

EAST CENTRAL COLLEGE FOUNDATION, INC.

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

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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, 2013 and 2012, 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.

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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, 2013 and 2012, 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.

Report on Other Information

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 July 17, 2014, 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
July 17, 2014

EAST CENTRAL COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	December 31,	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 96,750	\$ 127,280
Investments	1,930,827	1,283,380
Pledges receivable	-	6,412
Accounts receivable	1,750	500
Accrued interest receivable	4,067	4,909
Prepaid expenses	747	746
TOTAL CURRENT ASSETS	2,034,141	1,423,227
Assets Restricted for Permanent Investment		
Cash and cash equivalents	2,290	2,290
Investments	2,772,253	2,676,933
Pledges receivable, net	10,924	12,099
Land	89,000	89,000
TOTAL ASSETS RESTRICTED FOR PERMANENT INVESTMENT	2,874,467	2,780,322
TOTAL ASSETS	\$ 4,908,608	\$ 4,203,549
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 12,635	\$ 8,075
Scholarships and agency funds payable	72,385	83,592
TOTAL CURRENT LIABILITIES	85,020	91,667
Net Assets		
Unrestricted	1,263,397	728,128
Temporarily restricted	685,723	603,432
Permanently restricted	2,874,468	2,780,322
TOTAL NET ASSETS	4,823,588	4,111,882
TOTAL LIABILITIES AND NET ASSETS	\$ 4,908,608	\$ 4,203,549

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 51,749	\$ 171,617	\$ 86,281	\$ 309,647
Interest and dividends	5,125	99,956	3,415	108,496
Net realized and unrealized gains	534,167	76,613	-	610,780
Special events	65,026	-	-	65,026
Net assets released from restrictions	248,765	(248,765)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	904,832	99,421	89,696	1,093,949
EXPENSES				
Program	257,222	-	-	257,222
Management and general	19,564	-	-	19,564
Fundraising	105,457	-	-	105,457
TOTAL EXPENSES	382,243	-	-	382,243
INCREASE IN NET ASSETS	522,589	99,421	89,696	711,706
NET ASSETS, Beginning of Year	728,128	603,432	2,780,322	4,111,882
RECLASSIFICATION OF NET ASSETS	12,680	(17,130)	4,450	-
NET ASSETS, End of Year	\$ 1,263,397	\$ 685,723	\$ 2,874,468	\$ 4,823,588

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 20,230	\$ 208,816	\$ 115,899	\$ 344,945
Interest and dividends	14,184	82,290	2,830	99,304
Net realized and unrealized gains	274,229	-	-	274,229
Special events	105,854	-	-	105,854
Net assets released from restrictions	319,303	(319,303)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	733,800	(28,197)	118,729	824,332
EXPENSES				
Program	294,164	-	-	294,164
Management and general	39,690	-	-	39,690
Fundraising	99,634	-	-	99,634
TOTAL EXPENSES	433,488	-	-	433,488
INCREASE (DECREASE) IN NET ASSETS	300,312	(28,197)	118,729	390,844
NET ASSETS, Beginning of Year	542,574	524,597	2,653,867	3,721,038
RECLASSIFICATION OF NET ASSETS	(114,758)	107,032	7,726	-
NET ASSETS, End of Year	\$ 728,128	\$ 603,432	\$ 2,780,322	\$ 4,111,882

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 711,706	\$ 390,844
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Contributions restricted for endowment	(86,281)	(115,899)
Net realized and unrealized losses (gains) on investments	(610,780)	(274,229)
Change in operating assets and liabilities:		
Accounts receivable	(1,250)	4,892
Accrued interest receivable	842	10,728
Prepaid expenses	(1)	603
Accounts payable and scholarships payable	(6,647)	12,943
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,589	29,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(400,198)	(202,317)
Reinvested dividends	(73,443)	(55,084)
Proceeds from sales of investments	341,654	100,440
NET CASH (USED) BY INVESTING ACTIVITIES	(131,987)	(156,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	93,868	164,067
NET CASH PROVIDED BY FINANCING ACTIVITIES	93,868	164,067
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,530)	36,988
CASH AND CASH EQUIVALENTS, Beginning of Year	129,570	92,582
CASH AND CASH EQUIVALENTS, End of Year	\$ 99,040	\$ 129,570
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-Cash Transactions		
Donation of services	\$ 145,421	\$ 156,070

See accompanying notes.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

Income Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

Management has evaluated subsequent events through July 17, 2014, the date the financial statements were available to be issued.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation adopted the provisions of FASB ASC 740-10-25 on January 1, 2009. 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, 2013, 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 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

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, 2013 and 2012

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 107,547	\$ 2,874,467	\$ 2,982,014
Board-designated endowment funds	<u>284,514</u>	<u>-</u>	<u>-</u>	<u>284,514</u>
TOTAL FUNDS	<u>\$ 284,514</u>	<u>\$ 107,547</u>	<u>\$ 2,874,467</u>	<u>\$ 3,266,528</u>

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B – ENDOWMENT (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 196,081	\$ 103,853	\$ 2,780,322	\$ 3,080,256
Net assets reclassification	135,563	-	4,450	140,013
Investment return:				
Investment income	-	83,757	13,415	97,172
Net gain (realized and unrealized)	<u>14,295</u>	<u>-</u>	<u>-</u>	<u>14,295</u>
Total investment return	14,295	83,757	13,415	111,467
Contributions	-	2,122	76,280	78,402
Appropriation of endowment assets for expenditures	<u>(61,425)</u>	<u>(82,185)</u>	<u>-</u>	<u>(143,610)</u>
Endowment net assets, end of year	<u><u>\$ 284,514</u></u>	<u><u>\$ 107,547</u></u>	<u><u>\$ 2,874,467</u></u>	<u><u>\$ 3,266,528</u></u>

Endowment Net Assets Composition by Type of Fund as of December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 103,853	\$ 2,780,322	\$ 2,884,175
Board-designated endowment funds	<u>196,081</u>	<u>-</u>	<u>-</u>	<u>196,081</u>
TOTAL FUNDS	<u><u>\$ 196,081</u></u>	<u><u>\$ 103,853</u></u>	<u><u>\$ 2,780,322</u></u>	<u><u>\$ 3,080,256</u></u>

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE B – ENDOWMENT (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 178,938	\$ 114,437	\$ 2,653,867	\$ 2,947,242
Net assets reclassification	64,583	-	8,798	73,381
Investment return:				
Investment income	-	76,877	2,829	79,706
Net (loss) (realized and unrealized)	<u>(7,251)</u>	<u>-</u>	<u>-</u>	<u>(7,251)</u>
Total investment return	(7,251)	76,877	2,829	72,455
Contributions	200	4,060	114,828	119,088
Other income	-	-	-	-
Board-designated	-	-	-	-
Appropriation of endowment assets for expenditures	<u>(40,389)</u>	<u>(91,521)</u>	<u>-</u>	<u>(131,910)</u>
Endowment net assets, end of year	<u><u>\$ 196,081</u></u>	<u><u>\$ 103,853</u></u>	<u><u>\$ 2,780,322</u></u>	<u><u>\$ 3,080,256</u></u>

NOTE C – PLEDGES RECEIVABLE

Unconditional promises to give consist of the following:

	<u>2013</u>	<u>2012</u>
Unrestricted promises to give	\$ -	\$ 6,412
Permanently restricted promises to give	11,350	12,600
Less: Allowance for uncollectible amounts	(284)	(334)
Discount for promises to give	<u>(142)</u>	<u>(167)</u>
Promises to give, net	<u><u>\$ 10,924</u></u>	<u><u>\$ 18,511</u></u>

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE C – PLEDGES RECEIVABLE (continued)

The promises are collectible in future years as shown below:

	2013	2012
Less than one year	\$ 1,800	\$ 10,012
One to five years	9,124	8,499
	<u>\$ 10,924</u>	<u>\$ 18,511</u>

Unconditional promises to give to establish a permanent scholarship endowment are included in the financial statements as permanently restricted assets and support. 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.
- 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, 2013 and 2012, using quoted prices in active markets.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE D – INVESTMENTS (continued)

Investments at December 31, 2013 and 2012, consist of the following:

	Level 1	
	Quoted Prices in Active Markets For Identical Assets	
	2013	2012
Equity securities and mutual funds	\$ 3,344,485	\$ 2,543,613
Government and corporate obligations	-	126,368
Certificates of deposit	1,343,391	1,274,524
Cash surrender value of life insurance policy	15,204	15,808
	<u>\$ 4,703,080</u>	<u>\$ 3,960,313</u>

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

	2013	2012
Unrestricted and temporarily restricted investments	1,930,827	\$ 1,283,380
Investments restricted for permanent investment	2,772,253	2,676,933
	<u>\$ 4,703,080</u>	<u>\$ 3,960,313</u>

Investments are carried at fair value in accordance with generally accepted accounting principles in the United States of America. Net realized and unrealized gains totaling \$610,780 and \$274,229 were recorded in 2013 and 2012, respectively.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE E – INVESTMENT RETURN

Investment return during 2013 and 2012 consisted of the following:

	2013	2012
Interest and dividends	\$ 108,496	\$ 99,304
Realized and unrealized gains (losses) on investments, net	610,780	274,229
	<u>\$ 719,276</u>	<u>\$ 373,533</u>

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

	2013	2012
Unrestricted	\$ 539,292	\$ 288,413
Temporarily restricted	176,569	82,290
Permanently restricted	3,415	2,830
	<u>\$ 719,276</u>	<u>\$ 373,533</u>

NOTE F – SCHOLARSHIPS AND AGENCY FUNDS

Scholarships payable consist of amounts awarded to students for the Spring 2013 and Spring 2012 semesters but not paid as of December 31, 2013 and 2012, respectively.

The Foundation serves as a fiscal agent for both outside organizations and specific groups at East Central College. Such amounts are not included in the revenues and expenses of the Foundation.

EAST CENTRAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE G – NET ASSETS

Temporarily restricted net assets of \$685,723 and \$603,432 at December 31, 2013 and 2012, respectively, are available for scholarships and other uses based on donor-imposed restrictions.

Net assets were released from donor restrictions during 2013 and 2012, by incurring expenses satisfying the restricted purposes or time restrictions specified by donors as follows:

	2013	2012
In-kind contributions	\$ 145,421	\$ 156,070
Scholarships	93,530	99,729
Miscellaneous activities	9,814	9,227
Special projects	-	54,277
	<u>\$ 248,765</u>	<u>\$ 319,303</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.

NOTE H – 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, which is included in temporarily restricted contribution revenue, amounted to \$145,421 and \$156,070 for the years ended December 31, 2013 and 2012, respectively.

NOTE I – RECLASSIFICATION OF NET ASSETS

Net assets were reclassified from temporarily restricted to unrestricted and permanently restricted in the amount of \$12,680 and \$4,450, respectively. Net assets were reclassified due to a recalculation of Title III requirements of restriction.

OTHER INFORMATION

EAST CENTRAL COLLEGE FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program	Management and General	Fundraising	Total
Scholarships	\$ 166,633	\$ -	\$ -	\$ 166,633
Salaries and benefits	51,373	11,416	51,277	114,066
Special events	18,868	-	26,156	45,024
Insurance expense	2,993	2,255	3,090	8,338
Miscellaneous	4,957	3,585	10,767	19,309
Office supplies and expenses	2,489	253	2,489	5,231
Printing and copying	5,442	852	7,211	13,505
Professional fees	3,443	975	3,443	7,861
Travel	1,024	228	1,024	2,276
	<u>\$ 257,222</u>	<u>\$ 19,564</u>	<u>\$ 105,457</u>	<u>\$ 382,243</u>

EAST CENTRAL COLLEGE FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program	Management and General	Fundraising	Total
Scholarships	\$ 150,937	\$ -	\$ -	\$ 150,937
Salaries and benefits	51,753	11,443	51,729	114,925
Special events	67,695	75	27,048	94,818
Insurance expense	2,850	2,773	2,874	8,497
Miscellaneous	10,677	11,667	1,704	24,048
Office supplies and expenses	2,982	363	2,982	6,327
Postage and delivery	-	120	-	120
Printing and copying	3,432	1,531	9,059	14,022
Professional fees	2,250	11,365	2,650	16,265
Travel	1,588	353	1,588	3,529
	<u>\$ 294,164</u>	<u>\$ 39,690</u>	<u>\$ 99,634</u>	<u>\$ 433,488</u>



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**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, 2013, 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 July 17, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 13-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central College Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
July 17, 2014

EAST CENTRAL COLLEGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year ended December 31, 2013

13-1 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.