Financial Statements
Years Ended
June 30, 2011 and 2010

Council of Chief State School Officers

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Council of Chief State School Officers

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We have audited the accompanying statement of financial position of ***Council of Chief State School Officers*** (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year 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 audit. The financial statements as of June 30, 2010 were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated November 2, 2010 expressed an unqualified opinion on those statements.

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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 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, 2011, and the changes in its net assets and its cash flows for the year 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 October 27, 2011 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.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dixon Hughes Goodman LLP

McLean, Virginia
October 27, 2011

Council of Chief State School Officers

Statements of Financial Position

June 30,	2011	2010
Assets		
Cash and cash equivalents	$ 9,959,461	$ 8,275,810
Certificates of deposit	1,020,996	1,109,154
Contracts, grants and other accounts receivable	3,847,874	3,518,470
Prepaid expenses	517,725	364,366
Short-term investments	2,451,918	1,764,610
Equipment - net	264,088	413,898
Long-term investments	159,394	171,733
	$ 18,221,456	$ 15,618,041
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 2,955,350	$ 4,120,680
Advances on grants, contracts and dues	9,791,633	6,935,535
Total liabilities	12,746,983	11,056,215
Net assets		
Unrestricted	5,324,962	4,414,066
Permanently restricted	149,511	147,760
Total net assets	5,474,473	4,561,826
	$ 18,221,456	$ 15,618,041

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

Council of Chief State School Officers

Statements of Activities

Years Ended June 30,	2011	2010
Change in unrestricted net assets		
Revenues, gains and other support		
Contracts, grants and sponsorships	$ 22,554,365	$ 27,648,530
Membership dues	2,187,626	2,214,242
Investment income	68,599	84,831
Net realized and unrealized gains on investments	481,110	289,275
Investment income and gains from permanently restricted investments	33,260	32,061
Registration fees	869,215	617,155
Other	351,446	165,981
Total unrestricted revenues, gains and other support	26,545,621	31,052,075
Expenses		
Program services	23,455,834	28,384,028
Management and general	1,570,832	855,688
Fundraising	608,059	409,088
Total expenses	25,634,725	29,648,804
Change in unrestricted net assets	910,896	1,403,271
Change in permanently restricted net assets		
Investment income	10,947	11,507
Net realized and unrealized gains on investments	24,064	22,241
Less - unrestricted portion of investment income and gains	(33,260)	(32,061)
Change in permanently restricted net assets	1,751	1,687
Change in net assets	912,647	1,404,958
Net assets - beginning of year	4,561,826	3,156,868
Net assets - end of year	$ 5,474,473	$ 4,561,826

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

Council of Chief State School Officers

Statements of Cash Flows

Years Ended June 30,	**2011**	**2010**
Cash flows from operating activities		
Change in net assets	$ 912,647	$ 1,404,958
Adjustments to reconcile to net cash from operating activities:		
Depreciation	183,180	173,834
Net realized and unrealized gains on investments	(505,174)	(289,275)
Change in:		
Contracts, grants and other accounts receivable	(329,404)	168,658
Prepaid expenses	(153,359)	90,656
Accounts payable and accrued expenses	(1,165,330)	453,428
Advances on grants, contracts and dues	2,856,098	(4,584,719)
Net cash from operating activities	1,798,658	(2,582,460)
Cash flows from investing activities		
Purchase of equipment	(33,370)	(165,358)
Proceeds from sale of investments	154,459	413,781
Purchase of investments	(324,299)	(376,371)
Purchase of certificates of deposit	(891,797)	(297,000)
Redemption of certificates of deposit	980,000	297,000
Purchase of U.S. T-bills	-	(4,541,863)
Proceeds from sale of U.S. T-bills	-	4,544,000
Net cash from investing activities	(115,007)	(125,811)
Net change in cash and cash equivalents	1,683,651	(2,708,271)
Cash and cash equivalents - beginning of year	8,275,810	10,984,081
Cash and cash equivalents - end of year	$ 9,959,461	$ 8,275,810

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

June 30, 2011 and 2010

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. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. The Council had no temporarily restricted net assets at June 30, 2011 and 2010.

Permanently restricted net assets - Permanently restricted net assets result from contributions and earnings that 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, except for money market funds held in brokerage accounts.

Certificates of Deposit

The certificates of deposit bear interest ranging from 1.5% to 5.00% at June 30, 2011(2.00% to 5.20% at June 30, 2010), and the certificates of deposit have maturities ranging from 2 years to 14 years at June 30, 2011 (3 years 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.

Equipment

All acquisitions of 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. Equipment is 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.

Contracts, Grants and Other 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, 2011 and 2010.

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 2011 and 2010. The Council has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2011 and June 30, 2010. Years ending on or after June 30, 2008 remain subject to examination by federal and state tax authorities.

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. At June 30, 2011 and 2010, the Council had $8,111,938 and $5,181,138, respectively, in cash deposits over the federally insured limit. The remaining cash and cash equivalents held in three brokerage firms in excess of the federally insured limit at June 30, 2011 and 2010 is $2,155,380 and $2,592,046, respectively.

Approximately 13% and 33% of the Council's revenue and 25% and 34% of accounts receivable were provided by U.S. Department of Education grants or contracts for fiscal years 2011 and 2010, respectively. Approximately 14% and 27% of the Council's revenue and 6% and 22% of accounts receivable were provided by the Bill and Melinda Gates Foundation for fiscal years 2011 and 2010, respectively. The Council has not experienced a loss as a result of the 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 October 27, 2011, the date the financial statements were available to be issued.

3. Equipment

Equipment consisted of the following at June 30:

	2011	2010
Office equipment	$ 1,877,135	$ 1,843,765
Less - accumulated depreciation	(1,613,047)	(1,429,867)
	$ 264,088	$ 413,898

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 statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Aggregate market values are summarized as follows at June 30:

	2011	2010
Short-term investments:		
Common stocks	$ 2,197,310	$ 1,627,460
Publicly traded partnerships	89,497	-
Mutual fund	165,111	137,150
	$ 2,451,918	$ 1,764,610
Long-term investments:		
Common stocks	$ 107,529	$ 97,380
Corporate bond	51,126	49,875
Money market fund	739	24,478
	$ 159,394	$ 171,733

Investment income is summarized as follows at June 30:

	2011	2010
Interest and dividend income	$ 68,599	$ 84,831
Net realized and unrealized gains	481,110	289,275
Total unrestricted investment income	$ 549,709	$ 374,106

	2011	2010
Interest and dividend income	$ 10,947	$ 11,507
Net realized and unrealized gains	24,064	22,241
Total permanently restricted investment income	$ 35,011	$ 33,748

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 measurement) 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:

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.

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.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011.

Level 1 assets include mutual funds and publicly traded partnerships which are valued at the net asset value (NAV) of shares held at year-end and equity securities which are valued at the closing price reported in the active market in which individual securities are traded. Level 2 assets include a corporate bond for which quoted prices are not available in active markets for identical instruments. The Council utilizes a third party pricing service to determine the fair value of the bond. Because quoted prices in active markets for identical assets are not available, this price is determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The tables below summarize investments, by level, for items measured at fair value on a recurring basis as of June 30, 2011 and 2010:

	Assets at Fair Value as of June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 2,304,839	$ -	$ -	$ 2,304,839
Publicly traded partnerships	89,497	-	-	89,497
Mutual funds - large blend	165,111	-	-	165,111
Corporate bond	-	51,126	-	51,126
Money market fund	739	-	-	739
Total investments	$ 2,560,186	$ 51,126	$ -	$ 2,611,312

	Assets at Fair Value as of June 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 1,724,840	$ -	$ -	$ 1,724,840
Mutual funds - large blend	137,150	-	-	137,150
Corporate bond	-	49,875	-	49,875
Money market fund	24,478	-	-	24,478
Total investments	$ 1,886,468	$ 49,875	$ -	$ 1,936,343

6. Permanently Restricted Net Assets

Permanently restricted net assets are as follows at June 30:

	2011	**2010**
NTOY Endowment	$ 149,511	$ 147,760

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 2011 and 2010 was $584,047 and $536,153, respectively.

8. Commitments

The Council has four noncancelable leases for copiers that expire on March 2014, March 2015, April 2015, and February 2016.

The operating lease for office space terminates on December 31, 2021. 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
2012	$ 1,004,906	$ 50,268
2013	1,025,116	50,268
2014	1,045,551	44,799
2015	1,066,435	22,122
2016	1,087,768	1,380
Thereafter	6,375,146	-
	$ 11,604,922	$ 168,837

9. Fiscal Agent Agreements

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 2011 and 2010, IMEC paid the Council $13,660 and $14,667, respectively, under this agreement.

On July 26, 2010, the Council entered into an agreement with the Partnership for 21th Century Skills (P21) to provide fiscal services for P21. The term of the agreement is from December 2, 2010 through November 30, 2011. P21 has agreed to pay the Council a fiscal agent fee of 15% of all P21 expenditures. For fiscal year 2011, P21 paid the Council $94,183 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. The contract ended February 28, 2010. During fiscal year 2010, the Council received award payments of $0 and recognized revenue of $3,147,942.

11. Functional Expenses

Year Ended June 30, 2011

Element of Cost	Program Services	Management and General	Fundraising	Total
Salaries	$ 3,912,779	$ 1,379,291	$ 338,383	$ 5,630,453
Fringe benefits	1,086,064	378,802	93,836	1,558,702
Printing and duplicating	123,652	49,049	915	173,616
Office supplies, service dues, publications, software, etc.	278,861	230,437	23,502	532,800
Travel, conferences and meetings	6,646,496	180,162	105,999	6,932,657
Communications	144,672	71,272	6,111	222,055
Office rent	373,165	758,652	9,730	1,141,547
Consultants, contracted services, and grants	8,772,752	343,976	29,583	9,146,311
Auditing	-	49,500	-	49,500
Insurance	-	63,904	-	63,904
Depreciation	-	183,180	-	183,180
Indirect cost allocation	2,117,393	(2,117,393)	-	-
Total	$ 23,455,834	$ 1,570,832	$ 608,059	$ 25,634,725

Year Ended June 30, 2010

Element of Cost	Program 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

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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Council of Chief State School Officers

Compliance Section

Year Ended June 30, 2011

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*** (Council) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. 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.

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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis.

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 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*.

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.

Dixon Hughes Goodman LLP

McLean, Virginia
October 27, 2011

Independent Auditors' 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, 2011. ***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 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, 2011.

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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 the 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.

Dixon Hughes Goodman LLP

McLean, Virginia
October 27, 2011

Council of Chief State School Officers

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Granting Agency	Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
National Aeronautics and Space Administration	VLM	43-Unknown	None	$ 41,061
National Endowment for the Arts	Arts Education Partnership	45.024	None	270,211
National Endowment for the Arts	Arts Education Partnership	45.024*	None	637,278
National Science Foundation	Raising Secondary Mathematics	47.076	DRL-1020310	22,783
U.S. Department of Health and Human Services	Head Start National Resource Center	93-Unknown	None	45,337
U.S. Department of Health and Human Services	After the Oil Spill	93.243	5HR1SM054865-08	4,783
U.S. Department of Education	Smarter Balance Assessment Consortium	84.395B*	None	558,000
U.S. Department of Education	NAGB Task Force	84-Unknown	ED-07-PO-1343	75,031
U.S. Department of Education	NAEP Information Network	84-Unknown	ED01CO0040/0009	24,011
U.S. Department of Education	Administrative Data Improvement	84-Unknown	ED-06-CO-0056	2,514,672
U.S. Department of Education	Kansas SEC Special Ed	84-Unknown	None	136,420
U.S. Department of Education	State Technical Operations Cooperative	84-Unknown*	ED-CFO-10-A-0091	273,054
Total Expenditures of Federal Awards				$ 4,602,641

*Denotes a major program

June 30, 2011

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 in or used in the preparation of the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB *Circular A-122, Cost Principles for Non-Profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Council of Chief State School Officers

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
• Material weakness (es) identified?	___ yes _X_ no
• Significant deficiency (es) identified?	___ yes _X_ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards

Internal control over major programs:	
• Material weakness (es) identified?	___ yes _X_ no
• Significant deficiency (es) identified?	___ yes _X_ none reported
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes _X_ no

Identification of major programs:
Name of Federal Program or Cluster:

1. U.S. Department of Education, Smarter Balance Assessment Consortium, CFDA 84.395B
2. U.S. Department of Education, State Technical Operations Cooperative, CFDA 84.Unknown
3. National Endowment for the Arts, Arts Education Partnership, CFDA 45.024

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	_X_ yes ___ no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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, 2011

There were no prior year audit findings.

Council of Chief State School Officers

Corrective Action Plan

Year Ended June 30, 2011

There are no current audit findings.