

**QUINEBAUG VALLEY COMMUNITY
COLLEGE FOUNDATION, INC.**

Independent Auditor's Report

June 30, 2016

QUINEBAUG VALLEY COMMUNITY COLLEGE
FOUNDATION, INC.

JUNE 30, 2016

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Shane, Navratil & Co.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. NAVRATIL, CPA
MICHAEL A. RUBIN, CPA

TWENTY WALNUT STREET
WILLIMANTIC, CONNECTICUT 06226
TEL (860) 456-2297
FAX (860) 456-3954
email shanen@snet.net

To the Board of Directors
Quinebaug Valley Community College Foundation, Inc
742 Upper Maple Street
Danielson, Connecticut 06239

Independent Auditor's Report

We have audited the accompanying financial statements of Quinebaug Valley Community College Foundation, Inc (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 Quinebaug Valley Community College Foundation, Inc, as of June 30, 2016, and the changes in its' net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Very truly yours,



SHANE, NAVRATIL & CO
Certified Public Accountants

Willimantic, Connecticut
September 13, 2016

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS:

| | | |
|-----------------------------|----|------------------|
| Cash and Cash Equivalents | \$ | 64,099 |
| Investments | | 2,892,491 |
| Pledges Receivable | | 35,357 |
| Prepaid Expenses | | 2,475 |
| <u>Total Current Assets</u> | | <u>2,994,422</u> |

OTHER ASSETS.

| | | |
|--------------------------------|--|----------------|
| Cash Restricted for Endowments | | 651,763 |
| <u>Total Other Assets</u> | | <u>651,763</u> |

| | | |
|---------------------|----|------------------|
| <u>TOTAL ASSETS</u> | \$ | <u>3,646,185</u> |
|---------------------|----|------------------|

LIABILITIES AND NET ASSETS

LIABILITIES:

| | | |
|--------------------------|----|---------------|
| Accounts Payable | \$ | 9,235 |
| Accrued Expenses | | 1,957 |
| <u>Total Liabilities</u> | | <u>11,192</u> |

NET ASSETS.

| | | |
|-------------------------|--|------------------|
| Unrestricted | | 256,473 |
| Temporarily Restricted | | 492,953 |
| Permanently Restricted | | 2,885,567 |
| <u>Total Net Assets</u> | | <u>3,634,993</u> |

| | | |
|---|----|------------------|
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | \$ | <u>3,646,185</u> |
|---|----|------------------|

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Totals</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <u>REVENUES ,GAINS ,OTHER SUPPORT AND RECLASSIFICATIONS</u> | | | | |
| Contributions | \$ 99,723 | \$ 1,010 | \$ 168,618 | \$ 269,351 |
| Fundraising | 126,991 | - | - | 126,991 |
| Investment Income | 9,241 | 46,997 | 710 | 56,948 |
| Net Realized and Unrealized (Loss) on Investments | (9,071) | (8,219) | - | (17,290) |
| <u>Total Revenue, Gains and Other Support</u> | <u>226,884</u> | <u>39,788</u> | <u>169,328</u> | <u>436,000</u> |
| Net Assets Reclassed | (6,181) | 9,181 | (3,000) | - |
| Net Assets Released from Restrictions | 136,224 | (136,224) | - | - |
| <u>Total Reclassifications</u> | <u>130,043</u> | <u>(127,043)</u> | <u>(3,000)</u> | <u>-</u> |
| <u>TOTAL REVENUES, GAINS ,OTHER SUPPORT AND RECLASSIFICATIONS</u> | <u>356,927</u> | <u>(87,255)</u> | <u>166,328</u> | <u>436,000</u> |
| <u>EXPENDITURES</u> | | | | |
| Administrative Support Salary | 4,300 | - | - | 4,300 |
| Development Coordinator's Salary | 13,928 | - | - | 13,928 |
| Payroll Taxes | 1,720 | - | - | 1,720 |
| Scholarships and Financial Aid | 209,663 | - | - | 209,663 |
| President Discretionary Fund | 2,000 | - | - | 2,000 |
| Fundraising Expenses | 67,596 | - | - | 67,596 |
| Travel & Meals | 4,098 | - | - | 4,098 |
| Appreciation & Gift Expenses | 2,017 | - | - | 2,017 |
| Professional Fees | 9,240 | - | - | 9,240 |
| Insurance | 2,117 | - | - | 2,117 |
| Other Expenses | 5,300 | - | - | 5,300 |
| Advertising | 1,549 | - | - | 1,549 |
| Administrative | 9,908 | - | - | 9,908 |
| Trust Fees | 24,061 | - | - | 24,061 |
| <u>TOTAL EXPENDITURES</u> | <u>357,497</u> | <u>-</u> | <u>-</u> | <u>357,497</u> |
| <u>INCREASE/(DECREASE) IN NET ASSETS</u> | <u>(570)</u> | <u>(87,255)</u> | <u>166,328</u> | <u>78,503</u> |
| <u>NET ASSETS - Beginning of Year</u> | <u>257,043</u> | <u>580,208</u> | <u>2,719,239</u> | <u>3,556,490</u> |
| <u>NET ASSETS - End of Year</u> | <u>\$ 256,473</u> | <u>\$ 492,953</u> | <u>\$ 2,885,567</u> | <u>\$ 3,634,993</u> |

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|------------------|
| Increase in Net Assets | \$ <u>78,503</u> |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: | |
| Realized/Unrealized Change in Value of Investments | 17,290 |
| Contributions Restricted for Investment in Endowments | (168,618) |
| Interest and Dividends Restricted for Long Term Investment | (710) |
| (Increase)/Decrease in: | |
| Prepaid Expenses | 1,139 |
| Due from Others | 1,000 |
| Pledges Receivable | (858) |
| (Decrease)/Increase in: | |
| Accounts Payable | (140,697) |
| Accrued Expenses | 664 |
| <u>Total Adjustments</u> | <u>(290,790)</u> |
| <u>Net Cash (Used) by Operating Activities</u> | <u>(212,287)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------------|
| Purchase of Investments | (690,339) |
| Proceeds from Sale of Investments | 562,643 |
| <u>Net Cash(Used) by Investing Activities</u> | <u>(127,696)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|----------------|
| Collections of Contributions Restricted for Investment in Endowments | 168,618 |
| <u>Net Cash Provided by Financing Activities</u> | <u>168,618</u> |

NET (DECREASE) IN CASH (171,365)

CASH - Beginning of Year 235,464

CASH - End of Year \$ 64,099

Supplemental Disclosures:

| | |
|---------------|------|
| Taxes Paid | \$ - |
| Interest Paid | \$ - |

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) ORGANIZATION

The Quinebaug Valley Community College Foundation, Inc , a 501(c)(3) organization, was established in 1971 as a way to involve local businesses and community members in the college's fundraising efforts. The mission is to raise funds so that all residents of Northeastern Connecticut are provided the opportunity to attend QVCC regardless of income, to support educational excellence, technological advancement and professional development at the College and to serve as the Regional Advisory Council to the College. The Foundation provides annual support to the college in the form of scholarship/financial aid assistance and block grants.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Basis of Presentation

Financial statement preparation follows the recommendations of the Financial Accounting Standards Board. Quinebaug Valley Community College Foundation, Inc reports information regarding its financial position and activities according to three classes of net assets 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, whether by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific purposes.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and similar provisions of the Connecticut Tax Code.

The Foundation regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, the Foundation has concluded that no tax benefits or liabilities are required to be recognized.

Investments

The Foundation carries investments in mutual funds with readily determinable fair values and all investments in debt securities at their fair values. Unrealized gains and losses are included in the accompanying Statement of Activities.

Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Revenue is recorded as the amounts are earned or due, pursuant to law or contract.

Advertising

Advertising costs are expensed as incurred.

(3) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

(4) FUNCTIONAL EXPENSES

As the mission of the Foundation is to raise money to provide for scholarships and financial aid for the college, the Foundation considers all of its expenditures to be programmatic.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(5) ENDOWMENTS

The Foundation has several donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested using a diversified asset allocation strategy to avoid incurring a concentration of risk inherent in overinvesting in specific instruments, individual financial institutions or maturities.

The Foundation has a policy of appropriating for distribution each year up to 4.5% of the average of the prior twelve quarters of the fund's total worth as determined by the earnings, dividends, interest and growth as of June 30th.

The composition of the Foundation's donor-restricted endowment funds at June 30, 2016

| | |
|------------------------|---------------------|
| Unrestricted | \$ (7,670) |
| Temporarily Restricted | 492,953 |
| Permanently Restricted | <u>2,885,567</u> |
| Total | <u>\$ 3,370,850</u> |

The changes in endowment Net Assets of the Foundation for the year ended June 30, 2016

Changes in Endowment Net Assets
For the year ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ (1,344) | \$ 574,679 | \$ 2,719,239 | \$ 3,292,574 |
| Donations | -0- | 1,010 | 168,618 | 169,628 |
| Investment Return: | | | | |
| Investment Income | 422 | 46,997 | 710 | 48,129 |
| Net Gains/(Losses)(realized and unrealized) | <u>12</u> | <u>(8,219)</u> | <u>-0-</u> | <u>(8,207)</u> |
| Total Investment Return | 434 | 38,778 | 710 | 39,922 |
| Appropriation of endowment assets for Expenditures | <u>(923)</u> | <u>(130,351)</u> | <u>-0-</u> | <u>(131,274)</u> |
| Transfers | <u>(5,837)</u> | <u>8,837</u> | <u>(3,000)</u> | <u>-0-</u> |
| Endowment net assets, end of year | <u>\$ (7,670)</u> | <u>\$ 492,953</u> | <u>\$ 2,885,567</u> | <u>\$ 3,370,850</u> |

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2016

| | |
|------------------------------|-------------------|
| Scholarships & Financial Aid | \$ 484,853 |
| Art Museum Day Trips | <u>8,100</u> |
| <u>Total</u> | <u>\$ 492,953</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction as specified by the donors

(7) PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes as of June 30, 2016

| | |
|--------------------------------|---------------------|
| Scholarships and Financial Aid | \$ <u>2,885,567</u> |
|--------------------------------|---------------------|

One endowment for \$508,756 as of June 30, 2016, requires that 10% of net earnings be permanently reinvested. Three endowments totaling \$55,048 require that net earnings be reinvested until the endowments can self-fund scholarships from earnings.

(8) DONATED SERVICES.

Volunteers have donated services in carrying out the Foundation's various fundraising and administrative activities. No value for the services rendered has been reflected in the financial statements. Only contributions of services that create or enhance non-financial assets, or that require specialized skills and would need to be purchased if not provided by donation, would be recorded at their fair values when received.

(9) ACCOUNTS RECEIVABLE - STATE OF CONNECTICUT

The Foundation participates in the State of Connecticut Higher Education Matching Grant Fund, which in general provides a matching of one dollar for every two dollars of all gifts received by the Foundation for this endowment fund until December 31, 2004 and thereafter at one dollar for every four dollars of qualifying gifts. The matching is done on a calendar year basis. The funding is contingent upon the State of Connecticut meeting certain conditions prior to bonding the appropriation for the state matching grant fund. No receivable has been recorded due to the contingent nature of this part of the receivable.

(10) PLEDGES RECEIVABLE – CAPITAL CAMPAIGN:

The Foundation ended its Capital Campaign to raise funds to furnish and equip the expansion of the college and to increase endowments for student aid. The goal of the Campaign was to raise at least \$1,500,000. The Foundation had received pledges of \$1,516,891 as of June 30, 2016. The outstanding pledges at June 30, 2016 are \$35,357. One pledge is in the form of a bequest and has been discounted for the time value of the period of collection.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(11) FAIR VALUES OF FINANCIAL INSTRUMENTS.

The estimated fair values of the Foundation's financial instruments, none of which are held for trading purposes, are as follows

| | |
|---------------------|--------------------|
| Bond Funds | \$1,435,062 |
| Equity Funds | 502,108 |
| Large Cap Funds | 284,717 |
| International Funds | 173,890 |
| Small Cap Funds | 142,203 |
| Mid Cap Funds | 246,904 |
| Money Market | <u>107,607</u> |
| | <u>\$2,892,491</u> |

The following methods and assumptions were used to estimate the fair values of each class of financial instruments

Investments The investments are carried at fair values based on active quoted market prices for those investments. (Level 1)

(12) CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid investments, with an original maturity of three months or less when purchased, to be cash equivalents

(13) CONCENTRATION OF RISK

The Foundation has funds in excess of FDIC insured limits with its financial institutions

(14) RELATED PARTY TRANSACTIONS

The Foundation, in the normal course of its' activities, pays for services from organizations which are affiliated with members of its' Board of Directors. The Foundation believes all these compensated services are performed at fair value

(15) SUPPORT TO COLLEGE

The Foundation provides financial support to Quinebaug Valley Community College in the form of scholarships and financial aid to students as well as maintaining scholarships that have been provided for through donations. The amount of financial aid and scholarship reimbursement paid to the college was \$209,663 for the year ended June 30, 2016

(16) SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2016, which is the date the financial statements were available to be issued

QUINEBAUG VALLEY COMMUNITY COLLEGE
FOUNDATION, INC.

**Independent Auditor's Report
on Compliance with Connecticut
Statutes, Sections 4-37e through 4-37i**

June 30, 2016

Shane, Navratil & Co.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K NAVRATIL, CPA
MICHAEL A RUBIN CPA

TWENTY WALNUT STREET
WILLIMANTIC, CONNECTICUT 06226
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email shanen@snet.net

To the Board of Directors
Quinebaug Valley Community College Foundation, Inc.
742 Upper Maple Street
Danielson, Connecticut 06239

Independent Auditor's Report

We have examined Management's assertions that the Quinebaug Valley Community College Foundation, Inc. complied with Connecticut General Statutes, Sections 4-37e through 4-37i during the period July 1, 2015 through June 30, 2016. Management is responsible for Quinebaug Valley Community College Foundation, Inc.'s compliance with these requirements. Our responsibility is to express an opinion on Quinebaug Valley Community College Foundation, Inc.'s compliance based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Quinebaug Valley Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Quinebaug Valley Community College Foundation, Inc.'s compliance with specified requirements.

In our opinion, the Quinebaug Valley Community College Foundation, Inc. complied with Connecticut General Statutes Sections 4-37e through 4-37i during the period July 1, 2015 through June 30, 2016.

This report is intended solely for the Management and Board of Directors of Quinebaug Valley Community College Foundation, Inc. and the Quinebaug Valley Community College, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



SHANE, NAVRATIL & CO.
Certified Public Accountants

Willimantic, Connecticut
September 13, 2016

-10-