

QUAD-CITIES GRADUATE STUDY CENTER

Moline, Illinois

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

June 30, 2017

QUAD-CITIES GRADUATE STUDY CENTER

June 30, 2017

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement 1 – Statements of Financial Position	3
2 – Statements of Activities and Change in Net Assets	4
3 – Statements of Functional Expenses	5
4 – Statements of Cash Flows	6
Notes to Financial Statements	7 - 8
SUPPLEMENTARY INFORMATION	
Exhibit 1 – Schedule of Revenues and Expenses – Budget and Actual	9
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 <i>GOVERNMENT AUDITING STANDARDS</i>	10 - 11



4915 - 21st Avenue A, Moline, Illinois 61265
Ph. (309) 762-3626 • Fax (309) 762-4465

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 statement of financial position as of June 30, 2017 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.

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, 2017 and the changes in its net assets and its cash flows for the year 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 December 8, 2017 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, Goodard & Company, L.L.C.

Moline, Illinois
December 8, 2017

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2017

ASSETS	<u>2017</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 228,240
Total current assets	<u>\$ 228,240</u>
FIXED ASSETS	
Equipment	\$ 11,437
Accumulated depreciation	<u>(11,437)</u>
Net fixed assets	<u>\$ -</u>
Total assets	<u><u>\$ 228,240</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 7,379
Total liabilities	<u>\$ 7,379</u>
NET ASSETS	
Unrestricted	\$ 220,861
Total liabilities and net assets	<u><u>\$ 228,240</u></u>

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 Year Ended June 30, 2017

	2017
GRANTS FROM GOVERNMENTAL AGENCIES	
State of Iowa - Board of Regents	\$ 500
Total grants from governmental agencies	\$ 500
OTHER REVENUES	
Interest income	\$ 556
Other income	300
Total other revenues	\$ 856
Total revenues	\$ 1,356
EXPENSES	
Program Services:	
Academic	\$ 24,099
Supporting Services:	
Management and general	4,209
Total expenses	\$ 28,308
Changes in net assets	\$ (26,952)
NET ASSETS - Beginning	247,813
NET ASSETS - Ending	\$ 220,861

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

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	2017		
	Program Services	Supporting Services	Total
	Academic	Management and General	
Personnel	\$ 20,521	\$ 3,621	\$ 24,142
Contractual	1,611	284	1,895
Travel	184	33	217
Commodities and equipment	314	56	370
Telecommunications	1,160	205	1,365
Depreciation	55	10	65
Other	254	-	254
Total	<u>\$ 24,099</u>	<u>\$ 4,209</u>	<u>\$ 28,308</u>

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

QUAD-CITIES GRADUATE STUDY CENTER
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2017

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (26,952)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	65
Increase in account payable and accrued expenses	825
Net cash used by operating activities	\$ (26,062)
 Net decrease in cash and cash equivalents	 \$ (26,062)
Cash and cash equivalents - Beginning	254,302
Cash and cash equivalents - Ending	\$ 228,240

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

QUAD-CITIES GRADUATE STUDY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, 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, 2017, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

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 – 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 3 – SUBSEQUENT EVENTS

The Center evaluated its June 30, 2017 financial statements for subsequent events through December 8, 2017, 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Grants from State of Illinois	\$ -	\$ -	\$ -
Grant from Board of Regents, State of Iowa	500	500	-
Other revenue	-	856	856
	<u>500</u>	<u>1,356</u>	<u>856</u>
Total revenue	\$ 500	\$ 1,356	\$ 856
OPERATING EXPENSES			
Personnel and benefits	\$ 23,309	\$ 24,142	\$ (833)
Contractual	1,939	1,895	44
Travel	217	217	-
Commodities and equipment	326	370	(44)
Telecommunications	1,365	1,365	-
Other	-	254	(254)
	<u>27,156</u>	<u>28,243</u>	<u>(1,087)</u>
Operating expenses including capital items, before depreciation	\$ 27,156	\$ 28,243	\$ (1,087)
Depreciation	-	65	(65)
	<u>27,156</u>	<u>28,308</u>	<u>(1,152)</u>
Total expenses	\$ 27,156	\$ 28,308	\$ (1,152)
Revenue over (under) expenses	<u>\$ (26,656)</u>	<u>\$ (26,952)</u>	<u>\$ (296)</u>

See independent auditor's report.



4915 - 21st Avenue A, Moline, Illinois 61265
Ph. (309) 762-3626 • Fax (309) 762-4465

**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, 2017, 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 December 8, 2017.

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 identify a deficiency in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

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, L.L.C.

Moline, Illinois
December 8, 2017

CARPENTIER
MITCHELL • GODDARD
& COMPANY • LLC
CERTIFIED PUBLIC
ACCOUNTANTS

4915 - 21st Avenue A, Moline, Illinois 61265
Ph. (309) 762-3626 • Fax (309) 762-4465

December 8, 2017

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

We have audited the financial statements of the Quad-Cities Graduate Study Center for the year ending June 30, 2017 and have issued our report thereon dated December 8, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Quad-Cities Graduate Study Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2017. We noted no transactions entered into by the Center during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and the allocation of expenses by functional area.

Management's estimate of depreciation expense is based on the estimated useful lives and residual values of the assets. Management's estimate of the allocation of expenses by functional area is based on management's estimate of time and/or resources spent in the respective functional areas. We evaluated the key factors and assumptions used to develop depreciation expense and the allocation of expenses by functional area in determining that it is reasonable in relation to the financial statements taken as a whole.

Corrected and Uncorrected Misstatements.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2017. A copy of this letter is attached.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Quad-Cities Graduate Study Center during the course of our audit.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board of Directors
Page 3
December 8, 2017

This information is intended solely for the use of the Board of Directors and management of the Quad-Cities Graduate Study Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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

Moline, Illinois
December 8, 2017