

East Central College Foundation, Inc.

Component Unit of the Junior College District of East Central Missouri

Financial Statements for the
Six-Month Period Ended June 30, 2020

KPM
CPAS & ADVISORS

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Independent Auditors' Report

Board of Directors
East Central College Foundation, Inc.
Union, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of East Central College Foundation, Inc. (East Central College Foundation or the Foundation), a nonprofit organization which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the six-month period 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.

Auditors' 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 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 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 auditors' 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinions. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Central College Foundation, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the Foundation's internal control over financial reporting and 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* in considering East Central College Foundation, Inc.'s internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 16, 2020

East Central College Foundation

Statement of Financial Position

June 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 143,675
Investments	3,814,293
Accrued interest receivable	5,441
Prepaid expenses	1,563
Total Current Assets	<u>3,964,972</u>

Assets Restricted for Permanent Investment

Investments	3,283,372
Pledges receivable	1,911
Land	89,000
Total Restricted for Permanent Investment	<u>3,374,283</u>
Total Assets	<u><u>\$ 7,339,255</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 22,523
Total Current Liabilities	<u>22,523</u>

Net Assets

Without donor restrictions	2,336,248
With donor restrictions	4,980,484
Total Net Assets	<u>7,316,732</u>
Total Liabilities and Net Assets	<u><u>\$ 7,339,255</u></u>

See accompanying notes to the financial statements.

East Central College Foundation

Statement of Activities

Six-Month Period Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Returns, and Other Support			
Contributions	\$ 99,029	\$ 54,771	\$ 153,800
Interest and dividends	5,011	59,861	64,872
Investment return, net	(231,108)	(55,663)	(286,771)
Special events	61,810	-	61,810
Net assets released from restrictions	67,420	(67,420)	-
Total Revenues, Returns, and Other Support	2,162	(8,451)	(6,289)
Expenses			
Program	268,516	-	268,516
Supporting services			
Management and general	18,815	-	18,815
Fundraising	66,083	-	66,083
Total Expenses	353,414	-	353,414
<i>Change in Net Assets</i>	(351,252)	(8,451)	(359,703)
Net Assets, Beginning of Period	2,687,500	4,988,935	7,676,435
Net Assets, End of Period	<u>\$ 2,336,248</u>	<u>\$ 4,980,484</u>	<u>\$ 7,316,732</u>

See accompanying notes to the financial statements.

East Central College Foundation

Statements of Cash Flows Six-Month Period Ended June 30, 2020

Cash Flows from Operating Activities

Change in net assets	\$ (359,703)
Adjustments to reconcile change in net assets to net cash (used) by operating activities	
Contributions restricted for endowment	(22,816)
Net realized and unrealized losses on investments	286,771
Change in operating assets and liabilities	
Accrued interest receivable	27
Prepaid expenses	(801)
Accounts payable and accrued expenses	8,834
Net Cash (Used) by Operating Activities	<u>(87,688)</u>

Cash Flows from Investing Activities

Purchase of investments	(75,000)
Reinvested dividends	(48,880)
Proceeds from contributions restricted for endowment	21,403
Proceeds from sales of investments	151,265
Net Cash Provided by Investing Activities	<u>48,788</u>

Net (Decrease) in Cash and Cash Equivalents (38,900)

Cash and Cash Equivalents, Beginning of Period	182,575
Cash and Cash Equivalents, End of Period	<u><u>\$ 143,675</u></u>

Supplemental Disclosures of Cash Flow Information

Non-Cash Transactions	
Donation of services	<u><u>\$ 96,202</u></u>

See accompanying notes to the financial statements.

East Central College Foundation

Statement of Functional Expenses Six-Month Period Ended June 30, 2020

	Program	Supporting Services		Total
		Management and General	Fundraising	
Scholarships	\$ 133,765	\$ -	\$ -	\$ 133,765
Salaries and benefits	32,414	7,203	32,414	72,031
Special events	91,329	-	14,243	105,572
Insurance expense	3,998	888	3,998	8,884
Miscellaneous	265	9,225	1,260	10,750
Office supplies and expenses	1,360	302	1,360	3,022
Printing and copying	252	56	7,675	7,983
Professional fees	4,320	960	4,320	9,600
Repairs and maintenance	653	145	653	1,451
Travel	160	36	160	356
	<u>\$ 268,516</u>	<u>\$ 18,815</u>	<u>\$ 66,083</u>	<u>\$ 353,414</u>

See accompanying notes to the financial statements.

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

1. Summary of Significant Accounting Policies

East Central College Foundation, Inc. (the Foundation) is a nonprofit organization incorporated under the laws of the State of Missouri, primarily as the official fundraising and gift-receiving agency of East Central College.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fiscal Year-End Change

On February 4, 2020 the Foundation approved changing their fiscal year end from December 31 to June 30 of each year.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations, that expire by the passage of time, or that include funds of perpetual donation.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of the statement of cash flows.

Pledges Receivable

Unconditional promises to give in future periods are recognized as revenues in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. The Foundation provides an allowance for uncollectible amounts equal to the estimated collection losses that will be incurred in collection of all promises to give. The estimated losses are based on a review of the current status of the existing promises to give.

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, certificates of deposit, mutual funds, and money-market accounts. The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the consolidated statement of financial assets. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the statement of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial assets.

Land

Land is carried at its fair value at the date of donation.

In-Kind Contributions

Non-cash contributions are recorded at their estimated fair values at the dates of the gifts as \$96,202 at June 30, 2020.

Revenue and Other Support

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are accounted for in accordance with the terms of those agreements.

Description of Program Services and Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program: The program component of East Central College Foundation, Inc. consists of all aspects of the Foundation's administration of scholarships to students attending East Central College.

Management and General: Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of East Central College Foundation, Inc.'s program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of East Central College Foundation, Inc.

Fundraising: Provides the structure necessary to encourage and secure private and public financial support.

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

Expense Allocation

The cost of providing the program and supporting services have been summarized on the statements of activities on a functional basis. Most expenses can be directly allocated to the program or supporting functions. Certain categories of expenses are attributed to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied and determined by management.

The expenses that are allocated include the following:

Expense	Method of Allocation
Scholarships	Direct costs
Salaries and benefits	Time and effort
Special events	Direct costs
Insurance expense	Direct costs
Miscellaneous	Direct costs
Office supplies and expenses	Direct costs
Printing and copying	Direct costs
Professional fees	Direct costs
Repairs and maintenance	Direct costs
Travel	Direct costs

Advertising

Costs for advertising are expensed as incurred.

Subsequent Events

Management has evaluated subsequent events through December 16, 2020, the date the financial statements were available to be issued.

Income Taxes

The Foundation complies with the provisions of FASB ASC 740-10-25. Under this standard, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the assets will be sustained. The implementation of this standard had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax assets and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the period, there were no interest or penalties recorded or included in the Foundation's financial statements. The Foundation's Forms 990, *Returns of Organization Exempt from Income Tax*, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

The Foundation is exempt from income taxes under Section 501(c)(3) of Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

2. Risks & Uncertainties

During 2020, a strain of Coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet fully determinable but will likely continue to be significant for both the District and the overall economy. COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions made in the financial statements.

3. Endowment

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of Missouri effective August 28, 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not the original value of the gift is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment Investment Policy

The Foundation's endowment investment policy intends for the Foundation to invest in assets for the purposes of providing current income to meet a portion of the Foundation's needs and appreciation to enhance the future resources available to the Foundation. The two primary objectives are to provide real growth of principal and to provide income on fund assets. To limit risk and still meet long-term return objectives, the Foundation invests in a balanced portfolio. The targeted asset allocation consists of 30% cash, cash equivalents, and fixed-income securities; and 70% equity securities.

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

Endowment Spending Policy

The Foundation has established an endowment spending policy in which a maximum of 5% of a three-year moving average of the market value of endowed funds may be spent each year. Prior years' undisbursed funds are not included in the 5% maximum and may also be disbursed.

Endowment Net Assets Composition by Type of Fund as of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,694,876	\$ 3,694,876
Board-designated endowment funds	347,716	-	347,716
Total Funds	\$ 347,716	\$ 3,694,876	\$ 4,042,592

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of period	\$ 366,178	\$ 3,621,874	\$ 3,988,052
Investment return			
Net gain (realized and unrealized)	60,029	75,103	135,132
Total investment return	60,029	75,103	135,132
Contributions	-	23,167	23,167
Appropriation of endowment assets for expenditures	(78,491)	(25,268)	(103,759)
Endowment net assets, end of period	\$ 347,716	\$ 3,694,876	\$ 4,042,592

4. Investments

The FASB *Fair Value Measurements* standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Foundation has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments)

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

Investments are recorded at fair value on a recurring basis during the six-month period ended June 30, 2020, using quoted prices in active markets.

Investments at June 30, 2020, consist of the following:

	Not Subject to Fair Value	Level 1	Total
Equity Funds	\$ -	\$ 4,146,915	\$ 4,146,915
Mutual Funds	-	1,556,784	1,556,784
Certificates of deposit	1,379,735	-	1,379,735
Cash surrender value of life insurance policy	14,231	-	14,231
	<u>\$ 1,393,966</u>	<u>\$ 5,703,699</u>	<u>\$ 7,097,665</u>

The amounts reported in the Statement of Financial Position are classified as follows:

Investments without donor restrictions	\$ 2,216,378
Investments with donor restrictions	4,881,287
	<u>\$ 7,097,665</u>

Investments are carried at fair value in accordance with generally accepted accounting principles in the United States of America.

5. Investment Return

Investment return during the six-month period in 2020 consisted of the following:

Interest and dividends	\$ 64,872
Investment return, net	(286,771)
	<u>\$ (221,899)</u>

The above investment return is classified in the Statement of Activities as follows:

Without donor restrictions	\$ (226,097)
With donor restrictions	4,198
	<u>\$ (221,899)</u>

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

6. Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at June 30, 2020:

Specific purpose	
Scholarships	\$ 4,876,491
Special projects	31,752
Miscellaneous activities	72,241
	<u>\$ 4,980,484</u>

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2020, by incurring expenses satisfying the restricted purpose specified by donors as follows:

Satisfaction of purpose restrictions	
Scholarships	\$ 61,758
Miscellaneous activities	1,321
Special and capital projects	4,341
	<u>\$ 67,420</u>

8. Liquidity & Availability

Financial assets available for general expenditures, that is, without donor restrictions or other restrictions limiting their use, within one year of the statements of financial position date, comprise of the following:

Financial assets at the six month period end	
Cash and cash equivalents	\$ 143,675
Investments available for current use	7,097,665
Accrued interest receivable	5,441
Total financial assets	<u>7,246,781</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>4,980,484</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,266,297</u>

Additionally, the Foundation has a \$413,592 line of credit available to meet cash flow needs. The Foundation has a policy to structure its financial assets to be available as general expenses and other obligations come due.

East Central College Foundation

Notes to the Financial Statements

June 30, 2020

9. Related Party Transactions

The Foundation uses employees, materials and office space from the Junior College District of East Central Missouri (the College) at no charge. The value of these in-kind donations from the College is included in contribution revenue without donor restrictions in the amount of \$96,202 for the six-month period ended June 30, 2020.

10. Lines of Credit

At June 30, 2020, the Foundation had an operating secured line of credit for \$413,592 to be drawn upon as needed. No draws have been made on the line of credit.

Other Reporting Requirements



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*

Board of Directors
East Central College Foundation, Inc.
Union, Missouri

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Central College Foundation, Inc. a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the six-month period then ended, and the related notes to the financial statements, and have issued our report thereon, dated December 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Central College Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 East Central College Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 entity'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 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central College Foundation, Inc.'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 financial statements. 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*.

East Central College Foundation, Inc.'s Response to the Finding

The Foundation's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 East Central College Foundation, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Central College Foundation, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "KPM CPAs, PC". The signature is written in a cursive, flowing style.

KPM CPAs, PC
Springfield, Missouri
December 16, 2020

East Central College Foundation

Schedule of Findings and Responses

Six-Month Period Ended June 30, 2020

2020-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.



Board of Directors
East Central College Foundation, Inc.
Union, Missouri

We have audited the basic financial statements of East Central College Foundation, Inc. for the six-month period ended June 30, 2020, and have issued our report thereon dated December 16, 2020. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government 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 dated August 6, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by East Central College Foundation, Inc. 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 six-month period ended June 30, 2020. We noted no transactions entered into by the Foundation during the period 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.

The disclosures in the financial statements are neutral, consistent, and clear.

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 estimate(s) affecting the Foundation's financial statements was management's estimate of the allowance for uncollectible amounts and discount for unconditional promises to give. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Adjustments

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We are pleased to report that no such adjustments were identified during the audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2020.

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 Foundation's financial statements or a determination of the type of auditors' 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.

Other Audit Findings or Issues

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 Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the use of the Board of Directors and management of East Central College Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 16, 2020



Board of Directors
East Central College Foundation, Inc.
Union, Missouri

In planning and performing our audit of the basic financial statements of the East Central College Foundation, Inc., for the six-month period ended June 30, 2020, we considered the Foundation's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the 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*, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

In addition to the material weakness discussed in the 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*, we became aware of an additional matter to bring to your attention. The following paragraph summarizes our comments and recommendations regarding this matter.

Cybersecurity

Cybersecurity threats are increasing and entities of all sizes are at risk for a breach of their information systems. With this increase in risk, entities should be continually evaluating risk and taking steps necessary to ensure the security of information systems. Steps include identifying critical information systems, training employees to properly identify threats received in emails or by other means, and adopting internal communication methods other than email.

It is important that entities develop a recovery plan outlining procedures that personnel should follow once a cybersecurity breach is discovered.

We Recommend:

The Foundation continue to evaluate its cybersecurity risks and take the necessary steps to reduce the risk of cybersecurity threats to their information systems. This evaluation should be performed frequently as technology and information systems are continually changing.

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We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with the Foundation's administrative personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter or to assist you in implementing the recommendation.

We appreciate this opportunity to serve as the East Central College Foundation Inc.'s independent auditors and the courtesies and assistance extended to us by the Foundation's employees.

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be used by anyone other than these specified parties.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 16, 2020