

*Financial Statements*  
*Years Ended*  
*June 30, 2010 and 2009*

*Council of Chief State School Officers*



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# *Council of Chief State School Officers*

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## *Report of Independent Auditors*

Board of Directors  
*Council of Chief State School Officers*

We have audited the accompanying statements of financial position of *Council of Chief State School Officers* (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of *Council of Chief State School Officers'* management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Council of Chief State School Officers* as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of *Council of Chief State School Officers'* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the year ended June 30, 2010, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Goodman & Company, LLP*

McLean, Virginia  
November 2, 2010

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*Council of Chief State School Officers*

*Statements of Financial Position*

<b>June 30,</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 8,275,810	\$ 10,984,081
Certificates of deposit	1,109,154	1,096,839
Contracts, grant and other accounts receivable	3,518,470	3,687,128
Prepaid expenses	364,366	455,022
Short-term investments	1,764,610	1,557,518
Equipment - net	413,898	423,389
Long-term investments	171,733	140,397
	<u>\$ 15,618,041</u>	<u>\$ 18,344,374</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,120,680	\$ 3,667,252
Advances on grants, contracts and dues	6,935,535	11,520,254
<b>Total liabilities</b>	<u>11,056,215</u>	<u>15,187,506</u>
<b>Net assets</b>		
Unrestricted	4,414,066	3,010,795
Permanently restricted	147,760	146,073
<b>Total net assets</b>	<u>4,561,826</u>	<u>3,156,868</u>
	<u>\$ 15,618,041</u>	<u>\$ 18,344,374</u>

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

*Council of Chief State School Officers*

*Statements of Activities*

<b>Years Ended June 30,</b>	<b>2010</b>	<b>2009</b>
<b>Change in unrestricted net assets:</b>		
<b>Revenues, gains and other support:</b>		
Contracts, grants and sponsorships	\$ 27,648,530	\$ 23,240,025
Membership dues	2,214,242	2,233,511
Investment income	84,831	151,202
Net realized and unrealized gains (losses) on investments	289,275	(461,705)
Investment income and gains (losses and expenses) from permanently restricted investments	32,061	(30,820)
Registration fees	617,155	715,689
Other	165,981	145,485
<b>Total unrestricted revenues, gains and other support</b>	<b>31,052,075</b>	<b>25,993,387</b>
<b>Expenses</b>		
Programs and services	28,384,028	23,957,090
Management and general	855,688	1,856,100
Fundraising	409,088	422,881
<b>Total expenses</b>	<b>29,648,804</b>	<b>26,236,071</b>
<b>Change in unrestricted net assets</b>	<b>1,403,271</b>	<b>(242,684)</b>
<b>Change in permanently restricted net assets:</b>		
Investment income - net	11,507	8,521
Net realized and unrealized losses on investments	22,241	(40,847)
Less - unrestricted portion of investment income and gains (losses and expenses)	(32,061)	30,820
<b>Change in permanently restricted net assets</b>	<b>1,687</b>	<b>(1,506)</b>
<b>Change in net assets</b>	<b>1,404,958</b>	<b>(244,190)</b>
<b>Net assets - beginning of year</b>	<b>3,156,868</b>	<b>3,401,058</b>
<b>Net assets - end of year</b>	<b>\$ 4,561,826</b>	<b>\$ 3,156,868</b>

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

## *Council of Chief State School Officers*

### *Statements of Cash Flows*

<b>Years Ended June 30,</b>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,404,958	\$ (244,190)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	173,834	175,092
Net realized and unrealized (gains) losses on investments	(311,516)	502,553
Permanently restricted transactions not affecting cash	22,241	(40,847)
Change in:		
Contracts, grants and other accounts receivable	168,658	2,101
Prepaid expenses	90,656	10,686
Accounts payable and accrued expenses	453,428	(36,728)
Advances on grants, contracts and dues	(4,584,719)	11,727
<b>Net cash from operating activities</b>	<b>(2,582,460)</b>	<b>380,394</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(165,358)	(70,572)
Proceeds from sale of investments	413,781	426,692
Purchase of investments	(376,371)	(130,810)
Purchase of certificates of deposit	(297,000)	(983,446)
Redemption of certificates of deposit	297,000	886,617
Purchase of U.S. T-bills	(4,541,863)	-
Proceeds from sale of U.S. T-bills	4,544,000	-
<b>Net cash from investing activities</b>	<b>(125,811)</b>	<b>128,481</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,708,271)</b>	<b>508,875</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>10,984,081</b>	<b>10,475,206</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 8,275,810</b>	<b>\$ 10,984,081</b>

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

# *Council of Chief State School Officers*

## *Notes to Financial Statements*

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**June 30, 2010 and 2009**

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### **1. Organization and Nature of Activities**

The *Council of Chief State School Officers* (Council) is a nationwide, not-for-profit organized in Maryland, comprised of the public officials who head the departments of elementary and secondary education in the United States, five U.S. extra-state jurisdictions, and the Department of Defense Education Activity.

The Council provides leadership, advocacy, and technical assistance services to its members to fulfill the Council's vision that all school systems will ensure high standards of performance for every student and that each child is prepared to succeed as a productive member of a democratic society.

The Council, established in 1927, represents the chief state school officers' views on federal education policy. The Council undertakes projects to help state education agencies understand, devise, and execute policy, adopt initiatives to promote educational reform efforts, and engage in collaborative exchanges to share best practices and model solutions. These endeavors result in the development of many resources, which are widely disseminated to the Council's state constituencies, other partner organizations, the education community, related federal agencies and the U.S. Congress. The Council's work is supported by membership dues, the foundation community and governmental agencies.

Members establish Council policy with leadership provided by a nine-person Board of Directors, comprised of three officers and six directors. Each director serves a three-year term, and elections for staggered terms are held at the Annual Policy Forum and Business Meeting. The Council employs a committee structure that allows chiefs to contribute their knowledge and to participate in various operational facets of the Council.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting and Presentation**

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **Class of Net Assets**

The financial statements report amounts separately by class of net assets as follows:

**Unrestricted net assets** - Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, less expenses incurred in providing services, raising contributions, performing administrative functions and those assets invested in equipment.

**Temporarily restricted net assets** - Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the Council is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to those stipulations; however, if a restriction is fulfilled in the same time period in which the contribution is received, the Council reports the support as unrestricted. The Council had no temporarily restricted assets at June 30, 2010 and 2009.

**Permanently restricted amounts** - Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

### **Cash and Cash Equivalents**

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Certificates of Deposit**

The certificates of deposit bear interest ranging from 2.00% to 5.20% (3.00% to 5.50% at June 30, 2010) and have maturities ranging from 3 years to 12 years (1 year 8 months to 12 years at June 30, 2010).

### **Investments**

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statements of activities.

### **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years.

### **Accounts Receivable**

Accounts receivable represents billed balances and unbilled costs incurred on grants and contracts. All accounts receivable are stated at the amount management expects to collect for balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved. There was no allowance for doubtful accounts at June 30, 2010 and 2009.

### **Revenue Recognition**

Revenues from contracts and grants are recognized as costs are incurred and projected losses are provided for in their entirety at the time of determination. The agreements are subject to audit.

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Membership dues are recorded as revenue in the fiscal year to which the membership applies.

Cash receipts in excess of costs incurred are reflected as advances on contracts. Costs incurred in excess of cash received are reflected as accounts receivable on contracts and grants.

### **Income Taxes**

The Council is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Council did not have any unrelated business income for fiscal years 2010 and 2009.

### **Indirect Costs**

Indirect costs on governmental grants/contracts are recorded at the lower of the maximum provisional rate established at the time of the award, or the final rate established at the end of a fiscal year. Indirect costs or management fees on foundation grants and contracts are recorded at the rate approved in the agreement. Indirect costs incurred in excess of provisional amounts approved have not been billed or reflected in the financial statements.

### **Estimates**

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

### **Concentration of Credit Risk**

The Council maintains bank deposit accounts that, at times, may exceed the federally insured limit, up to \$250,000. The Council has not experienced any losses in such accounts. The Council's management believes it is not exposed to any significant credit risk on cash and cash equivalents. The amount held in one bank in excess of the federally insured limit at June 30, 2010 is \$5,181,138. The remaining cash and cash equivalents held in three brokerage firms in excess of the federally insured limit at June 30, 2010 is \$2,592,046. Approximately 21% of the Council's revenue and 34% of accounts receivable for fiscal year 2010 was provided by U.S. Department of Education grants or contracts. Approximately 27% of the Council's revenue and 22% of accounts receivable for fiscal year 2010 was provided by the Bill and Melinda Gates Foundation. The Council has not experienced a loss as a result of these concentrations. The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term.

### **Subsequent Events**

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through November 2, 2010, the date the financial statements were available to be issued.

### 3. Equipment

Equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 1,843,765	\$ 1,980,010
Less - accumulated depreciation	<u>(1,429,867)</u>	<u>(1,556,621)</u>
	<u>\$ 413,898</u>	<u>\$ 423,389</u>

### 4. Investments

The Council carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Aggregate market values are summarized as follows at June 30:

	<u>2010</u>	<u>2009</u>
Short-term investments		
Common stocks		
Financial	\$ 717,231	\$ 444,646
Basic materials	90,496	108,270
Industrial goods	19,515	15,700
Healthcare	61,230	57,189
Technology	311,791	243,007
Utilities	-	66,177
Service	427,197	494,800
Total common stocks	<u>1,627,460</u>	<u>1,429,789</u>
Mutual fund	125,960	111,411
Other investment	<u>11,190</u>	<u>16,318</u>
	<u>\$ 1,764,610</u>	<u>\$ 1,557,518</u>
Long-term investments		
Common stocks		
Financial	\$ 16,403	\$ 49,319
Basic materials	74,049	-
Service	6,928	10,940
Total common stocks	<u>97,380</u>	<u>60,259</u>
Corporate bond	49,875	45,500
Money market fund	<u>24,478</u>	<u>34,638</u>
	<u>\$ 171,733</u>	<u>\$ 140,397</u>

Investment income (expense) is summarized as follows at June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 84,831	\$ 151,202
Net realized and unrealized gains (losses)	<u>289,275</u>	<u>(461,705)</u>
	<u>\$ 374,106</u>	<u>\$ (310,503)</u>

## 5. Fair Value Measurement

Financial Accounting Standards Board Statement (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

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Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The tables below summarize investments, by level, for items measured at fair value on a recurring basis at June 30, 2010 and 2009:

	Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Common stocks				
Financial	\$ 733,634	\$ -	\$ -	\$ 733,634
Basic Materials	164,545	-	-	164,545
Industrial goods	19,515	-	-	19,515
Healthcare	61,230	-	-	61,230
Technology	311,791	-	-	311,791
Service	434,125	-	-	434,125
Total common stocks	1,724,840	-	-	1,724,840
Mutual funds - large blend	125,960	-	-	125,960
Corporate bond	-	49,875	-	49,875
Money market fund	24,478	-	-	24,478
Alternative investment	-	11,190	-	11,190
Total investments	\$ 1,875,278	\$ 61,065	\$ -	\$ 1,936,343

<b>Assets at Fair Value as of June 30, 2009</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Common stocks				
Financial	\$ 493,294	\$ 671	\$ -	\$ 493,965
Basic Materials	108,270	-	-	108,270
Industrial goods	15,700	-	-	15,700
Healthcare	57,189	-	-	57,189
Technology	243,007	-	-	243,007
Utilities	66,177	-	-	66,177
Service	505,740	-	-	505,740
Total common stocks	1,489,377	671	-	1,490,048
Mutual funds - large blend	111,411	-	-	111,411
Corporate bond	-	45,500	-	45,500
Money market fund	34,638	-	-	34,638
Alternative investment	-	16,318	-	16,318
Total investments	\$ 1,635,426	\$ 62,489	\$ -	\$ 1,697,915

## 6. Permanently Restricted Net Assets

Permanently restricted net assets are as follows at June 30:

	<b>2010</b>	<b>2009</b>
NTOY Endowment	\$ 147,760	\$ 147,579

The endowment requires 5% of investment income to be permanently reinvested. The remaining income is available for unrestricted use.

## 7. Retirement Plan

The Council has a 401(k) safe harbor plan with a profit-sharing provision covering substantially all employees. The Council's safe harbor contribution is 3% of an employee's total compensation to the plan. The Council also contributes 7% of an employee's total compensation as a profit sharing contribution for a total contribution of 10%. The Council's policy is to fund retirement costs currently. The Council's expense for the fiscal years 2010 and 2009 was \$536,153 and \$462,245, respectively.

## 8. Commitments

The Council has two noncancelable leases for copiers that expire on October 2010 and April 2014.

The operating lease for office space terminates on December 31, 2011. The operating lease payments are subject to an annual 2% increase during the lease term. Escalation in operating costs will be based on the Council's proportionate share of any increase in operating costs. Future minimum lease payments under the leases for years ending June 30 are:

	Office Space	Equipment
2011	\$ 1,163,649	\$ 29,953
2012	599,337	21,876
2013	-	21,876
2014	-	16,407
	<u>\$ 1,762,986</u>	<u>\$ 90,112</u>

## 9. Fiscal Agent Agreement

On September 28, 2006, the Council continued an agreement with the Interstate Migrant Education Council (IMEC) to provide fiscal services for IMEC. The term of the agreement is for five years commencing on January 1, 2007. IMEC has agreed to pay the Council a fiscal agent fee of 10% on all IMEC expenditures. Effective January 1, 2009, the Council agreed to reduce the rate to 5%. For the fiscal years ended June 30, 2010 and 2009, IMEC paid the Council \$14,668 and \$23,001, respectively, under this agreement.

## 10. Significant Award

In April of 2007, the Council received an award from the Bill & Melinda Gates Foundation in the amount of \$17,000,000. During 2010, the Council received award payments of \$0 and recognized revenue of \$3,147,942. As of June 30, 2010, the Council had deferred revenue of \$0 resulting from this award. During 2009, the Council received award payments of \$5,642,317 and recognized revenue of \$7,070,018. As of June 30, 2009, the Council had deferred revenue of \$3,147,942 resulting from this award.

## 11. Functional Expenses

### Year Ended June 30, 2010

Element of Cost	Programs and Services	Management and General	Fundraising	Total
Salaries	\$ 4,299,021	\$ 1,242,575	\$ 241,248	\$ 5,782,844
Fringe benefits	1,119,223	325,857	62,878	1,507,958
Printing and duplicating	143,967	49,607	981	194,555
Office supplies, service dues, publications, software, etc.	207,522	145,623	3,772	356,917
Travel, conferences and meetings	6,686,195	99,800	41,246	6,827,241
Communications	136,740	70,370	5,783	212,893
Office rent	409,875	736,114	10,245	1,156,234
Consultants, contracted services, and grants	12,943,064	323,100	42,935	13,309,099
Auditing	-	43,000	-	43,000
Insurance	-	84,229	-	84,229
Depreciation	-	173,834	-	173,834
Indirect cost allocation	2,438,421	(2,438,421)	-	-
Total	\$ 28,384,028	\$ 855,688	\$ 409,088	\$ 29,648,804

### Year Ended June 30, 2009

Element of Cost	Programs and Services	Management and General	Fundraising	Total
Salaries	\$ 3,469,453	\$ 1,304,324	\$ 243,877	\$ 5,017,654
Fringe benefits	919,836	346,011	64,674	1,330,521
Printing and duplicating	131,426	93,225	1,304	225,955
Office supplies, service dues, publications, software, etc.	168,733	250,096	33,494	452,323
Travel, conferences and meetings	4,953,077	179,720	52,397	5,185,194
Communications	97,103	73,367	3,818	174,288
Office rent	354,509	731,287	13,442	1,099,238
Consultants, contracted services, and grants	12,057,588	389,878	9,875	12,457,341
Auditing	-	49,750	-	49,750
Insurance	-	68,715	-	68,715
Depreciation	-	175,092	-	175,092
Indirect cost allocation	1,805,365	(1,805,365)	-	-
Total	\$ 23,957,090	\$ 1,856,100	\$ 422,881	\$ 26,236,071

## **12. Federally Assisted Grant Programs**

The Council participates in federally assisted grant programs. Although the Council has been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. The Council believes such disallowances, if any, will not be significant.

## **13. Operating Vulnerability**

The Council is heavily dependent upon grants and contracts for its operations. If these funds were curtailed it would be necessary to curtail or eliminate several programs. The expectation is that the entities will continue funding many of the programs. In the event one funding source would terminate its relationship with the Council, management believes sufficient funding exists from other sources to continue the basic programs of the Council.

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*Supplemental Information*

*Council of Chief State School Officers*

*Compliance Reports*

*Years Ended June 30, 2010 and 2009*



Certified Public Accountants  
Specialized Services  
Business Solutions

***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***

Board of Directors  
***Council of Chief State School Officers***

We have audited the financial statements of ***Council of Chief State School Officers*** as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 2, 2010. We conducted our audits 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered ***Council of Chief State School Officers***' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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, 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether *Council of Chief State School Officers'* financial statements are free of 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 audits, 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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Goodman & Company, LLP*

McLean, Virginia  
November 2, 2010



Certified Public Accountants  
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***Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133***

Board of Directors  
***Council of Chief State School Officers***

***Compliance***

We have audited ***Council of Chief State School Officers'*** (a not-for-profit organization) compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of ***Council of Chief State School Officers'*** major federal programs for the year ended June 30, 2010. ***Council of Chief State School Officers'*** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of ***Council of Chief State School Officers'*** management. Our responsibility is to express an opinion on ***Council of Chief State School Officers'*** compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 ***Council of Chief State School Officers'*** 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. Our audit does not provide a legal determination of ***Council of Chief State School Officers'*** compliance with those requirements.

In our opinion, ***Council of Chief State School Officers*** complied, in all material respects, with the 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, 2010.

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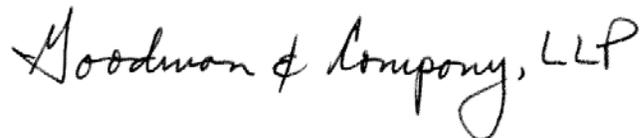
### ***Internal Control Over Compliance***

Management of ***Council of Chief State School Officers*** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ***Council of Chief State School Officers***' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 ***Council of Chief State School Officers***' 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Goodman & Company, LLP". The signature is written in a cursive, flowing style.

McLean, Virginia  
November 2, 2010

*Council of Chief State School Officers*

*Schedule of Expenditures of Federal Awards*

**Year Ended June 30, 2010**

<b>Federal Granting Agency</b>	<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
NASA	VLM	43-Unknown	NNX088AH47A	\$ (6,447)
NASA	VLM	43-Unknown	NONE	66,000
National Endowment for the Arts	Arts Education Partnership	45.026	NONE	434,700
National Endowment for the Arts	Arts Education Partnership	45.026	DCA 08-19	296,795
U.S. Department of Education	2012 NAEP Technological Literacy	84-Unknown	ED-08-CO-0134	20,866
National Science Foundation	Meta-Analysis Study	47-Unknown	REC-0635409	3,868
U.S. Department of Education	NAGB Task Force	84-Unknown	ED-07-PO-1343	74,600
U.S. Department of Education	NAEP Information Network	84-Unknown	ED01CO0040/0009	425,393
U.S. Department of Education	Administrative Data Improvement	84-Unknown	ED-06-CO-0056	5,187,553
U.S. Department of Education	Balanced Assessment and Learning Systems - NC	84-Unknown	NONE	294,827
U.S. Department of Education	Iowa SEC-ELL	84.368A	S368A070007	151,622
U.S. Department of Education	CT - EAG	84-Unknown	NONE	212,658
Total Expenditures of Federal Awards				<u>\$ 7,162,435</u>

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

*Council of Chief State School Officers*

*Notes to Schedule of Expenditures of Federal Awards*

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**June 30, 2010 and 2009**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of *Council of Chief State School Officers* and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.



**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

*Council of Chief State School Officers*

*Prior Audit Findings*

*Year Ended June 30, 2010*

There were no prior year audit findings.

*Council of Chief State School Officers*

*Corrective Action Plan*

*Year Ended June 30, 2010*

There are no current audit findings.