 - 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

**NOTE J – MASSACHUSETTS TEACHERS’ AND STATE EMPLOYEES’ RETIREMENT SYSTEMS -
*continued***

Educational collaboratives contribute amounts equal to the normal cost of employees’ benefits participating in MSERS 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. During fiscal year 2017, the Collaborative’s contributions on behalf of employees totaled \$232,903.

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975.....	5% of regular compensation
1975 - 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation
7/1/2001 to present.....	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

The Commonwealth is a nonemployer contributor in MTRS and is required by statute to make all actuarially determined employer contributions on behalf of the member employers participating in MTRS. Therefore, the Collaborative is considered to be in a 100% special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity under both MSERS and MTRS. Since the employers do not contribute directly to each system beyond the MSERS annual normal cost, there is no net pension liability to recognize. However, the notes to the financial statements must disclose the portion of the nonemployer contributing entities’ share of the collective net pension liability that is associated with the employer. In addition, the Collaborative must recognize its portion of the collective pension expense as both a revenue and pension expense.

The nonemployer contributing entities’ share of the collective net pension liability that is associated with the Collaborative was measured as of June 30, 2016 and was \$9,077,617 and \$7,100,616 under MSERS and MTRS, respectively. In fiscal 2017, the Collaborative recognized revenue and related expense of \$1,260,683 (under GASB Statement No. 68) for its portion of the collective pension expense under MSERS. In fiscal 2017, the Collaborative recognized revenue and related expense of \$724,309 (under GASB Statement No. 68), for its portion of the collective pension expense under MTRS. These amounts are recorded as Intergovernmental revenue and expense in the financial statements.

NOTE K – FISCAL 2017 BUDGET

EDCO has authorized a fiscal 2018 operating budget which anticipates an approximate \$107,366 surplus on \$12,360,130 of expenses.

NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E

Names, duties and total compensation for the five most highly compensated employees

The Commonwealth of Massachusetts requires education collaboratives to disclose the name, duties and total compensation of the 5 most highly compensated employees.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

**NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E –
*continued***

Name and Title	Salary	Employer Portion of Benefits	Total Compensation
Executive Director – Colleen Dolan	\$180,081	\$16,240	\$196,321
Associate Executive Director – Judith Vaillancourt	\$138,644	\$16,240	\$154,884
Director of Business Management & HR – Thomas Markham	\$128,111	\$16,240	\$144,351
Program Director, North Crossing – Debra McElroy	\$99,809	\$6,625	\$106,434
Program Director, Deaf Education – Courtney Dunne	\$92,250	\$685	\$92,935

Executive Director – Responsible for the management and growth of EDCO Collaborative. Responsibilities include ensuring the collaborative is operating within and in compliance with applicable federal and state laws and ensuring adherence to the collaborative agreement and policies. Other responsibilities include the preparation and presentation of important management and financial information to the Board of Directors, the Executive Committee, and the Finance & Administration Committee.

Associate Executive Director – Responsible for the maintenance and growth of special education programs and other federal and state funded programs. Other responsibilities include administration, management, and oversight of educational programs.

Director of Business Management and Human Resources – Responsible for the Department of Accounting and Finance and Department of Human Resources. Responsible for contract management including negotiations and review, insurance coverage for medical, dental, life, disability, and liability insurance. Other responsibilities include budget preparation, payroll and employee benefits, oversight of financial reporting, UFR reporting, and preparing for the annual financial audit.

Program Director - Responsible for the operation, maintenance, and general administration of their program.

Amounts expended on services for individuals aged 22 years and older

Total direct costs incurred by EDCO in its over 22 program totaled \$1,941,084 for the year ended June 30, 2017.

Amounts expended on administration and overhead

Total administrative costs, including non-operating investment fees, incurred by EDCO totaled \$1,619,813 for the year ended June 30, 2017. Administrative expenses include all costs that cannot be directly or reasonably applied to a program of EDCO. Administrative expenses include salaries, related benefits and payroll taxes, associated with EDCO’s administrative office (i.e., Executive Director, finance staff, human resources, etc.), as well as other costs associated with maintaining that office (i.e. occupancy, supplies, etc.). EDCO directly applies salaries, where appropriate, to its programs and allocates related employee benefits and taxes to those programs. Occupancy, supplies, maintenance and any other cost that can be directly applied, or reasonably allocated, are reported under program expense.

Accounts held by the collaborative that may be spent at the discretion of another person or entity

As of June 30, 2017, EDCO did not hold any accounts that may be spent at the discretion of another person or entity.

Transactions between the collaborative and any related for-profit or non-profit organization

Related party transactions are described in Note I to the financial statements.

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

Transactions or contracts related to the purchase, sale, rental, or lease of real property are described in Notes H and N to the financial statements.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

**NOTE L – DISCLOSURES REQUIRED UNDER MASSACHUSETTS GENERAL LAW C.40 § 4E –
*continued***

Annual determination and disclosure of cumulative surplus

Cumulative Surplus Calculation - FY17	Page(s) in financial statements
(A) Voted Cumulative Surplus as of 6/30/16	\$ 1,516,823 (A) p. 12
(B) 1 Amount of (A) used to support the FY17 Budget (B)1	\$ -
2 Amount of (A) returned to member districts (B)2	\$ -
(B)1 + (B)2 = (B)	\$ - (B)
(C) Unexpended FY17 General Funds	\$ 389,990 (C) p. 12
(D) Cumulative Surplus as of 6/30/17 (A) - (B) + (C) = (D)	\$ 1,906,813 (D)
(E) FY17 Total General Fund Expenditures*	\$ 11,926,188 (E) p. 12
(F) Cumulative Surplus Percentage (D) ÷ (E)	16.0% (F)
Estimated Amount of Excess Cumulative Surplus as of 6/30/17	\$ -

* Excludes Intergovernmental expense

NOTE M – DISSOLUTION OF EDCO, INC.

On May 10, 2012, the Board of Directors of EDCO, Inc. voted to approve the dissolution of EDCO, Inc. EDCO, Inc.'s final day of operating activity was June 30, 2012 with all ongoing activities being taken over by EDCO effective July 1, 2012. All contracts and operating activities have been transferred to EDCO. Remaining assets and liabilities of EDCO, Inc. were transferred upon final dissolution of that organization in fiscal year 2014.

The Collaborative's board had designated and used the entire unrestricted contribution received after EDCO, Inc.'s dissolution totaling \$1,133,073 to fund facilities and other costs related to its move to its new location in fiscal year 2015. During the year ended June 30, 2017, the Collaborative used \$80,000 of restricted funds received after EDCO, Inc.'s dissolution toward operating expenses of the professional development center, thereby releasing the funds from restriction. As of June 30, 2017, remaining unused restricted funds were \$818,931.

NOTE N – NOTE PAYABLE

During fiscal year 2015, EDCO entered into a lease agreement for office and program facilities in Bedford, Massachusetts. In connection with the lease, EDCO entered into a note payable agreement with the landlord to finance leasehold improvements in the amount of \$1,200,000. The loan is payable over 11 years with monthly payments of principal and 5.00% interest of \$11,837. The balance of the note payable at June 30, 2017 was \$935,028.

EDCO Collaborative
Notes to the Financial Statements
June 30, 2017

NOTE N – NOTE PAYABLE – *continued*

Future maturities of the note payable are as follows:

2018	\$ 97,512
2019	102,501
2020	107,745
2021	113,254
2022	119,052
Thereafter	<u>394,964</u>
	<u>\$ 935,028</u>

NOTE O – COMMONWEALTH OF MASSACHUSETTS SURPLUS REVENUE RETENTION (OSD)

The excess (deficiency) of revenue received from departments of the Commonwealth of Massachusetts is the amount in accordance with the Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy, pursuant to 808CMR 1.19(3) of the Pricing, Reporting, and Auditing for Social Programs, which allows a provider to retain, for future use, a portion of annual net surplus. Net surplus from the revenues and expenses with services provided to purchasing agencies, which are subject to 808CMR 1.00, may not exceed 20% of the provider's revenues derived from contracts with state departments annually. For fiscal 2016 and beyond, there is no limit on the cumulative amount of the provider's net surplus. However, EDCO had no accumulated surplus as of June 30, 2017.

EDCO Collaborative
Statement of Revenues, Expenditures and Changes in Fund Balances
of the General Fund - Budget to Actual
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Tuition & services revenue	\$ 5,407,392	\$ 4,905,893	\$ 5,470,768	\$ 564,875
Member assessments	400,648	400,648	400,648	-
Grants & contributions	5,837,656	6,153,058	6,066,075	(86,983)
Intergovernmental revenue	-	-	1,984,992	1,984,992
Interest and other investment income	80,000	80,000	298,687	218,687
Total Revenues	<u>11,725,696</u>	<u>11,539,599</u>	<u>14,221,170</u>	<u>2,681,571</u>
Expenditures:				
Administration	1,561,754	1,490,940	1,619,813	(128,873)
Educational and instructional	8,581,365	8,429,997	8,865,518	(435,521)
Transportation	39,446	38,994	37,548	1,446
Professional development	1,040,441	1,108,072	862,466	245,606
Other Services	389,072	392,129	389,302	2,827
Intergovernmental revenue and expense	-	-	1,984,992	(1,984,992)
Debt Service:				
Debt principal	92,766	92,766	92,766	-
Debt interest	49,283	49,283	58,775	(9,492)
Total Expenditures	<u>11,754,127</u>	<u>11,602,181</u>	<u>13,911,180</u>	<u>(2,308,999)</u>
Revenues Net of Expenditures	(28,431)	(62,582)	309,990	372,572
Transfers in from other funds	80,000	80,000	80,000	-
Net Change in Fund Balances	<u>\$ 51,569</u>	<u>\$ 17,418</u>	<u>\$ 389,990</u>	<u>\$ 372,572</u>

Notes to schedule:

The Board of Directors annually determines the budget to maintain and operate the Collaborative during the next fiscal year and then, based upon enrollment data, assesses the member and non-member districts in accordance with the terms of the agreement. An annual budget is adopted for the general fund and may be revised by board approval during the year. During fiscal 2017, the board did revise its originally approved budget, primarily to remove transportation network revenue and expense from a service it no longer planned on providing. The above schedule presents a comparison of budgetary data to actual results.

The Collaborative prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Collaborative's method (budget basis) in the above schedule to provide meaningful comparison of actual results with budget. There are no reconciling items between GAAP and budget basis in this statement. Intergovernmental revenue and expense is not budgeted by the Collaborative because it is actuarially determined annually and does not require actual expenditure by the Collaborative. Certain expenses may be grouped differently than the actual amounts presented.

EDCO Collaborative
Schedule of the Collaborative's Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2017

		<u>MTRS</u>	<u>MSERS</u>
Collaborative's proportion of net pension liability	FY2015	0.04463%	0.06923%
	FY2016	0.03176%	0.06583%
Collaborative's proportionate share of net pension liability	FY2015	\$ 9,145,184	\$ 7,879,793
	FY2016	\$ 7,100,616	\$ 9,077,617
Collaborative's covered-employee payroll	FY2015	\$ 2,829,250	\$ 4,187,518
	FY2016	\$ 2,112,302	\$ 4,099,893
Collaborative's proportionate share of net pension liability as a percentage of its covered-employee payroll	FY2015	323.24%	188.17%
	FY2016	336.16%	221.41%
Plan fiduciary net position as a percentage of total pension liability	FY2015	55.38%	67.87%
	FY2016	52.73%	63.48%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System

MSERS is the Massachusetts State Employees' Retirement System

Also, see Note G to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2016.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

EDCO Collaborative
Schedule of Pension Contributions
For the Year Ended June 30, 2017

	MTRS	MSERS
<u>Fiscal 2015</u>		
Contractually required contribution	\$ -	\$ 234,501
Contributions in relation to the contractually required contribution	\$ -	\$ 234,501
Contribution deficiency (excess)	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 2,829,250	\$ 4,187,518
Contributions as a percentage of covered-employee payroll	0.00%	5.60%

<u>Fiscal 2016</u>		
Contractually required contribution	\$ -	\$ 229,594
Contributions in relation to the contractually required contribution	\$ -	\$ 229,594
Contribution deficiency (excess)	\$ -	\$ -
Collaborative's covered-employee payroll	\$ 2,112,302	\$ 4,099,893
Contributions as a percentage of covered-employee payroll	0.00%	5.60%

Notes to Required Supplementary Information

MTRS is the Massachusetts Teachers' Retirement System
MSERS is the Massachusetts State Employees' Retirement System
Also, see Note G to financial statements

Measurement Date

The amounts presented in this schedule were determined as of June 30, 2016.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Collaborative is required to pay an annual appropriation as established by the Public Employees' Retirement Administration Commission (PERAC) for MSERS. No contribution is required for MTRS. The Commonwealth of Massachusetts as a nonemployer is legally responsible for the entire past service cost related to the Collaborative and therefore has a 100% special funding situation.

EDCO Collaborative
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education, Office of Elementary & Secondary Education:</u>			
Direct from U.S. Department of Education			
New England HEP	84.141	S141A160024	\$ 351,311
Total New England HEP			<u>351,311</u>
Pass through Commonwealth of Massachusetts			
Migrant Education State Grant Program	84.011	308-001-7-0523-R	945,022
		308-001-6-1065-Q	410,228
		308-002-6-1065-Q	39,618
		135-001-7-0523	38,011
Total Migrant Education State Grant Program			<u>1,432,879</u>
Migrant Education Coordination Program	84.144	136-001-7-0523-R	46,500
		136-001-6-1065-Q	7,134
Total Migrant Education Coordination Program			<u>53,634</u>
English Language Acquisition Grants	84.365	180-133912-2017-0523	28,338
		180-001-7-0523-R	4,437
		180-106-6-1065-Q	35,458
Total English Language Acquisition Grants			<u>68,233</u>
Special Education Grants to States	84.027	274-174-7-0523-R	2,194
Total Special Education Grants to States			<u>2,194</u>
Pass through Boston Public Schools			
Archdiocesan Schools - Title I	84.010	40669	560,658
Total Archdiocesan Schools - Title I			<u>560,658</u>
Archdiocesan Schools - Title IIA	84.367	40669	488,765
Total Archdiocesan Schools - Title IIA			<u>488,765</u>
Total U.S. Department of Education			<u>2,957,674</u>
<u>U.S. Department of Labor, Employment Training Administration:</u>			
WIA Cluster			
Pass through Economic Development & Industrial Corporation of Boston			
Workforce Investment Act Youth Activities	17.259	122-019-117	164,030
		122-019-116	2,227
		42833-17	81,290
Total WIA Cluster and U.S. Department of Labor			<u>247,547</u>
Total Expenditures of Federal Awards			<u>\$ 3,205,221</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.

EDCO Collaborative
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of EDCO Collaborative under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements 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 EDCO Collaborative, it is not intended to and does not present the financial position, changes in net position or cash flows of EDCO Collaborative.

NOTE B – 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

EDCO Collaborative has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. The Collaborative uses its annually calculated indirect cost rate when possible.



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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

To the Board of Directors of
EDCO Collaborative
Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of EDCO Collaborative (a collaborative organized under the Laws of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise EDCO Collaborative's basic financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EDCO Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EDCO Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of EDCO Collaborative'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 EDCO Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature of Fritz DeGuglielmo in cursive script.

Certified Public Accountants

Newburyport, Massachusetts

November 14, 2017



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

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

To the Board of Directors of
EDCO Collaborative
Bedford, Massachusetts

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of EDCO Collaborative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 EDCO Collaborative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of EDCO Collaborative's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of EDCO Collaborative 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 EDCO Collaborative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 EDCO Collaborative's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Newburyport, Massachusetts

November 14, 2017

EDCO Collaborative
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--------------------------------------------------------------|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--------------------------------------------------------------------------------------------------------------|---------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) | No |

4. Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.011

Migrant Education State Grant Program

- | | |
|-----------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

EDCO Collaborative
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section 2

Financial Statement Findings

None.

Section 3

Federal Award Findings and Questioned Costs

None.

Section 4

Summary Schedule of Prior Year Findings

None.



EDCO

COLLABORATIVE

ACCEPTANCE OF THE BOARD OF DIRECTORS

We, the Board of Directors of EDCO Collaborative, have voted to accept the representations of management and the expression of the opinions made by Fritz DeGuglielmo LLC as embodied in the financial statements, supplemental schedules and independent auditor's reports for the year ended June 30, 2017.

We also certify that the representations made by management and the disclosures in the financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and under Commonwealth of Massachusetts laws for the year ended June 30, 2017.



Board Chair

11/16/17

Date

Strength in Diversity • Quality through Collaboration