

**EAST CENTRAL COLLEGE FOUNDATION, INC.**

**Component Unit of the Junior College District  
of East Central Missouri**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2016 and 2015**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Central College Foundation, Inc.  
Union, Missouri

We have audited the accompanying financial statements of East Central College Foundation, Inc. (the Foundation), a nonprofit organization which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinions. 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.

[www.kpmcpa.com](http://www.kpmcpa.com)

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343  
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

Board of Directors  
East Central College Foundation, Inc.  
Union, Missouri

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Central College Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 21 and 22 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 in 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 June 1, 2017, on our consideration of the Foundation's internal control over financial reporting and 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* in considering East Central College Foundation, Inc.'s internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
June 1, 2017

EAST CENTRAL COLLEGE FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015

	December 31,	
	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 119,686	\$ 91,609
Investments	2,433,752	2,052,055
Pledges receivable, net	274,676	-
Accrued interest receivable	2,953	4,336
Prepaid expenses	758	992
TOTAL CURRENT ASSETS	2,831,825	2,148,992
Assets Restricted for Permanent Investment		
Cash and cash equivalents	-	2,290
Investments	2,995,888	2,963,571
Pledges receivable, net	30,776	68,124
Land	89,000	89,000
TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT	3,115,664	3,122,985
TOTAL ASSETS	\$ 5,947,489	\$ 5,271,977
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,688	\$ 3,029
TOTAL CURRENT LIABILITIES	4,688	3,029
Net Assets		
Unrestricted	1,559,127	1,360,463
Temporarily restricted	1,268,009	785,500
Permanently restricted	3,115,665	3,122,985
TOTAL NET ASSETS	5,942,801	5,268,948
TOTAL LIABILITIES AND NET ASSETS	\$ 5,947,489	\$ 5,271,977

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 167,333	\$ 332,230	\$ 16,695	\$ 516,258
Interest and dividends	7,312	110,359	-	117,671
Net realized and unrealized gains	278,369	38,964	-	317,333
Special events	108,019	-	-	108,019
Net assets released from restrictions	91,365	(91,365)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	652,398	390,188	16,695	1,059,281
EXPENSES				
Program	250,142	-	-	250,142
Management and general	30,089	-	-	30,089
Fundraising	105,197	-	-	105,197
TOTAL EXPENSES	385,428	-	-	385,428
CHANGE IN NET ASSETS	266,970	390,188	16,695	673,853
NET ASSETS, Beginning of Year	1,360,463	785,500	3,122,985	5,268,948
RECLASSIFICATION OF NET ASSETS	(68,306)	92,321	(24,015)	-
NET ASSETS, End of Year	<u>\$ 1,559,127</u>	<u>\$ 1,268,009</u>	<u>\$ 3,115,665</u>	<u>\$ 5,942,801</u>

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, (LOSSES), AND OTHER SUPPORT				
Contributions	\$ 170,058	\$ 119,241	\$ 80,288	\$ 369,587
Interest and dividends	6,919	105,801	3,413	116,133
Net realized and unrealized (losses)	(106,231)	(5,805)	-	(112,036)
Special events	116,739	-	-	116,739
Net assets released from restrictions	65,959	(65,959)	-	-
TOTAL REVENUES, (LOSSES), AND OTHER SUPPORT	<u>253,444</u>	<u>153,278</u>	<u>83,701</u>	<u>490,423</u>
EXPENSES				
Program	188,678	-	-	188,678
Management and general	27,179	-	-	27,179
Fundraising	107,338	-	-	107,338
TOTAL EXPENSES	<u>323,195</u>	<u>-</u>	<u>-</u>	<u>323,195</u>
CHANGE IN NET ASSETS	(69,751)	153,278	83,701	167,228
NET ASSETS, Beginning of Year	1,472,091	725,051	2,904,578	5,101,720
RECLASSIFICATION OF NET ASSETS	(41,877)	(92,829)	134,706	-
NET ASSETS, End of Year	<u>\$ 1,360,463</u>	<u>\$ 785,500</u>	<u>\$ 3,122,985</u>	<u>\$ 5,268,948</u>

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.  
 STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2016 and 2015

	December 31,	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 673,853	\$ 167,228
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(16,695)	(80,288)
Net realized and unrealized (gains)/losses on investments	(317,333)	112,036
Change in operating assets and liabilities:		
Pledges receivable	(274,676)	-
Accounts receivable	-	1,250
Accrued interest receivable	1,383	(430)
Prepaid expenses	234	168
Accounts payable and scholarships payable	1,659	(87,131)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>68,425</u>	<u>112,833</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(233,108)	(54,963)
Reinvested dividends	(97,898)	(91,783)
Proceeds from sales of investments	234,325	50,677
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(96,681)</u>	<u>(96,069)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	54,043	20,866
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>54,043</u>	<u>20,866</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	25,787	37,630
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>93,899</u>	<u>56,269</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 119,686</u>	<u>\$ 93,899</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Non-Cash Transactions		
Donation of services	<u>\$ 157,897</u>	<u>\$ 161,109</u>

See accompanying notes.



## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Central College Foundation, Inc. is a nonprofit organization incorporated under the laws of the State of Missouri, primarily as the official fundraising and gift-receiving agency of East Central College.

### Basis of Accounting

The financial statements of East Central College Foundation, Inc. (the Foundation) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### Basis of Presentation

The Foundation prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under FASB ASC 958-205, the Foundation is required to report 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. In addition, the Foundation is required to present a statement of cash flows.

### Use of Estimates

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

### Cash and Cash Equivalents

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

### Pledges Receivable

Unconditional promises to give in future periods are recognized as revenues in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. The Foundation provides an allowance for uncollectible amounts equal to the estimated collection losses that will be incurred in collection of all promises to give. The estimated losses are based on a review of the current status of the existing promises to give.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, certificates of deposit, mutual funds, and money-market accounts. The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the consolidated statement of financial assets. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the statement of changes in net assets.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial assets.

Land

Land is carried at its fair value at the date of donation.

In-Kind Contributions

Non-cash contributions are recorded at their estimated fair values at the dates of the gifts.

Restricted and Unrestricted Revenues and Support

The Foundation 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.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income derived from investments of permanently restricted funds is accounted for in accordance with the terms of those agreements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

*Program* – The program component of East Central College Foundation, Inc. consists of all aspects of the Foundation’s administration of scholarships to students attending East Central College.

*Management and General* – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of East Central College Foundation, Inc.’s program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of East Central College Foundation, Inc.

*Fundraising* – Provides the structure necessary to encourage and secure private and public financial support.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Advertising

Costs for advertising are expensed as incurred.

Subsequent Events

Management has evaluated subsequent events through June 1, 2017, the date the financial statements were available to be issued.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation complies with the provisions of FASB ASC 740-10-25. Under this standard, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the assets will be sustained. The implementation of this standard had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax assets and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2016, there were no interest or penalties recorded or included in the Foundation's financial statements. The Foundation's Forms 990, *Returns of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

The Foundation is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

NOTE B – ENDOWMENT

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of Missouri effective August 28, 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions

EAST CENTRAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

NOTE B – ENDOWMENT (continued)

- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Endowment Investment Policy

The Foundation’s endowment investment policy intends for the Foundation to invest in assets for the purposes of providing current income to meet a portion of the Foundation’s needs and appreciation to enhance the future resources available to the Foundation. The two primary objectives are to provide real growth of principal and to provide income on fund assets. To limit risk and still meet long-term return objectives, the Foundation invests in a balanced portfolio. The targeted asset allocation consists of 30% cash, cash equivalents, and fixed-income securities; and 70% equity securities.

Endowment Spending Policy

The Foundation has established an endowment spending policy in which a maximum of 5% of a three-year moving average of the market value of endowed funds may be spent each year. Prior years’ undisbursed funds are not included in the 5% maximum and may also be disbursed.

Endowment Net Assets Composition by Type of Fund as of December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 159,564	\$ 3,115,665	\$ 3,275,229
Board-designated endowment funds	341,308	-	-	341,308
TOTAL FUNDS	<u>\$ 341,308</u>	<u>\$ 159,564</u>	<u>\$ 3,115,665</u>	<u>\$ 3,616,537</u>

EAST CENTRAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

NOTE B – ENDOWMENT (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 392,714	\$ 131,930	\$ 3,122,985	\$ 3,647,629
Net assets reclassification	-	59,136	(59,136)	-
Investment return:				
Net gain (realized and unrealized)	7,632	-	-	7,632
Contributions	6,883	35,000	51,816	93,699
Appropriation of endowment assets for expenditures	<u>(65,921)</u>	<u>(66,502)</u>	<u>-</u>	<u>(132,423)</u>
Endowment net assets, end of year	<u>\$ 341,308</u>	<u>\$ 159,564</u>	<u>\$ 3,115,665</u>	<u>\$ 3,616,537</u>

Endowment Net Assets Composition by Type of Fund as of December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 131,930	\$ 3,122,985	\$ 3,254,915
Board-designated endowment funds	<u>392,714</u>	<u>-</u>	<u>-</u>	<u>392,714</u>
TOTAL FUNDS	<u>\$ 392,714</u>	<u>\$ 131,930</u>	<u>\$ 3,122,985</u>	<u>\$ 3,647,629</u>

EAST CENTRAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

NOTE B – ENDOWMENT (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 305,300	\$ 114,866	\$ 2,904,577	\$ 3,324,743
Net assets reclassification	110,692	-	134,706	245,398
Investment return:				
Investment income	-	70,081	3,414	73,495
Net (loss) (realized and unrealized)	<u>(8,953)</u>	<u>-</u>	<u>-</u>	<u>(8,953)</u>
Total investment return	(8,953)	70,081	3,414	64,542
Contributions	-	3,020	80,288	83,308
Board-designated	8,636	-	-	8,636
Appropriation of endowment assets for expenditures	<u>(22,961)</u>	<u>(56,037)</u>	<u>-</u>	<u>(78,998)</u>
Endowment net assets, end of year	<u>\$ 392,714</u>	<u>\$ 131,930</u>	<u>\$ 3,122,985</u>	<u>\$ 3,647,629</u>

NOTE C – PLEDGES RECEIVABLE

Unconditional promises to give consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted promises to give	\$ 281,000	\$ -
Permanently restricted promises to give	32,793	72,742
Less: Allowance for uncollectible amounts	(1,148)	(2,546)
Discount for promises to give	<u>(7,193)</u>	<u>(2,072)</u>
Promises to give, net	<u>\$ 305,452</u>	<u>\$ 68,124</u>

EAST CENTRAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

NOTE C – PLEDGES RECEIVABLE (continued)

The promises are collectible in future years as shown below:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 53,234	\$ 23,064
One to five years	<u>252,218</u>	<u>45,060</u>
	<u><u>\$ 305,452</u></u>	<u><u>\$ 68,124</u></u>

The amounts reported in the Statement of Financial Position are classified as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted promises to give	\$ 274,676	\$ -
Permanently restricted promises to give	<u>30,776</u>	<u>68,124</u>
	<u><u>\$ 305,452</u></u>	<u><u>\$ 68,124</u></u>

Unconditional promises to give to establish a permanent scholarship endowment are included in the financial statements as permanently restricted assets and support. Unrestricted promises to give consist of promises in association with a future building project. They are recorded after discounting at the rate of 2% to the present value of the future cash flows.

NOTE D – INVESTMENTS

The FASB *Fair Value Measurements* standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset, or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.



EAST CENTRAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

NOTE D – INVESTMENTS (continued)

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization’s own assumptions in determining the fair value of investments).

Investments are recorded at fair value on a recurring basis during the years ended December 31, 2016 and 2015, using quoted prices in active markets.

Investments at December 31, 2016 and 2015, consist of the following:

	Level 1	
	Quoted Prices in Active Markets For Identical Assets	
	2016	2015
Equity securities and mutual funds	\$ 4,068,937	\$ 3,653,206
Certificates of deposit	1,342,714	1,343,367
Cash surrender value of life insurance policy	17,989	19,053
	<u>\$ 5,429,640</u>	<u>\$ 5,015,626</u>

The amounts reported in the Statement of Financial Position are classified as follows:

	2016	2015
Unrestricted and temporarily restricted investments	\$ 2,433,752	\$ 2,052,055
Investments restricted for permanent investment	2,995,888	2,963,571
	<u>\$ 5,429,640</u>	<u>\$ 5,015,626</u>

Investments are carried at fair value in accordance with generally accepted accounting principles in the United States of America.

EAST CENTRAL COLLEGE FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

NOTE E – INVESTMENT RETURN

Investment return during 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 117,671	\$ 116,133
Realized and unrealized gains (losses) on investments, net	<u>317,333</u>	<u>(112,036)</u>
	<u>\$ 435,004</u>	<u>\$ 4,097</u>

The above investment return is classified in the Statement of Activities as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 285,681	\$ (99,312)
Temporarily restricted	149,323	99,996
Permanently restricted	<u>-</u>	<u>3,413</u>
	<u>\$ 435,004</u>	<u>\$ 4,097</u>

NOTE F – NET ASSETS

Temporarily restricted net assets of \$1,268,009 and \$785,500 at December 31, 2016 and 2015, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

Net assets were released from donor restrictions during 2016 and 2015, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 75,736	\$ 49,256
Miscellaneous activities	3,382	6,344
Special projects	<u>12,247</u>	<u>10,359</u>
	<u>\$ 91,365</u>	<u>\$ 65,959</u>

Permanently restricted net assets consist of donations that are restricted for permanent investment in an endowment. The earnings of the endowment are restricted for the funding of various scholarships and are therefore included in temporarily restricted net assets.

EAST CENTRAL COLLEGE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

NOTE G – RELATED PARTY TRANSACTIONS

The Foundation utilizes employees, materials and office space from the Junior College District of East Central Missouri (the College) at no charge. The value of these in-kind donations from the College is included in unrestricted contribution revenue in the amount of \$157,897 for the year ended December 31, 2016, and temporarily restricted contribution revenue in the amount of \$161,109 for the year ended December 31, 2015.

NOTE H – RECLASSIFICATION OF NET ASSETS

Net assets were reclassified between temporarily restricted, unrestricted, and permanently restricted in the amount of \$92,321, \$68,306, and \$24,015, respectively, at December 31, 2016. Net assets were reclassified between temporarily restricted, unrestricted, and permanently restricted in the amount of \$92,829, \$41,877, and \$134,706, respectively. Net assets were reclassified due to a recalculation of scholarship requirements of restriction.

NOTE I – COMMITMENTS

As of December 31, 2016, the Foundation was committed to various students in the amount of \$58,650 for the Spring of 2017 scholarships. The Foundation was also committed to the Junior College District of East Central Missouri in the amount of \$22,500 for their annual Legacy Scholarship.

## **OTHER INFORMATION**

EAST CENTRAL COLLEGE FOUNDATION, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 155,917	\$ -	\$ -	\$ 155,917
Salaries and benefits	54,561	12,125	54,561	121,247
Special events	21,422	358	25,883	47,663
Insurance expense	6,168	3,505	6,168	15,841
Miscellaneous	1,564	9,868	279	11,711
Office supplies and expenses	784	225	811	1,820
Printing and copying	3,424	658	11,194	15,276
Professional fees	4,050	2,850	4,050	10,950
Repairs and maintenance	1,417	315	1,416	3,148
Travel	835	185	835	1,855
	<u>\$ 250,142</u>	<u>\$ 30,089</u>	<u>\$ 105,197</u>	<u>\$ 385,428</u>

EAST CENTRAL COLLEGE FOUNDATION, INC.  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 85,812	\$ -	\$ -	\$ 85,812
Salaries and benefits	48,557	12,690	57,104	118,351
Special events	33,521	2,741	26,845	63,107
Insurance expense	6,621	3,327	6,621	16,569
Miscellaneous	2,476	3,212	801	6,489
Office supplies and expenses	959	550	293	1,802
Printing and copying	4,073	1,267	9,016	14,356
Professional fees	4,050	2,812	4,050	10,912
Repairs and maintenance	1,389	309	1,389	3,087
Travel	1,220	271	1,219	2,710
	<u>\$ 188,678</u>	<u>\$ 27,179</u>	<u>\$ 107,338</u>	<u>\$ 323,195</u>

## **OTHER REPORTING REQUIREMENTS**



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

Board of Directors  
East Central College Foundation, Inc.  
Union, Missouri

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Central College Foundation, Inc. a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered East Central College Foundation, Inc.'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 East Central College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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



Board of Directors  
East Central College Foundation, Inc.  
Union, Missouri

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness. It is identified as item 2016-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether East Central College Foundation, Inc.'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*.

### **East Central College Foundation, Inc.'s Response to the Finding**

The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 East Central College Foundation, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Central College Foundation, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
June 1, 2017

EAST CENTRAL COLLEGE FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
Year ended December 31, 2016

2016-001 Segregation of Duties

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties.