

QUAD-CITIES GRADUATE STUDY CENTER

Moline, Illinois

*FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT*

June 30, 2012 and 2011

QUAD-CITIES GRADUATE STUDY CENTER
June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Quad-Cities Graduate Study Center
Moline, Illinois

We have audited the accompanying statements of financial position of Quad-Cities Graduate Study Center (an Illinois nonprofit corporation), as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Quad-Cities Graduate Study Center, as of June 30, 2012 and 2011 and the changes in net assets, functional expenses and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated on January 25, 2013, on our consideration of Quad-Cities Graduate Study Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Quad-Cities Graduate Study Center as a whole. The supplemental information presented on page 10 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Carpentier, Mitchell, Woodard & Company, L.L.C.

Moline, Illinois
January 25, 2013

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 306,135	\$ 237,972
Accounts receivable	529	29
State of Illinois grant receivable	-	130,000
	\$ 306,664	\$ 368,001
FIXED ASSETS		
Equipment	\$ 94,606	\$ 94,606
Accumulated depreciation	(88,125)	(74,637)
	\$ 6,481	\$ 19,969
Net fixed assets	\$ 6,481	\$ 19,969
Total assets	\$ 313,145	\$ 387,970

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 30,843	\$ 30,069
Deferred revenue	-	62,153
	\$ 30,843	\$ 92,222
NET ASSETS		
Unrestricted	\$ 282,302	\$ 295,748
Total liabilities and net assets	\$ 313,145	\$ 387,970

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended June 30, 2012 and 2011

	2012	2011
GRANTS FROM GOVERNMENTAL AGENCIES		
State of Illinois - Board of Higher Education	\$ 127,153	\$ 113,472
State of Iowa - Board of Regents	129,776	134,665
Total grants from governmental agencies	\$ 256,929	\$ 248,137
OTHER REVENUES		
Interest income	\$ 794	\$ 1,747
Other income	2,275	4,181
Total other revenues	\$ 3,069	\$ 5,928
Total revenues	\$ 259,998	\$ 254,065
EXPENSES		
Program Services:		
Academic	\$ 232,428	\$ 221,144
Supporting Services:		
Management and general	40,580	38,503
Fundraising	436	521
Total expenses	\$ 273,444	\$ 260,168
Changes in net assets	\$ (13,446)	\$ (6,103)
NET ASSETS - Beginning	295,748	301,851
NET ASSETS - Ending	\$ 282,302	\$ 295,748

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2012 and 2011

	2012			
	Program Services	Supporting Services		Total
	Academic	Management and General	Fundraising	
Personnel	\$ 109,306	\$ 18,853	\$ 436	\$ 128,595
Contractual	84,159	14,852	-	99,011
Travel	829	146	-	975
Commodities and equipment	19,071	3,365	-	22,436
Telecommunications	3,943	696	-	4,639
Audit	3,655	645	-	4,300
Depreciation	11,465	2,023	-	13,488
Total	<u>\$ 232,428</u>	<u>\$ 40,580</u>	<u>\$ 436</u>	<u>\$ 273,444</u>

	2011			
	Program Services	Supporting Services		Total
	Academic	Management and General	Fundraising	
Personnel	\$ 130,550	\$ 22,516	\$ 521	\$ 153,587
Contractual	57,916	10,221	-	68,137
Travel	8	1	-	9
Commodities and equipment	3,140	554	-	3,694
Telecommunications	12,523	2,210	-	14,733
Audit	3,570	630	-	4,200
Depreciation	13,437	2,371	-	15,808
Total	<u>\$ 221,144</u>	<u>\$ 38,503</u>	<u>\$ 521</u>	<u>\$ 260,168</u>

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (13,446)	\$ (6,103)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,488	15,808
(Increase) decrease in receivables	129,500	3,953
Increase (decrease) in accounts payable and accrued expenses	774	3,201
Increase (decrease) in deferred revenue	(62,153)	16,528
Net cash provided by operating activities	\$ 68,163	\$ 33,387
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	\$ -	\$ (5,243)
Net cash used by investing activities	\$ -	\$ (5,243)
 Net increase in cash and cash equivalents	\$ 68,163	\$ 28,144
Cash and cash equivalents - Beginning	237,972	209,828
Cash and cash equivalents - Ending	\$ 306,135	\$ 237,972

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS -

Quad-Cities Graduate Study Center (“the Center”) is a voluntary academic consortium of universities. The institutions of higher education provide graduate-level educational opportunities in the Quad-Cities area through the Center.

A summary of the Organization’s significant accounting policies follows:

ACCOUNTING ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF PRESENTATION -

The Center’s net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. As of June 30, 2012 and 2011, the Center had no temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor by actions of the Center. As of June 30, 2012 and 2011, the Center had no permanently restricted net assets.

CASH AND CASH EQUIVALENTS -

For purposes of reporting cash flows, the Center considered all cash on deposit and certificates of deposit, with original maturities of three months or less, to be cash equivalents.

EQUIPMENT -

Equipment is carried at cost and depreciated by the straight-line method over the assets estimated useful lives (3-7 years).

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

REVENUE RECOGNITION -

Operating grants from governmental agencies are accounted for as exchange transactions and recognized as revenue in the period in which the related expenditures are incurred.

DEFERRED REVENUE -

Deferred revenue consists of governmental grants received in advance of incurring the related expenditures. Deferred revenue was \$-0- and \$62,153 as of June 30, 2012 and 2011, respectively.

ADVERTISING COSTS -

Advertising costs are expensed as incurred.

INCOME TAX STATUS -

Quad-Cities Graduate Study Center is exempt from income tax under Internal Revenue Code Section 501(c)(3) and comparable state law. The Center has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the code.

NOTE 2 – PENSION PLANS

Certain employees of the Center are covered under a tax-deferred retirement annuity arrangement under Internal Revenue Code Section 403(b). Contributions under this plan are made subject to employee salary reduction agreements with no matching employer contribution.

NOTE 3 – COMMITMENTS

The Center leased office and classroom space under an agreement, which expired August 31, 2011, and required the Center to pay monthly rent. The lease was permanently terminated on August 31, 2011 and the Center moved to a new location at Western Illinois University in Moline, IL and NewVentures in Davenport, IA.

Total rental expense was \$3,849 and \$24,304 for the years ended June 30, 2012 and 2011, respectively. Rental expense is reported in the financial statements with contractual services.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – MAJOR CONTRIBUTORS

The Center received grants from Illinois and Iowa state education agencies, which accounted for 99% and 98% of revenue for the years ended June 30, 2012 and 2011, respectively.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Center maintains cash and temporary cash investments at several financial institutions located in the Quad-Cities area. Deposits may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of up to \$250,000. Management believes that credit risk related to these deposits is minimal.

NOTE 6 – STATE OF ILLINOIS GRANT

The Center was awarded a \$65,000 grant from the State of Illinois with a grant period of August 16, 2011 through December 31, 2012. As of June 30, 2012, all funds had been received and expended by the Center.

NOTE 7 – SUBSEQUENT EVENTS

In accordance with accounting standards, the Center evaluated subsequent events through January 25, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

QUAD-CITIES GRADUATE STUDY CENTER
SCHEDULE OF REVENUE AND EXPENSES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Grants from State of Illinois	\$ 65,000	\$ 127,153	\$ 62,153
Grant from Board of Regents, State of Iowa	129,776	129,776	-
Other revenue	-	3,069	3,069
	<u>\$ 194,776</u>	<u>\$ 259,998</u>	<u>\$ 65,222</u>
OPERATING EXPENSES			
Personnel and benefits	\$ 123,000	\$ 128,595	\$ (5,595)
Contractual	59,276	99,011	(39,735)
Travel	1,000	975	25
Commodities and equipment	2,000	10,192	(8,192)
Printing	2,000	12,244	(10,244)
Telecommunications	3,000	4,639	(1,639)
Audit	4,500	4,300	200
Other	-	-	-
	<u>\$ 194,776</u>	<u>\$ 259,956</u>	<u>\$ (65,180)</u>
Operating expenses including capital items, before depreciation	<u>\$ 194,776</u>	<u>\$ 259,956</u>	<u>\$ (65,180)</u>
Depreciation	-	13,488	(13,488)
	<u>\$ 194,776</u>	<u>\$ 273,444</u>	<u>\$ (78,668)</u>
Total expenses, including capital items	<u>\$ 194,776</u>	<u>\$ 273,444</u>	<u>\$ (78,668)</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ (13,446)</u>	<u>\$ (13,446)</u>

See auditors' report.



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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*

To the Board of Directors
Quad-Cities Graduate Study Center
Moline, Illinois

We have audited the accompanying financial statements of Quad-Cities Graduate Study Center (an Illinois nonprofit corporation), as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated January 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Quad-Cities Graduate Study Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Quad-Cities Graduate Study Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quad-Cities Graduate Study Center'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*.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Carpentier, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
January 25, 2013