

QUAD-CITIES GRADUATE STUDY CENTER

Moline, Illinois

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
and
INDEPENDENT AUDITOR'S REPORT**

June 30, 2015 and 2014

QUAD-CITIES GRADUATE STUDY CENTER

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Quad-Cities Graduate Study Center (an Illinois nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center'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 Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quad-Cities Graduate Study Center as of June 30, 2015 and 2014, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenue and expenses – budget and actual, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, 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 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 Quad-Cities Graduate Study Center's internal control over financial reporting and compliance.

Carpentier, Mitchell, Goddard & Company, LLC

Moline, Illinois
February 2, 2016

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS		
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 279,729	\$ 286,966
Total current assets	\$ 279,729	\$ 286,966
FIXED ASSETS		
Equipment	\$ 11,437	\$ 44,510
Accumulated depreciation	(11,372)	(44,160)
Net fixed assets	\$ 65	\$ 350
Total assets	\$ 279,794	\$ 287,316
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 7,575	\$ 17,955
Total liabilities	\$ 7,575	\$ 17,955
NET ASSETS		
Unrestricted	\$ 272,219	\$ 269,361
Total liabilities and net assets	\$ 279,794	\$ 287,316

The accompanying notes are an integral part of these financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2015 and 2014

	2015	2014
GRANTS FROM GOVERNMENTAL AGENCIES		
State of Illinois - Board of Higher Education	\$ 82,000	\$ 83,900
State of Iowa - Board of Regents	5,000	5,000
	\$ 87,000	\$ 88,900
OTHER REVENUES		
Interest income	\$ 17	\$ 300
Other income	100	-
	\$ 117	\$ 300
Total other revenues	\$ 117	\$ 300
Total revenues	\$ 87,117	\$ 89,200
EXPENSES		
Program Services:		
Academic	\$ 71,620	\$ 88,263
Supporting Services:		
Management and general	12,639	15,575
	\$ 84,259	\$ 103,838
Total expenses	\$ 84,259	\$ 103,838
Changes in net assets	\$ 2,858	\$ (14,638)
NET ASSETS - Beginning	269,361	283,999
NET ASSETS - Ending	\$ 272,219	\$ 269,361

The accompanying notes are an integral part of these financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2015 and 2014

	2015		
	Program Services	Supporting Services	Total
	Academic	Management and General	
Personnel	\$ 62,507	\$ 11,031	\$ 73,538
Contractual	2,185	385	2,570
Travel	1,671	295	1,966
Commodities and equipment	420	74	494
Telecommunications	983	173	1,156
Audit	3,612	638	4,250
Depreciation	204	36	240
Loss on disposal of fixed assets	38	7	45
Total	\$ 71,620	\$ 12,639	\$ 84,259

	2014		
	Program Services	Supporting Services	Total
	Academic	Management and General	
Personnel	\$ 75,049	\$ 13,244	\$ 88,293
Contractual	3,514	620	4,134
Travel	1,742	308	2,050
Commodities and equipment	1,408	248	1,656
Telecommunications	1,411	249	1,660
Audit	3,698	652	4,350
Depreciation	806	142	948
Loss on disposal of fixed assets	635	112	747
Total	\$ 88,263	\$ 15,575	\$ 103,838

The accompanying notes are an integral part of these financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,858	\$ (14,638)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	240	948
Loss on disposal of fixed assets	45	747
Decrease in account payable and accrued expenses	(10,380)	(4,584)
Net cash used by operating activities	\$ (7,237)	\$ (17,527)
Net decrease in cash and cash equivalents	\$ (7,237)	\$ (17,527)
Cash and cash equivalents - Beginning	286,966	304,493
Cash and cash equivalents - Ending	\$ 279,729	\$ 286,966

The accompanying notes are an integral part of these financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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 Center'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, 2015 and 2014, 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, 2015 and 2014, 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 to be cash equivalents.

EQUIPMENT -

Equipment is carried at cost and depreciated by the straight-line method over the assets estimated useful lives (3-5 years).

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.

ADVERTISING COSTS -

Advertising costs are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

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 – MAJOR CONTRIBUTORS

The Center received grants from Illinois and Iowa state education agencies, which accounted for 99% of revenue each year for the years ended June 30, 2015 and 2014.

NOTE 4 – 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 5 – STATE OF ILLINOIS GRANTS

The Center was awarded an \$82,000 grant from the State of Illinois with a grant period of August 5, 2014 through December 31, 2015. As of June 30, 2015, all funds had been received and expended by the Center.

The Center was awarded an \$83,900 grant from the State of Illinois with a grant period of August 6, 2013 through December 31, 2014. As of June 30, 2014, all funds had been received and expended by the Center.

NOTE 6 – SUBSEQUENT EVENTS

The Center evaluated its June 30, 2015 financial statements for subsequent events through February 2, 2016, the date the financial statements were available to be issued. The Center is not aware of any events that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

QUAD-CITIES GRADUATE STUDY CENTER
SCHEDULE OF REVENUE AND EXPENSES - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Grants from State of Illinois	\$ 82,000	\$ 82,000	\$ -
Grant from Board of Regents, State of Iowa	5,000	5,000	-
Other revenue	-	117	117
	<u>87,000</u>	<u>87,117</u>	<u>117</u>
Total revenue	\$ 87,000	\$ 87,117	\$ 117
OPERATING EXPENSES			
Personnel and benefits	\$ 76,564	\$ 73,538	\$ 3,026
Contractual	2,570	2,570	-
Travel	1,966	1,966	-
Commodities and equipment	494	494	-
Telecommunications	1,156	1,156	-
Audit	4,250	4,250	-
	<u>87,000</u>	<u>83,974</u>	<u>3,026</u>
Operating expenses including capital items, before depreciation and loss on disposal	\$ 87,000	\$ 83,974	\$ 3,026
Loss on disposal of fixed assets	-	45	(45)
Depreciation	-	240	(240)
	<u>87,000</u>	<u>84,259</u>	<u>2,741</u>
Total expenses	\$ 87,000	\$ 84,259	\$ 2,741
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ 2,858</u>	<u>\$ 2,858</u>

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Quad-Cities Graduate Study Center (an Illinois nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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 February 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quad-Cities Graduate Study Center'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 Quad-Cities Graduate Study Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

Inadequate Segregation of Duties

Quad-Cities Graduate Study Center lacks proper segregation of duties in areas of cash receipts and cash disbursements. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis. Due to the small number of people employed in administrative functions, the Center may not be able to fully achieve an ideal segregation of duties. Currently, the Board of Directors' close oversight and review of accounting information are the best means of preventing and detecting errors and irregularities. As part of this oversight function, known control deficiencies should be re-evaluated periodically in order to determine if the internal control system can be changed to better segregate duties.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carpentier, Mitchell, Goddard & Company, LLC

Moline, Illinois
February 2, 2016