

October 16, 2009

2009 Independent Auditor's Report
Andrea L. Anania
Board of Regents
11260 Aurora Ave
Urbandale IA 50322-7905

Dear Andrea:

Enclosed is the FY2009 Independent Auditor's Report - Iowa Board of Regents Grant.

I believe this completes the submission of all necessary information requested. If further information is needed, please feel free to contact us.

Thank you for your continued support.

Sincerely,



Marti Clyde
Director

Enclosure

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**BOARD OF REGENTS
STATE OF IOWA**

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**INDEPENDENT AUDITORS' REPORT -
BOARD OF REGENTS, STATE OF IOWA GRANT**

To the Board of Directors of
Quad-Cities Graduate Study Center and
to the Board of Regents, State of Iowa
Rock Island, Illinois

We have audited the statement of revenue and expenditures of the Board of Regents, State of Iowa Grant administered by Quad-Cities Graduate Study Center for the year ended June 30, 2009. The statement is the responsibility of the Grantee's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 statement of revenue and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenue and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of revenue and expenditures. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement was prepared to present the revenue and expenditures of the Board of Regents, State of Iowa Grant, administered by Quad-Cities Graduate Study Center for the year ended June 30, 2009, and is not intended to be a complete presentation of the revenue and expenditures of Quad-Cities Graduate Study Center.

In our opinion, the statement referred to above presents fairly, in all material respects, the revenue and expenditures of the Board of Regents, State of Iowa Grant, administered by Quad-Cities Graduate Study Center for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Directors and management of Quad-Cities Graduate Study Center and the Board of Regents, State of Iowa. However, this report is a matter of public record and its distribution is not limited.

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

Moline, Illinois
September 11, 2009

QUAD-CITIES GRADUATE STUDY CENTER
BOARD OF REGENTS, STATE OF IOWA
QUAD-CITIES GRADUATE STUDY CENTER PROJECT
STATEMENT OF REVENUE AND EXPENDITURES
 For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Grant revenue	\$ 163,228	\$ 163,228	\$ -
EXPENDITURES			
Personnel services and benefits	\$ 95,470	\$ 95,945	\$ (475)
Contractual services	58,758	57,269	1,489
Travel	700	877	(177)
Commodities	1,000	1,500	(500)
Printing	2,100	1,812	288
Capital equipment	300	1,301	(1,001)
Telecommunications	1,900	1,970	(70)
Audit	3,000	2,554	446
Total Expenditures	<u>\$ 163,228</u>	<u>\$ 163,228</u>	<u>\$ -</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

QUAD-CITIES GRADUATE STUDY CENTER

Rock Island, Illinois

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

June 30, 2009 and 2008

QUAD-CITIES GRADUATE STUDY CENTER
June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Quad-Cities Graduate Study Center (an Illinois nonprofit corporation), as of June 30, 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. The financial statements of Quad-Cities Graduate Study Center as of June 30, 2008, were audited by other auditors whose report dated August 19, 2008, expressed an unqualified opinion on those statements.

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 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 audit provides 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, 2009 and the changes in net assets, functional expenses and cash flows for the year 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 September 11, 2009, 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 performed for the purpose of forming an opinion on the financial statements of Quad-Cities Graduate Study Center taken 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 in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

Moline, Illinois
September 11, 2009

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 92,099	\$ 115,450
Certificates of deposit	200,000	200,000
Accrued interest receivable	622	3,300
Other current assets	874	130
Total current assets	\$ 293,595	\$ 318,880
 FIXED ASSETS		
Equipment	\$ 85,758	\$ 57,220
Accumulated depreciation	(43,107)	(36,872)
Net fixed assets	\$ 42,651	\$ 20,348
Total assets	\$ 336,246	\$ 339,228

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 27,037	\$ 47,265
 NET ASSETS		
Unrestricted	\$ 309,209	\$ 291,963
Total liabilities and net assets	\$ 336,246	\$ 339,228

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants from Governmental Agencies:			
State of Illinois - Board of Higher Education	\$ 220,000	\$ -	\$ 220,000
State of Iowa - Board of Regents	163,228	-	163,228
Total grants from governmental agencies	<u>\$ 383,228</u>	<u>\$ -</u>	<u>\$ 383,228</u>
Other Revenues:			
Interest income	\$ 6,393	\$ -	\$ 6,393
Other income	2,748	-	2,748
Net assets released from restrictions:			
Restrictions satisfied by payments	-	-	-
Total other revenues	<u>\$ 9,141</u>	<u>\$ -</u>	<u>\$ 9,141</u>
Total revenues	<u>\$ 392,369</u>	<u>\$ -</u>	<u>\$ 392,369</u>
Expenses:			
Program Services:			
Academic	\$ 314,201	\$ -	\$ 314,201
Supporting Services:			
Management and general	60,189	-	60,189
Fundraising	733	-	733
Total expenses	<u>\$ 375,123</u>	<u>\$ -</u>	<u>\$ 375,123</u>
Changes in net assets	\$ 17,246	\$ -	\$ 17,246
NET ASSETS - Beginning	<u>291,963</u>	<u>-</u>	<u>291,963</u>
NET ASSETS - Ending	<u>\$ 309,209</u>	<u>\$ -</u>	<u>\$ 309,209</u>

2008

Unrestricted	Temporarily Restricted	Total
\$ 220,000	\$ -	\$ 220,000
160,806	-	160,806
<u>\$ 380,806</u>	<u>\$ -</u>	<u>\$ 380,806</u>
\$ 10,709	\$ -	\$ 10,709
3,484	-	3,484
3,666	(3,666)	-
<u>\$ 17,859</u>	<u>\$ (3,666)</u>	<u>\$ 14,193</u>
<u>\$ 398,665</u>	<u>\$ (3,666)</u>	<u>\$ 394,999</u>
\$ 316,802	\$ -	\$ 316,802
62,134	-	62,134
658	-	658
<u>\$ 379,594</u>	<u>\$ -</u>	<u>\$ 379,594</u>
\$ 19,071	\$ (3,666)	\$ 15,405
272,892	3,666	276,558
<u>\$ 291,963</u>	<u>\$ -</u>	<u>\$ 291,963</u>

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2009 and 2008

2009

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Academic</u>	<u>Management and General</u>	<u>Fundraising</u>		
Personnel	\$ 183,314	\$ 31,616	\$ 733		\$ 215,663
Contractual	110,701	19,536	-		130,237
Travel	2,603	459	-		3,062
Commodities and equipment	4,191	740	-		4,930
Printing and promotions	4,349	1,758	-		6,107
Telecommunications	2,109	-	-		2,109
Audit	-	6,080	-		6,080
Depreciation	6,235	-	-		6,235
Other	700	-	-		700
Total	\$ 314,201	\$ 60,189	\$ 733		\$ 375,123

2008

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Academic</u>	<u>Management and General</u>	<u>Fundraising</u>		
Personnel	\$ 166,914	\$ 28,668	\$ 658		\$ 196,240
Contractual	112,408	19,837	-		132,245
Travel	4,461	787	-		5,248
Commodities and equipment	4,629	817	-		5,446
Printing and promotions	6,108	7,708	-		13,816
Telecommunications	12,731	-	-		12,731
Audit	-	3,850	-		3,850
Depreciation	5,885	-	-		5,885
Other	3,666	467	-		4,133
Total	\$ 316,802	\$ 62,134	\$ 658		\$ 379,594

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,246	\$ 15,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,235	5,885
Loss on disposal of equipment	-	421
(Increase) decrease in receivables	2,678	(2,000)
(Increase) decrease other assets	(744)	(130)
Increase (decrease) in accounts payable and accrued expenses	<u>(20,228)</u>	<u>31,709</u>
Net cash provided by operating activities	<u>\$ 5,187</u>	<u>\$ 51,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of certificates of deposit	\$ -	\$ (100,000)
Purchase of equipment	<u>(28,538)</u>	<u>(13,648)</u>
Net cash used by investing activities	<u>\$ (28,538)</u>	<u>\$ (113,648)</u>
Net increase (decrease) in cash and cash equivalents	\$ (23,351)	\$ (62,358)
Cash and cash equivalents - Beginning	<u>115,450</u>	<u>177,808</u>
Cash and cash equivalents - Ending	<u><u>\$ 92,099</u></u>	<u><u>\$ 115,450</u></u>

See notes to financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS -

Quad-Cities Graduate Study 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, 2009, 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, 2009 and 2008, 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, if any, consists of governmental grants received in advance of incurring the related expenditures. There were no governmental grants received in advance of expenditures as of June 30, 2009 and 2008.

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.

SUBSEQUENT EVENTS -

In accordance with SFAS No. 165, *Subsequent Events*, the Center evaluated subsequent events through September 11, 2009, which is the date the financial statements were available to be issued.

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.

In addition, the Center has a defined contribution plan which covers substantially all full-time employees who have met the age and service requirements. The plan requires the Center to make monthly contributions equal to 10 percent of eligible wages of the participants. The Center's contributions to the plan totaled \$12,728 and \$12,389 for the years ended June 30, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – COMMITMENTS

The Center leases office and classroom space under agreements, which expire August 31, 2009, and require the Center to pay monthly rent. Rents are adjusted annually on the anniversary date of the lease.

Minimum lease commitments under the above non-cancelable operating leases as of June 30, 2009 are due as follows:

Year Ending June 30, 2009	\$ 5,094
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Total rental expense was \$30,360 and \$29,170 for the years ended June 30, 2009 and 2008, respectively. Rental expense has been reported in the financial statements with contractual services.

NOTE 4 – MAJOR CONTRIBUTORS

The Center received grants from Illinois and Iowa state education agencies, which accounted for over 90% of revenue for the years ended June 30, 2009 and 2008, respectively. In addition, under the terms of the Illinois grant, the Center cannot be over/under the budgeted amount by more than 20% for each line item. During the fiscal year, the Center has complied with the provisions of these grants.

Subsequent to year end the Center was notified that the funding from the Illinois education agency was going to be reduced by 41% for fiscal year 2010. The Center is exploring opportunities to reduce expenses in light of this funding reduction. The Center plans to reduce advertising and printing costs, trim costs relating to certain events, travel and other miscellaneous expenditures. The Center is also freezing salaries, eliminating student workers and considering reducing employee benefits such as life insurance and contributions to the retirement plan.

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 \$100,000 through October, 2008, and \$250,000 starting in October, 2008. Management believes that credit risk related to these deposits is minimal.

NOTE 6 – PENDING ADOPTION OF ACCOUNTING STANDARD

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes* – an interpretation of FASB Statement No. 109. This interpretation clarifies the accounting and financial statement reporting for uncertainty in income taxes recognized by prescribing a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. The interpretation is effective for fiscal years beginning after December 15, 2008. The Organization has not yet completed its analysis of the effects of this interpretation and has not determined if the adoption of FIN 48 will have a material impact on its financial statements.

QUAD-CITIES GRADUATE STUDY CENTER
SCHEDULE OF REVENUE AND EXPENSES - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Grants from State of Illinois	\$ 220,000	\$ 220,000	\$ -
Grant from Board of Regents, State of Iowa	163,228	163,228	-
Other revenue	-	9,141	9,141
	<u>\$ 383,228</u>	<u>\$ 392,369</u>	<u>\$ 9,141</u>
OPERATING EXPENSES			
Personnel and benefits	\$ 221,070	\$ 215,663	\$ 5,407
Contractual	135,058	130,237	4,821
Travel	4,000	3,062	938
Commodities	3,000	3,276	(276)
Equipment, actual including capital items of \$1,599	500	3,253	(2,753)
Printing	7,100	6,107	993
Telecommunications, actual including capital items \$26,939	5,500	29,048	(23,548)
Audit	7,000	6,080	920
Other	-	700	(700)
	<u>\$ 383,228</u>	<u>\$ 397,426</u>	<u>\$ (14,198)</u>
Operating expenses, before depreciation			
Depreciation	-	6,235	(6,235)
	<u>\$ 383,228</u>	<u>\$ 403,661</u>	<u>\$ (20,433)</u>
Total expenses			
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ (11,292)</u>	<u>\$ (11,292)</u>

See auditors' report.

SUPPLEMENTARY INFORMATION

CARPENTIER
MITCHELL · GODDARD
& COMPANY · LLC
CERTIFIED PUBLIC
ACCOUNTANTS

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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
Rock Island, Illinois

We have audited the accompanying financial statements of Quad-Cities Graduate Study Center (an Illinois nonprofit corporation), as of and for the year ended June 30, 2009, and have issued our report thereon dated September 11, 2009. 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

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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, Geddard & Company, L.L.C.

Moline, Illinois
September 11, 2009