

East Central College Foundation, Inc.

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

BASIC FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

KPM
CPAS & ADVISORS

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of East Central College Foundation, Inc. (East Central College Foundation or the Foundation), a nonprofit organization which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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 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 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.

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

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Opinion

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, 2019 and 2018, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, 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.

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
June 24, 2020

East Central College Foundation

Statements of Financial Position

December 31, 2019 and 2018

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 182,575	\$ 196,530
Investments	4,149,782	2,836,867
Pledges receivable, net	-	322,840
Accrued interest receivable	5,468	4,512
Prepaid expenses	762	1,023
Total Current Assets	<u>4,338,587</u>	<u>3,361,772</u>
Assets Restricted for Permanent Investment		
Investments	3,260,275	3,222,379
Pledges receivable, net	2,262	5,854
Land	89,000	89,000
Total Restricted for Permanent Investment	<u>3,351,537</u>	<u>3,317,233</u>
Total Assets	<u>\$ 7,690,124</u>	<u>\$ 6,679,005</u>
Liabilities & Net Assets		
Current Liabilities		
Accounts payable	\$ 13,689	\$ 784
Total Current Liabilities	<u>13,689</u>	<u>784</u>
Net Assets		
Without donor restrictions	2,687,500	1,672,030
With donor restrictions	4,988,935	5,006,191
Total Net Assets	<u>7,676,435</u>	<u>6,678,221</u>
Total Liabilities and Net Assets	<u>\$ 7,690,124</u>	<u>\$ 6,679,005</u>

See accompanying notes to the financial statements.

East Central College Foundation

Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Contributions	\$ 123,627	\$ 198,763	\$ 322,390
Interest and dividends	10,933	166,126	177,059
Investment return unrealized, net	1,043,784	136,697	1,180,481
Special events	104,807	-	104,807
Net assets released from restrictions	497,472	(497,472)	-
Total Revenues, Gains, and Other Support	1,780,623	4,114	1,784,737
Expenses			
Program	665,310	-	665,310
Supporting services			
Management and general	25,178	-	25,178
Fundraising	96,035	-	96,035
Total Expenses	786,523	-	786,523
Nonoperating Activities			
Transfer of funds	21,370	(21,370)	-
<i>Change in Net Assets</i>	1,015,470	(17,256)	998,214
Net Assets, Beginning of Year	1,672,030	5,006,191	6,678,221
Net Assets, End of Year	<u>\$ 2,687,500</u>	<u>\$ 4,988,935</u>	<u>\$ 7,676,435</u>

See accompanying notes to the financial statements.

East Central College Foundation

Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, (Losses), and Other Support			
Contributions	\$ 76,568	\$ 236,710	\$ 313,278
Interest and dividends	9,290	150,445	159,735
Investment return unrealized, net	(429,152)	(37,769)	(466,921)
Special events	135,507	-	135,507
Net assets released from restrictions	124,541	(124,541)	-
Total Revenues, (Losses), and Other Support	(83,246)	224,845	141,599
Expenses			
Program	333,749	-	333,749
Supporting services			
Management and general	24,324	-	24,324
Fundraising	71,691	-	71,691
Total Expenses	429,764	-	429,764
Nonoperating Activities			
Transfer of funds	16,140	(16,140)	-
<i>Change in Net Assets</i>	(496,870)	208,705	(288,165)
Net Assets, Beginning of Year	2,168,900	4,797,486	6,966,386
Net Assets, End of Year	\$ 1,672,030	\$ 5,006,191	\$ 6,678,221

See accompanying notes to the financial statements.

East Central College Foundation

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	December 31,	
	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 998,214	\$ (288,165)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Contributions restricted for endowment	(25,729)	(41,095)
Net realized and unrealized (gains) losses on investments	(1,180,481)	466,921
Change in operating assets and liabilities:		
Pledges receivable	322,840	(18,004)
Accrued interest receivable	(956)	720
Prepaid expenses	261	268
Accounts payable and accrued expenses	12,905	(2,238)
Net Cash Provided by Operating Activities	127,054	118,407
Cash Flows from Investing Activities		
Purchase of investments	(102,179)	(127,170)
Reinvested dividends	(146,989)	(143,136)
Proceeds from sales of investments	78,838	76,953
Net Cash (Used) by Investing Activities	(170,330)	(193,353)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	29,321	52,248
Net Cash Provided by Financing Activities	29,321	52,248
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(13,955)	(22,698)
Cash and Cash Equivalents, Beginning of Year	196,530	219,228
Cash and Cash Equivalents, End of Year	\$ 182,575	\$ 196,530
Supplemental Disclosures of Cash Flow Information		
Non-Cash Transactions		
Donation of services	\$ 105,701	\$ 69,565

See accompanying notes to the financial statements.

East Central College Foundation

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management & General</u>	<u>Fundraising</u>	
Scholarships	\$ 257,601	\$ -	\$ -	\$ 257,601
Salaries and benefits	33,027	7,339	33,027	73,393
Special events	31,906	1,510	28,767	62,183
Insurance expense	4,703	1,045	4,703	10,451
Miscellaneous	15,675	13,191	714	29,580
Office supplies and expenses	1,107	246	1,107	2,460
Printing and copying	2,593	576	12,137	15,306
Professional fees	4,275	950	4,275	9,500
Repairs and maintenance	1,382	307	1,382	3,071
Travel	62	14	62	138
Capital projects	312,979	-	9,861	322,840
	<u>\$ 665,310</u>	<u>\$ 25,178</u>	<u>\$ 96,035</u>	<u>\$ 786,523</u>

See accompanying notes to the financial statements.

East Central College Foundation

Statement of Functional Expenses

Year Ended December 31, 2018

	Program	Supporting Services		Total
		Management & General	Fundraising	
Scholarships	\$ 200,236	\$ -	\$ -	\$ 200,236
Salaries and benefits	20,041	4,454	20,041	44,536
Special events	96,773	2,040	26,735	125,548
Insurance expense	3,616	803	3,616	8,035
Miscellaneous	4,972	15,351	5,411	25,734
Office supplies and expenses	726	161	700	1,587
Printing and copying	2,468	422	10,271	13,161
Professional fees	4,261	947	4,261	9,469
Repairs and maintenance	456	102	456	1,014
Travel	200	44	200	444
	<u>\$ 333,749</u>	<u>\$ 24,324</u>	<u>\$ 71,691</u>	<u>\$ 429,764</u>

See accompanying notes to the financial statements.

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

1. Summary of Significant Accounting Policies

East Central College Foundation, Inc. (the Foundation) 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 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 is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations, that expire by the passage of time, or that include funds of perpetual donation.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

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 activities.

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 as \$105,701 and \$69,565 at December 31, 2019 and 2018, respectively.

Revenue and Other 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are accounted for in accordance with the terms of those agreements.

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.

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

Expense Allocation

The cost of providing the program and supporting services have been summarized on the statements of activities on a functional basis. Most expenses can be directly allocated to the program or supporting functions. Certain categories of expenses are attributed to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied and determined by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Scholarships	Direct costs
Salaries and benefits	Time and effort
Special events	Direct costs
Insurance expense	Direct costs
Miscellaneous	Direct costs
Office supplies and expenses	Direct costs
Printing and copying	Direct costs
Professional fees	Direct costs
Repairs and maintenance	Direct costs
Travel	Direct costs

Advertising

Costs for advertising are expensed as incurred.

Subsequent Events

Management has evaluated subsequent events through June 24, 2020, the date the financial statements were available to be issued.

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, 2019, 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 2016, 2017, and 2018 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.

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

2. 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 net assets with donor restrictions the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not the original value of the gift is classified as net assets with donor restrictions 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
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.

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

Endowment Net Assets Composition by Type of Fund as of December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,621,874	\$ 3,621,874
Board-designated endowment funds	366,178	-	366,178
Total Funds	\$ 366,178	\$ 3,621,874	\$ 3,988,052
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 348,849	\$ 3,528,156	\$ 3,877,005
Investment return:			
Net gain (realized and unrealized)	216,146	129,537	345,683
Total investment return	216,146	129,537	345,683
Contributions	-	33,500	33,500
Appropriation of endowment assets for expenditures	(198,817)	(69,319)	(268,136)
Endowment net assets, end of year	\$ 366,178	\$ 3,621,874	\$ 3,988,052

Endowment Net Assets Composition by Type of Fund as of December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,528,156	\$ 3,528,156
Board-designated endowment funds	348,849	-	348,849
Total Funds	\$ 348,849	\$ 3,528,156	\$ 3,877,005
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 422,592	\$ 3,434,971	\$ 3,857,563
Investment return:			
Investment income	-	342	342
Net gain (realized and unrealized)	43,468	92,355	135,823
Total investment return	43,468	92,697	136,165
Contributions	-	62,153	62,153
Appropriation of endowment assets for expenditures	(117,211)	(61,665)	(178,876)
Endowment net assets, end of year	\$ 348,849	\$ 3,528,156	\$ 3,877,005

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

3. Pledges Receivable

Unconditional promises to give consist of the following:

	<u>2019</u>	<u>2018</u>
Promises to give with donor restrictions	\$ 2,513	\$ 330,473
Less: Allowance for uncollectible amounts	(251)	(1,088)
Less: Discount for promises to give	-	(691)
Promises to give, net	<u>\$ 2,262</u>	<u>\$ 328,694</u>

The promises are collectible in future years as shown below:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 2,262	\$ 311,581
One to five years	-	17,113
	<u>\$ 2,262</u>	<u>\$ 328,694</u>

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

	<u>2019</u>	<u>2018</u>
Promises to give with donor restrictions	\$ -	\$ 322,840
Promises to give with donor restrictions - restricted for permanent investment	2,262	5,854
	<u>\$ 2,262</u>	<u>\$ 328,694</u>

Promises to give with donor restrictions consist of promises to establish a permanent scholarship endowment and for a future building project. They are recorded after discounting at the rate of 2% to the present value of the future cash flows.

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

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, using quoted prices in active markets.

Investments at December 31, 2019 and 2018, consist of the following:

	Level 1	
	Quoted Prices in Active Markets For Identical Assets	
	2019	2018
Equity securities and mutual funds	\$ 5,948,346	\$ 4,634,066
Certificates of deposit	1,447,480	1,410,372
Cash surrender value of life insurance policy	14,231	14,808
	\$ 7,410,057	\$ 6,059,246

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

	2019	2018
Investments without donor restrictions	\$ 2,520,991	\$ 1,478,991
Investments with donor restrictions	4,889,066	4,580,255
	\$ 7,410,057	\$ 6,059,246

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

5. Investment Return

Investment return during 2019 and 2018 consisted of the following:

	2019	2018
Interest and dividends	\$ 177,059	\$ 159,735
Investment return, net	1,180,481	(466,921)
	\$ 1,357,540	\$ (307,186)

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

	2019	2018
Without donor restrictions	\$ 1,054,717	\$ (419,862)
With donor restrictions	302,823	112,676
	\$ 1,357,540	\$ (307,186)

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

6. Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

	2019	2018
Specific purpose		
Scholarships	\$ 4,914,495	\$ 4,598,692
Special projects	30,283	362,031
Miscellaneous activities	44,157	45,468
	\$ 4,988,935	\$ 5,006,191

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2019 and 2018, by incurring expenses satisfying the restricted purpose specified by donors as follows:

	2019	2018
Satisfaction of purpose restrictions		
Scholarships	\$ 150,527	\$ 95,926
Miscellaneous activities	2,634	3,098
Special and capital projects	344,311	25,517
	\$ 497,472	\$ 124,541

8. Liquidity & Availability

Financial assets available for general expenditures, that is, without donor restrictions or other restrictions limiting their use, within one year of the statements of financial position date, comprise of the following:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 182,575	\$ 196,530
Investments	7,410,057	6,059,246
Pledges receivable, net	2,262	328,694
Accrued interest receivable	5,468	4,512
Total financial assets	7,600,362	6,588,982
Less amounts not available to be used within one year:		
Net assets with donor restrictions	4,988,935	5,006,191
Less net assets with purpose restrictions to be met in less than one year	(2,262)	(311,581)
	4,986,673	4,694,610
Financial assets available to meet general expenditures over the next twelve months	\$ 2,613,689	\$ 1,894,372

Additionally, the Foundation has a \$458,056 line of credit available to meet cash flow needs.

East Central College Foundation

Notes to the Financial Statements

December 31, 2019 and 2018

9. Related Party Transactions

The Foundation uses 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 contribution revenue without donor restrictions in the amount of \$105,701 for the year ended December 31, 2019, and \$69,565 for the year ended December 31, 2018.

10. Lines of Credit

At December 31, 2019, the Foundation had an operating secured line of credit for \$458,056 to be drawn upon as needed. As of December 31, 2019, no draws have been made.

11. Commitments

As of December 31, 2019, the Foundation was committed to various students in the amount of \$109,359 for the spring of 2020 scholarships. The Foundation was also committed to the Junior College District of East Central, Missouri in the amount of \$20,000 for their annual Legacy Scholarship.

12. Risks & Uncertainties

Subsequent to year end, a strain of coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet determinable, but will likely be significant for both the local and global economy. The effects of COVID-19 on the Foundation are also not determinable, however COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions made in the financial statements.

13. Transfer of Funds

Certain cash transfers between with and without donor restrictions were made during 2019 and 2018 to properly report funds on a basis consistent with the Foundation's designations and policies.

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, 2019, 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 24, 2020.

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 Foundation'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 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 2019-001.

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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 24, 2020

East Central College Foundation

Schedule of Findings and Responses

Year Ended December 31, 2019

2019-001 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.