

EDUCATION FOR EMPLOYMENT

Financial Statements

December 31, 2017

EDUCATION FOR EMPLOYMENT

December 31, 2017

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Independent Auditor's Report

To the Board of Directors
Education for Employment
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Education for Employment (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education for Employment as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of Education for Employment'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 solely 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 effectiveness of Education for Employment's 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 Education for Employment's internal control over financial reporting and compliance.

Edelstein & Company LLP

Boston, Massachusetts
September 25, 2018

EDUCATION FOR EMPLOYMENT

Statement of Financial Position December 31, 2017

Assets:

Cash	\$ 1,506,045
Grants receivable	336,009
Government contract receivable	224,346
Unconditional promises to give	72,678
Prepaid expenses	268,186
Furniture and equipment, net	7,579
Intangible assets, net	210,223
Deposits	15,423

Total assets \$ 2,640,489

Liabilities and net assets

Liabilities:

Accounts payable and accrued expenses	\$ 180,148
Grants payable	250,444
Total liabilities	<u><u>430,592</u></u>

Net assets (deficit):

Unrestricted	(35,352)
Temporarily restricted	2,245,249
Total net assets	<u><u>2,209,897</u></u>

Total liabilities and net assets \$ 2,640,489

EDUCATION FOR EMPLOYMENT

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 1,210,538	\$ 2,304,757	\$ 3,515,295
Government grants	1,683,215	-	1,683,215
Government contracts	685,722	-	685,722
In-kind contributions	965,217	-	965,217
Interest income	97	-	97
Net assets released from restrictions	1,396,050	(1,396,050)	-
Total support and revenue	<u>5,940,839</u>	<u>908,707</u>	<u>6,849,546</u>
Expenses:			
Program services	4,878,631	-	4,878,631
Management and general	1,184,509	-	1,184,509
Fundraising	35,768	-	35,768
Total expenses	<u>6,098,908</u>	<u>-</u>	<u>6,098,908</u>
Change in net assets before loss on disposal	(158,069)	908,707	750,638
Loss on software project disposal	113,340	-	113,340
Change in net assets	(271,409)	908,707	637,298
Net assets, beginning of year	<u>236,057</u>	<u>1,336,542</u>	<u>1,572,599</u>
Net (deficit) assets, end of year	<u>\$ (35,352)</u>	<u>\$ 2,245,249</u>	<u>\$ 2,209,897</u>

EDUCATION FOR EMPLOYMENT

Statement of Cash Flows For the Year Ended December 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ 637,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	15,274
Loss on software project disposal	113,340
Changes in operating assets and liabilities:	
Grants receivable	(135,371)
Government contract receivable	(118,568)
Unconditional promises to give	107,953
Prepaid expenses	(103,418)
Deposits	545
Accounts payable and accrued expenses	(43,517)
Grants payable	105,887
Net cash provided by operating activities	<u>579,423</u>
Net cash used in investing activities:	
Purchase of computer software and intangible assets	<u>(138,250)</u>
Increase in cash	441,173
Cash, beginning of year	<u>1,064,872</u>
Cash, end of year	<u>\$ 1,506,045</u>

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

1. Organization and Purpose

Education for Employment (the “Organization”) is a not-for-profit organization whose mission is to create employment opportunities for young people in the Middle East and North Africa through career training in vocational, technical, managerial and professional skills. It derives its revenues primarily from contributions from individuals and from grants and contracts from private foundations, the federal government, and corporate partners.

The Organization works in collaboration with non-government organizations (“NGO”) in a variety of countries in the Middle East and Africa, by providing funding to support the local NGO’s programs. The NGOs are independent entities that are subject to external audit requirements unique to the countries in which they operate. The programs are described as follows:

EFE Morocco

The Moroccan Education For Employment Foundation (“EFE-Maroc”) was established in 2007 and has trained a significant number of youth in its job placement programs. Additionally, EFE-Maroc has trained a significant number of youth at youth centers and public universities throughout Morocco in its Pathways-To-A-Job training program. In 2017, EFE-Maroc launched its pilot project with support from Millennium Challenge Corporation to adapt its work readiness curriculum and train high school level students in the Tanger-Tétouan-Al Hoceïma. EFE-Maroc is expanding its presence in Morocco through a local grant from MEPI. This one-year project will expand for the first time its reach to the region of Fès-Meknès to enhance the employability skills of youth with Job Training & Placement. EFE-Maroc is also carrying out projects with support from Boeing and Citi Foundation through its Job Training and Placement program to train and place unemployed youth.

EFE Egypt

EFE|Egypt launched programs in banking and textile merchandising in partnership with the U.S. Department of State Office of the Middle East Partnership Initiative (“MEPI”) in 2009, and since then has formed partnerships with a wide range of local and international organizations to deliver job placement training to unemployed Egyptian youth. EFE|Egypt’s core Job Placement Training Program (JPTP) is an experiential job skills course that prepares participants for placement in a full-time job in the private sector, and includes training in soft skills, ICT, Business English, and a technical component. EFE|Egypt has also trained youth in its Career Directions job readiness and “Bina’a” civic engagement training programs for Egyptian university students. EFE|Egypt began a partnership with oil and gas company Schlumberger in 2017 to train youth for placement with Schlumberger and other companies in the sector. It also developed and delivered career counseling and mentoring programs for Egyptian university students as part of the Local Scholarship Program.

EFE Yemen

Yemen Education For Employment Foundation (“YEFE”) was founded in 2008 with the mission to connect Yemeni youth to jobs and income through private sector partnerships, market demand driven training, and world class curriculums delivered by dynamic local trainers. Since inception, YEFE has received significant investments from YEFE’s Board of Trustees and other local partners. YEFE has trained a significant number of youth in its job placement and self-employment courses. YEFE and EFE-Global conducted a labor market assessment and participated in discussions with the U.S. Department of State to re-launch job training and placement programs focused on the healthcare sector. The State Department approved this new scope of work in January 2017, and YEFE focused on training and placing youth in the healthcare sector in Sana’a, Aden, Lahj and Abyan for the remainder of 2017.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

1. Organization and Purpose (continued)

EFE Jordan

Jordan Education For Employment (“JEFE”) was established in 2006 and has trained a significant number of youth in its job readiness and entrepreneurship support programs. JEFE launched projects to train youth for jobs in a variety of industries including retail, hospitality, automobile mechanics, and garment manufacturing. In 2017, JEFE expanded its target population to include Syrian refugees in its job training and placement and self-employment programs in partnership with People1st and Mercy Corps.

EFE-KSA

EFE KSA is an organization that provides skilled young talent to businesses in Saudi Arabia. EFE works in partnership with the private sector to develop practical training programs aligned with their workforce requirements, qualifying job-ready and retainable employees. For young people, EFE offers access to experienced instructors, employers and job opportunities after training. EFE KSA has developed strong partnerships with such as Accor, Enayah, Careem, Samara, L'Oreal and Rawabi holding. In 2017, EFE Saudi Arabia continued its project “Transitioning Saudi Youth to Employment project” to train youth and place into jobs in demanding sectors, namely hostility and retail. EFE KSA plans to continue its outreach efforts and expand its serveries to Saudi youth.

EFE Palestine

Palestinian Education For Employment Foundation (“PEFE”) is a Palestinian civil society organization that provides demand-driven training for youth with limited opportunities. Founded in 2006, PEFE partners with local businesses and universities in the West Bank, East Jerusalem and Gaza to place youth in jobs and support young entrepreneurs. Programs have included accounting, construction management, business administration, nursing, and virtual jobs for youth. In addition, PEFE has trained youth in entrepreneurship training and partnered with public universities to train university students in workforce readiness skills. In 2017, PEFE renewed its partnership with Islamic Relief USA to deliver job training and placement, entrepreneurship, and job pathways training in Gaza, and began new projects funded by the U.S. Consulate in Jerusalem and UNICEF.

EFE Tunisia

Since its inception in 2012, EFE-Tunisie has trained a significant number of youth in its job placement programs and placed many graduates in jobs immediately after graduation. Additionally, EFE-Tunisie has partnered with public universities in four different regions of Tunisia to deliver Pathways-To-A-Job training to students in order to better prepare them for the job market. In 2017, EFE-Tunisie completed its first project funded by MEPI and received a second grant from MEPI to deliver job training and placement and entrepreneurship programming for Tunisian youth.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- 1) *Unrestricted net assets* are available for support of the Organization’s general operations.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- 2) *Temporarily restricted net assets* are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.
- 3) *Permanently restricted net assets* represent the principal portion of endowment funds which cannot be expended. Income from the endowment funds is utilized in accordance with donors' stipulations.

The Organization had no permanently restricted net assets at December 31, 2017 or for the year then ended.

Use of Estimates and Subsequent Events

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on September 25, 2018, the date these financial statements became available to be issued. An event occurred subsequent to the statement of financial position date and through the date of evaluation that met the criteria required for disclosure, is disclosed in Note 14.

Cash

Cash consists of checking account and money market deposits.

Furniture and Equipment

Furniture and office equipment are stated at cost. Acquisitions of furniture and equipment in excess of \$5,000 that are expected to have long-term benefit are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of these assets which is five years.

Intangible Assets

Intangible assets consist of various off-the-shelf software applications and customized program systems, and website development costs. These are amortized using the straight-line method over the estimated useful life of these assets which is three years.

Grants Payable

The Organization records a liability for unconditional grants when they have been approved. The Organization makes grants to support the local NGOs' programs and requires recipients to submit expenses incurred and financial reports. Grants that are considered conditional are recorded when terms of such conditions are met.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Grants and contributions that are classified as temporarily restricted are reclassified as unrestricted net assets upon satisfaction of the program restriction or expiration of the time restriction. The Organization has elected to report any restricted grants and contributions whose restrictions are met in the same reporting period as unrestricted support.

Contributions are recognized as revenues in the period in which the donor's commitment is made. Conditional promises to give are not recognized as revenues until all conditions on which they depend are substantially met.

Under the terms of cost sharing and reimbursement agreements, government grants are recognized as revenue as expenses are incurred. Government contracts, which include subcontracts from federal agencies, are also recognized as revenue as expenses are incurred.

The Organization receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Interest income consists of interest earned on checking account and money market deposits.

Functional Allocation of Expenses

The costs of operating the various programs have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization operates as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes.

3. Unconditional Promises to Give

Unconditional promises to give consisted of the following at December 31, 2017:

Receivable in one year or less	<u>\$ 27,447</u>
Between one and five years	50,000
Net present value discount	<u>(4,769)</u>
	<u>45,231</u>
	<u>\$ 72,678</u>

The present value of estimated future cash flows has been determined utilizing a discount rate equivalent to the Organization's incremental borrowing rate of LIBOR plus 3%, which was 4.48% at December 31, 2017.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

4. Grants Receivable

Grants receivable from government and non-government sources are stated at the amount management expects to collect on outstanding balances. Reimbursements for government grant expenditures are subject to government agency approval based on compliance with federal grant award provisions.

Grants receivable consisted of the following as of December 31, 2017:

Government agencies	\$ 130,973
Non-governmental sources	205,036
	<u>\$ 336,009</u>

As of December 31, 2017, the Organization has been awarded \$2,255,361 of commitments that are conditional on the progress of the programs being funded. These commitments will be recognized as support when the conditions of the donors have been met by the Organization.

5. Furniture, Equipment and Intangible Assets

Furniture and equipment consisted of the following at December 31, 2017:

Furniture and fixtures	\$ 9,312
Equipment	45,846
Total furniture and equipment	<u>55,158</u>
Less - accumulated depreciation	47,579
	<u>\$ 7,579</u>

Intangible assets consisted of the following at December 31, 2017:

Computer software	\$ 224,220
Website development costs	109,000
	<u>333,220</u>
Less - accumulated amortization	122,997
	<u>\$ 210,223</u>

Computer software development costs of \$113,340 were deemed not suitable to the Organization and were disposed of in 2017 resulting in a loss on software project disposal in the amount \$113,340 on the statement of activities and changes in net assets.

Depreciation expense for the year ended December 31, 2017 was \$4,342. Amortization expense for the year ended December 31, 2017 was \$10,932.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

5. Furniture, Equipment and Intangible Assets (continued)

Amortization on software and website development costs for the future years are as follows:

		<u>Software</u>	<u>Website Development</u>	<u>Total</u>
Years ending December 31,				
	2018	\$ 34,750	\$ 36,333	\$ 71,083
	2019	34,750	36,333	71,083
	2020	34,750	33,307	68,057

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of funds for the following purposes at December 31, 2017:

Other programs in MENA region	\$ 1,299,089
Job Training, Entrepreneurship and Pathways Program in Palestine and Jordan	520,593
Programming for the Future - Innovative projects alleviate unemployment	200,000
Platform for Success - Online	56,896
Time restricted grant	70,231
Women's entrepreneurship program	33,524
Innovative projects and initiatives	34,500
Communication Campaign	30,416
	<u>\$ 2,245,249</u>

Net assets released from restrictions during the year ended December 31, 2017 were as follows:

Other programs in MENA region	\$ 467,554
Job Training, Entrepreneurship and Pathways Program in Palestine and Jordan	822,044
Time restricted grant	21,905
Platform for Success - Online	14,265
Communication Campaign	69,584
Women's entrepreneurship program	698
	<u>\$ 1,396,050</u>

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Notes to Financial Statements

7. In-Kind Contributions

The Organization received the following in-kind contributions during the year ended December 31, 2017:

Legal	\$	119,999
Accounting and other administrative services		250,000
Consulting		527,718
Information technology		67,500
	\$	<u>965,217</u>

Information technology services consisted of web site development planning and installation costs, which did not meet the criteria for capitalization as intangible assets.

8. Lease

The Organization executed a lease covering all office space occupied in the building located in Washington, D.C. through April 30, 2018. The Organization also executed a lease agreement for office space located in Dubai, United Arab Emirates which expires in January 2019. Rent expense for the year ended December 31, 2017 was \$172,857. The Organization's future minimum lease obligations under its lease agreements are as follows:

Years ending December 31,		
	2018	\$ 72,209
	2019	1,649

9. Employee Retirement Plan

The Organization maintains a defined contribution retirement plan for eligible employees. The Organization's contributions to the plan for the year ended December 31, 2017 were \$48,368.

10. Related Party Transactions

The Organization receives support from the Founder and Chairman of the Board of the Organization. The Founder contributed \$452,474 to the Organization during the year ended December 31, 2017.

In addition, the Founder's company provided consulting, accounting and other administrative services to the Organization having a fair value of \$250,000 without charge, for the year ended December 31, 2017.

11. Concentration Risks

The Organization has a concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum insurance amount is \$250,000, which is applied per depositor, per insured depository institution for each account ownership category.

EDUCATION FOR EMPLOYMENT

Notes to Financial Statements

11. Concentration Risks (continued)

A concentration risk exists in that contributions from a grantor and revenue from a contractor comprised 40% of total support and revenue (excluding in-kind contributions) for the year ended December 31, 2017. Donations, grants and revenue from four donors, grantors or contractors comprised 86% of grants receivable, government contract receivable and unconditional promises to give at December 31, 2017.

12. Line of Credit

The Organization has a revolving line-of-credit agreement with its bank permitting advances up to \$300,000. Advances bear interest at the LIBOR rate plus 3% (or 4.48% at December 31, 2017). The line of credit is secured and collateralized by the Organization's furniture and equipment as well as its receivables. No balance was outstanding under this line-of-credit at December 31, 2017.

13. Grant Commitments

In connection with two conditional grant awards disclosed in Note 4, the Organization is obligated to award up to \$1,157,432 in subrecipient grants, which is contingent on receipt of conditional funding, related costs being incurred by the subrecipients, and the attainment of performance indicators provided for in the subaward agreements. These commitments will be recognized as grants expense when all conditions have been met.

14. Subsequent Event

As described in Note 8, on February 15, 2018 the Organization's lease of office space located in Washington, D.C. was extended for \$13,106 per month through April 30, 2019.

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
Education for Employment
Washington, D.C.

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 Education for Employment (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Education for Employment’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 Education for Employment’s internal control. Accordingly, we do not express an opinion on the effectiveness of Education for Employment’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 Education for Employment’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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Edelstein & Company LLP

Boston, Massachusetts
September 25, 2018

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
Education for Employment
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Education for Employment'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 Education for Employment's major federal programs for the year ended December 31, 2017. Education for Employment'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Education for Employment'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 Education for Employment'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 Education for Employment's compliance.

Opinion on Each Major Federal Program

In our opinion, Education for Employment 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 December 31, 2017.

Report on Internal Control over Compliance

Management of Education for Employment 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 Education for Employment'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 Education for Employment'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.

Edelstein & Company LLP

Boston, Massachusetts
September 25, 2018

**EDUCATION FOR EMPLOYMENT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS – NOT-
FOR-PROFIT ORGANIZATIONS**

FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Award Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of State:				
Middle East Partnership (MEPI)	19.500	N/A	\$ 1,576,863	\$ 1,159,669

NOTE 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Education for Employment under programs of the federal government for the year ended December 31, 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 Education for Employment, it is not intended to and does not present the financial position, changes in net assets or cash flows of Education for Employment.

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Education for Employment has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniforms Guidance.

NOTE 3: Reconciliation to Statement of Activities and Changes in Net Assets

Government grants revenue reported on the statement of activities and changes in net assets in the amount of \$1,683,215 for the year ended December 31, 2017 exceeded total federal expenditures reported in 2017 as reported on the Schedule of Expenditures and Federal Awards by \$106,352. This difference represents certain grant awards to a sub-recipient, as approved by Education for Employment, which had not been disbursed as of year-end.

**EDUCATION FOR EMPLOYMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Major Federal Award Programs

Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

Federal CFDA/
Subaward Identifying
Number

Name of Federal Program or Cluster

19.500

Department of State:
Middle East Partnership Initiative

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Education for Employment qualified as a low-risk auditee.