



**PURCHASING DEPARTMENT
6600 34TH AVENUE
MOLINE, IL 61265**

DATE: October 31, 2018

**TO BE OPENED ON
November 16, 2018
RFP 03-19**

*****IMPORTANT***
SHOW "RFP 03-19
Addendum 1"
ON OUTSIDE OF
MAILING ENVELOPE**

**REQUEST FOR PROPOSAL (RFP)
AUDITING SERVICES
RFP 03-19 Addendum 1**

Pursuant to the provisions of Section 3-27.1 of the Illinois Public Community College Act and rules and regulations adopted thereunder, sealed proposals subject to the conditions and requirements made a part hereof **will be received until 2:00 p.m. local time, on Friday, November 16, 2018, in the Purchasing Office at Black Hawk College Quad Cities Campus, located at 6600 34th Avenue in Building One, Second Floor, in the Finance Office, Room 244A, then opened publicly, read aloud and recorded immediately thereafter when possible, in the Black Hawk Room, located in Building One, Second Floor, Room 255,** for furnishing the goods or services described below, to be delivered or performed at the location(s) stated. Whether or not a proposal is timely shall be determined by reference to the clock located in the Purchasing Office of the College, and the determination of whether or not a proposal is timely in accordance with that clock shall be at the sole discretion of the Black Hawk College Purchasing Office and Board of Trustees, whose decision on that issue shall be final.

**REFER INQUIRIES TO: MIKE MELEG
BLACK HAWK COLLEGE
6600 34th AVENUE
MOLINE IL 61265**

TELEPHONE: (309) 796-5002

EMAIL ADDRESS: melegm@bhc.edu

VENDOR INFORMATION:
Contact:
Company:
Address:
City/State/Zip:
Telephone:
Fax Number:
Email Address:

GENERAL

Proposals are subject to the attached Standard Terms and Conditions (Attachment A).

USING DEPARTMENT

Finance

ADDENDUM 1

Here are all of the questions from the Pre-Proposal Meeting Tuesday, October 23, 2018:

Q: Other than the Student Financial Aid Cluster, are there any new or existing federal grant programs expected to exceed \$750,000 for the year ended June 30, 2019?

A: No

Q: Are there any expected debt issuances during the term of the proposal?

A: Yes, Possibly, in year four.

Q: Any significant construction projects expected during FY19?

A: Yes and every year thereafter.

Q: When will the College have adjusted trial balances for final fieldwork?

A: In the last few years, it has been available by the 2nd or 3rd week of August.

Q: Has the 2018 audit report and single audit been issued? May we receive a copy?

A: The final draft has been approved but it has not been approved by the Board of Trustees. The audit is scheduled to be presented and approved on November 29, 2018. The June 30, 2018 audit has an unqualified opinion and a copy of the June 30, 2017 audit report is on the College's website.

Q: Can we get a copy of the 2 Foundation reports and the VEBA report (from 12/31/17)?

A: Yes, electronic PDF copies are attached.

Q: How many journal entries were proposed by the auditor for the FY2018 audit? May we receive a copy?

A: There are five (5) journal entries but they have not yet been presented to and approved by the Board of Trustees.

Q: Was a management letter issued for FY2018? May we receive a copy?

A: It will be publicly available after the November 29, 2018 board meeting.

Q: Were there any disagreements with the predecessor firm regarding any audit, accounting, or financial reporting related matters?

A: No.

Q: How many days was the audit firm on-site for preliminary and final field work and how many audit staff were present?

A: For preliminary, there were 2-3 staff members present for 1-1.5 days. For final field work, there were 3-5 staff members present at any given time and they were present for 5 working days.

Q: When was preliminary fieldwork performed? Final?

A: Preliminary was typically performed in May and final fieldwork done the 3rd or 4th week of August.

Q: What internal control documentation is maintained by the College for which transaction classes/cycles?

A: BHC will provide internal control narratives for each major transaction class/cycle.

Q: What were the fees for the 2017 audit and what did this include? Were there any additional billings?

A: 2017 audit fees were \$60,350. There were no additional billings.

Q: Are there any outsourced functions for the College (bookstore, cafeteria, etc.)?

A: Just food service.

Q: Does the College have an internal audit function? If so, what work has been performed by the internal auditor in past audits?

A: No

Q: There are several provisions throughout the RFP that would impair our independence in accordance with the AICPA Code of Professional Conduct. Is it acceptable to the College for proposers to list these exclusions as part of the proposal response?

A: Yes, as long as they are written specifically into the proposal and stated clearly.

Q: Who will make up the evaluation committee?

A: Purchasing Manager, Director of Accounting and VP for Finance and Administration.

Q: Supplemental Question #9 (p 5) – What are the expectations for the IT audit – is this a part of the normal audit process or a separate engagement?

A: IT audits are a separate engagement. In the past, among other tests, penetration tests and phishing tests were performed.

Q: Additional Information, Inspection, #14 (p 10-11) – What constitutes a “defect” or “omission”?

A: Anything that is NOT in full compliance with all requirements set forth.

Q: Can we get a copy of the plan document for the VEBA Trust?

A: Yes, if your firm is awarded the contract.

Q: Who performs the actuarial valuation over the Early Retirement and Voluntary separation plans (note 8 in 2017 CAFR)?

A: CAI Actuarial, Inc.

Q: Does the College wish to maintain the time frame in the RFP (field work done by 9/15, final reports by 10/15) even though the state has changed the deadline for submission of the audit report?

A: Yes.

Q: What assistance will the College expect for implementing GASB S-84 on Fiduciary Activities and GASB S-87 on leases?

A: We would expect an overview and set of questions on the new GASB's to ensure that the College understands what the new rules are made up of and what situations would apply. Currently, based on our understanding, there will be no changes from GASB 87 and some changes for GASB 84. We would expect that the audit firm would help us ensure that we're properly implementing through Q&A and continuing education opportunities/offerings.

Q: Page 4 of the RFP notes that the Colleges prepares the financial reports, can you specify what this means? Do you prepare your own CAFR and we just provide the opinions?

A: Yes, we prepare our own CAFR and the auditing firm just provides the opinions

Q: Does the College also print the CAFR?

A: Yes.

Insurance requirements are updated as follows:

12. INSURANCE

Prior to beginning any Work at any Black Hawk College location, facility, or property, the Vendor shall furnish a Certificate of Insurance evidencing the existence of the following coverages:

A. Commercial General Liability

1. General Aggregate Limit - \$2,000,000
2. Products – Completed Operations Aggregate Limit - \$2,000,000
3. Personal and Advertising Injury Limit - \$2,000,000
4. Each Occurrence Limit - \$1,000,000

B. Automobile Liability

1. Each Accident - \$1,000,000.

C. Workers Compensation - Statutory

D. Employers Liability

1. Bodily Injury By Accident - \$500,000 each accident
2. Bodily Injury By Disease - \$500,000 each employee
3. Bodily Injury By Disease - \$500,000 policy limit

Black Hawk College, its employees and Black Hawk College Board of Trustees shall be named as Additional Insureds with respect to Commercial General and Automobile Liability Coverages. The Certificate shall provide not less than 30 days advance notice in writing in the event of change or cancellation. The Vendor's insurance carrier shall waive subrogation; such stipulation shall be indicated on the Certificate of Insurance.

Vendors needing access to College computer systems shall provide a Certificate of Cyber Liability Insurance with limits of at least \$5,000,000 including coverage for credit monitoring services post breach, with Black Hawk College, its employees, and Black Hawk College Board of Trustees named as Additional Insureds. The Certificate shall provide not less than 30 days advance notice in writing in the event of change or cancellation.

Please be reminded of the following:

10. ACKNOWLEDGEMENTS OF ADDENDA

Signature of company official on original document shall be construed as acknowledgment of receipt of any and all addenda pertaining to this specific proposal. Identification by number of addenda and date issued should be noted on all proposals submitted.

BLACK HAWK COLLEGE FOUNDATION
Moline, Illinois

FINANCIAL REPORT

June 30, 2017

BLACK HAWK COLLEGE FOUNDATION

June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 12
SUPPLEMENTARY INFORMATION	
Statement of Financial Position – All Funds	13
Statement of Activities and Changes in Net Assets – All Funds	14



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Black Hawk College Foundation
Moline, Illinois

We have audited the accompanying financial statements of Black Hawk College Foundation (a 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 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 circumstances, 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 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 Black Hawk College Foundation 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.



Report on Summarized Comparative Information

We have previously audited the Black Hawk College Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position – all funds and the statement of activities and changes in net assets – all funds on pages 13 – 14 are presented for purposes of additional analysis and are 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.

Wipfli LLP

Freeport, Illinois
September 20, 2017

BLACK HAWK COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2017 with Comparative Totals for 2016

	<u>2017</u>	<u>2016</u>
A S S E T S:		
Cash	\$ 538,829	\$ 370,884
Pledges receivable, net of allowance	20,338	23,864
Investment income receivable	2,237	3,350
Scholarship receivable	11,300	10,110
Prepaid expenses	2,552	-
Land	45,000	45,000
Investments	3,109,471	2,979,967
Total assets	<u>\$ 3,729,727</u>	<u>\$ 3,433,175</u>
LIABILITIES:		
Accounts payable	\$ 14,812	\$ 25,135
Scholarship payable	11,300	10,110
Total liabilities	<u>26,112</u>	<u>35,245</u>
NET ASSETS:		
Unrestricted net assets		
Undesignated	171,273	102,164
Board designated endowment	625,877	619,549
Temporarily restricted net assets	1,063,413	939,163
Permanently restricted net assets	1,843,052	1,737,054
Total net assets	<u>3,703,615</u>	<u>3,397,930</u>
Total liabilities and net assets	<u>\$ 3,729,727</u>	<u>\$ 3,433,175</u>

See Accompanying Notes to Financial Statements.

BLACK HAWK COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2017 with Comparative Totals for the Year ended 2016

	Unrestricted	Temporarily Restricted		Permanently Restricted	Total	
		2017	2016		2017	2016
Revenues:						
Donations	\$ 68,436	\$ 45,473	\$	\$ 105,998	\$ 219,907	\$ 270,897
Special events	13,485	-		-	13,485	-
In-kind	185,981	-		-	185,981	158,137
Investment income	4,905	73,659		-	78,564	77,013
Other income	11,640	-		-	11,640	11,400
Admin fee	26,414	(26,414)		-	-	-
Net unrealized and realized gain (loss) on investments	12,788	186,844		-	199,632	9,159
Net assets released from restrictions:						
Satisfaction of program restrictions	155,312	(155,312)		-	-	-
Total revenues	478,961	124,250		105,998	709,209	526,606
Expenses:						
Program expenses:						
Grants	14,413	-		-	14,413	36,142
Student emergency grants	2,872	-		-	2,872	-
Scholarships	111,275	-		-	111,275	116,775
Other expense	11,640	-		-	11,640	11,400
In-kind	42,019	-		-	42,019	318
Management and general expenses:						
Professional services, licenses and fees	22,409	-		-	22,409	13,397
Printing and office supplies	5,779	-		-	5,779	5,736
Advertising, publications and dues	190	-		-	190	550
Meeting and travel	1,347	-		-	1,347	631
In-kind	119,066	-		-	119,066	157,819
Special projects	10,000	-		-	10,000	5,855
Contract services	11,979	-		-	11,979	9,621
Miscellaneous	6,298	-		-	6,298	741
Fundraising and special events	19,341	-		-	19,341	13,793
In-kind	24,896	-		-	24,896	-
Total expenses	403,524	-		-	403,524	372,778
Change in net assets	75,437	124,250		105,998	305,685	153,828
Net assets, beginning	721,713	939,163		1,737,054	3,397,930	3,244,102
Net assets, ending	\$ 797,150	\$ 1,063,413		\$ 1,843,052	\$ 3,703,615	\$ 3,397,930

See Accompanying Notes to Financial Statements.

BLACK HAWK COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Year ended June 30, 2017 with Comparative Totals for the Year ended 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 305,685	\$ 153,828
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:		
Unrealized (gains) losses	(203,534)	(7,922)
(Increase) decrease in pledge receivables	3,526	28,127
(Increase) decrease in investment income receivables	1,113	7,366
(Increase) decrease in prepaid expenses	(2,552)	-
Increase (decrease) in accounts payable	(10,323)	21,298
Contributions restricted for long-term investment	(105,998)	(177,152)
Total cash provided by operating activities	<u>(12,083)</u>	<u>25,545</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	74,030	102,110
Purchase of investments	-	(106,987)
Net cash used in investing activities	<u>74,030</u>	<u>(4,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	105,998	177,152
Net increase (decrease) in cash	167,945	197,820
CASH AND CASH EQUIVALENTS		
Balance, beginning	370,884	173,064
Balance, ending	<u>\$ 538,829</u>	<u>\$ 370,884</u>
Noncash transactions:		
Contribution of in-kind	<u>\$ 185,981</u>	<u>\$ 158,137</u>

See Accompanying Notes to Financial Statements.

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Nature of Entity and Summary of Significant Accounting Policies:

The Black Hawk College Foundation was founded under this name on November 19, 1982 as a non-profit, Illinois corporation. The Foundation has been organized to operate exclusively for educational purposes to assist in developing and augmenting the facilities and carrying out the educational functions of Black Hawk College. In order to achieve such purposes, the Foundation raises funds by campaign and/or encourages the making of loans, gifts, grants, devises or bequests of money, donation of property for research and instruction, and the establishment of endowments and scholarships for buildings, equipment and all other facilities of the College.

The Foundation has a Trustee from Black Hawk College and a member of the College faculty as Foundation board members.

The Foundation acts in a fiduciary capacity in order to carry out the foregoing purposes by adhering to any restrictions imposed by the donor or transferor as well as managing, administering, investing and disposing of all funds received. Policies for such actions have been established by the Board and must be abided by for the direction of these actions.

(1) Basis of Accounting

The Black Hawk College Foundation follows the accrual basis of accounting, recognizing revenue when earned and recording expenses when the liability is incurred.

Pledges of cash which are only in the form of letters of intent are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

(2) Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, cash receipts and disbursements. Receipts are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Unrestricted undesignated funds are assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. They are presently available for use by the Foundation at the discretion of the Board of Directors. Temporarily restricted funds are imposed by a donor stipulation that permits the donor organization to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of the organization. Permanently restricted funds are imposed by a donor stipulation that requires resources be maintained permanently but permits the organization to use up or expend part or all of the income derived from the donated assets.

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 1. Nature of Entity and Summary of Significant Accounting Policies (Continued):

(3) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(4) Inclusion in College Financial Statements

Black Hawk College has included the Foundation as a component unit in its' financial statements in accordance with the provisions of the accounting standard, *Determining Whether Certain Organizations are Component Units*.

(5) Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, Black Hawk College Foundation defines cash accounts which are not subject to withdrawal restrictions or penalties as cash and cash equivalents.

(6) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(7) Promises To Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor 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 pursuant to financial standards. As of June 30, 2017 there were promises to give less allowance to the Foundation in the amount of \$20,338.

(8) Donated Services and Materials

Standards state that for donated services to be recognized in the financial statements, the services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. For the year ending June 30, 2017 the Foundation received in-kind donations of miscellaneous items and equipment valued at \$1,617 and contributed services from a related party of \$184,364. These amounts are included in the financial statements as donation income and in-kind expenses.

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 1. Nature of Entity and Summary of Significant Accounting Policies (Continued):

(8) Donated Services and Materials (Continued)

The Foundation also receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

(9) Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this Update is permitted. The Foundation has not elected to early implement the amendments.

Note 2. Investments:

Investments are presented in the financial statements in the aggregate at fair market value. Gains and losses on the sale of or redemption at maturity of investments are shown net for each fund.

Investments are composed of the following:

	<u>Cost</u>	<u>Market Value</u>
Bonds and notes	\$ 230,545	\$ 231,412
Equities	<u>2,102,648</u>	<u>2,878,059</u>
	<u>\$2,333,193</u>	<u>\$3,109,471</u>

The following tabulation summarizes the relationship between carrying value and market value of investment assets.

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over (Under) Cost</u>
Balance at end of year	\$2,333,193	\$3,109,471	\$776,278
Balance at beginning of year	\$2,407,223	\$2,979,967	<u>572,744</u>
Increase in unrealized appreciation			203,534
Realized net loss for the year			<u>(3,902)</u>
Total net gain for the year			<u>\$199,632</u>

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 3. Fair Value:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Certificates of deposit, mutual funds, bonds and notes and equities: Valued at the net asset value (NAV) of shares held by the Plan at year end.

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis at June 30, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets measured at fair market value on a recurring basis:				
Bonds and notes	\$ 231,412	\$ 231,412	\$ -	\$ -
Equities	<u>2,878,059</u>	<u>2,878,059</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,109,471</u>	<u>\$3,109,471</u>	<u>\$ -</u>	<u>\$ -</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 4. Endowment Funds:

The Foundation's endowment consists of approximately 50 individual funds for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment income generated by the Foundation's endowment funds are used for the benefit of the Foundation.

The endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	\$ -	\$1,063,413	\$1,843,052	\$2,906,465
Board-designated endowment funds	<u>625,877</u>	-	-	<u>625,877</u>
	<u>\$625,877</u>	<u>\$1,063,413</u>	<u>\$1,843,052</u>	<u>\$3,532,342</u>

Changes in endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$619,549	\$939,163	\$1,737,054	\$3,295,766
Contributions	-	45,473	105,998	151,471
Interest and dividend income	4,466	73,659	-	78,125
Net unrealized gain(loss) on investments	11,862	186,844	-	198,706
Amounts released from restriction	<u>(10,000)</u>	<u>(181,726)</u>	-	<u>(191,726)</u>
	<u>\$625,877</u>	<u>\$1,063,413</u>	<u>\$1,843,052</u>	<u>\$3,532,342</u>

Note 5. Pledges Receivable:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. An allowance has been set up in the amount of \$1,717 for uncollectible pledges. The breakdown of pledges receivable as of June 30, 2017 is as follows:

Due in one year or less	\$22,055
Less allowance for uncollectible pledges	<u>1,717</u>
Donation receivables	<u>\$20,338</u>

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 6. Income Taxes:

The Foundation qualifies for tax exempt status under Section 501(c)(3) of the Internal Revenue Code as a charitable group not organized for profit. Accordingly, no provision for income taxes is included in the financial statements.

The Foundation accounts for income taxes in accordance with Financial Accounting Standards Board *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation recorded no liabilities for uncertain tax positions or unrecognized tax benefits. Federal Returns for 2016, 2015 and 2014 remain subject to examination by major jurisdictions.

Note 7. Related Parties:

The Foundation expends funds either directly to or for the indirect benefit of Black Hawk College, a related party. These expenses are for scholarships and other miscellaneous expenses. During the year, \$111,275 was expended for scholarships, and \$15,414 was expended for grants. As of June 30, 2017, the Foundation had payables to the College in the amount of \$12,260.

The College pays the salaries and benefits of the Foundation's employees. The Foundation has implemented "Not-for-Profit Entities: Services Received from Employees of an Affiliate" that includes \$184,364 on the financial statements as donation and the related in-kind expenses for the personnel costs incurred by the College on the Foundation's behalf.

Note 8. Ground Lease:

The Foundation has a ground lease with The Villas at Black Hawk LLC with the initial term running through December 31, 2053, with two additional 10-year options for a cumulative possible extension of 20 years. This lease states basic rent shall be paid in the form of a housing scholarship credit, to be divided and allocated at Black Hawk College Foundation's discretion, equal to the value of the annual rental cost of two bedrooms in a four-bedroom unit. The housing scholarship credits shall be given by The Villas at Black Hawk LLC to Black Hawk College students each lease year which aligns with the Foundation's fiscal year. The outstanding balance of basic rent due in housing scholarship credits from The Villas at Black Hawk LLC equals \$11,300 on June 30, 2017. During fiscal year 2017, \$10,450 in housing scholarship credits were received by Black Hawk College students and an additional housing scholarship credit balance due from The Villas at Black Hawk LLC for the upcoming fiscal year will be in the amount of \$11,640.

The property taxes related to the property that The Villas at Black Hawk LLC occupies is due annually to Rock Island County from Black Hawk College Foundation. The ground lease with The Villas at Black Hawk LLC states that the Villas will be responsible for paying the property taxes annually. If, for any reason The Villas at Black Hawk LLC fails to pay the property tax due, Black Hawk College Foundation will be responsible for paying the property taxes associated with that year.

BLACK HAWK COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 9. Permanently Restricted Funds:

Permanently restricted net assets include investment in perpetuity as of June 30, 2017, the income from which is expendable to support:

Scholarships	\$1,823,715
Library	<u>19,337</u>
	<u>\$1,843,052</u>

Note 10. Temporarily Restricted Funds:

Temporarily restricted net assets are available as of June 30, 2017 for the following purposes:

Scholarships	\$960,360
Equipment and facilities	53,702
Life/Literacy/GED Programs	17,366
Other	<u>31,985</u>
	<u>\$1,063,413</u>

Note 11. Net Assets Released:

The Foundation reports gifts of cash 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2017 as follows:

Scholarships	\$110,775
Grants	15,414
Trustee fees	21,553
Fundraising and special events	1,250
Miscellaneous	<u>6,320</u>
	<u>\$155,312</u>

Note 12. Commitments:

As of June 30, 2017 the Foundation is committed to paying scholarships of approximately \$2,250 awarded in 2017 but not yet payable.

Note 13. Subsequent Events:

The Foundation evaluated its June 30, 2017 financial statements for subsequent events through September 20, 2017, the date the financial statements were available to be issued. The Foundation is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

Note 14. Prior Year Restatement:

The Foundation recorded scholarship receivable and scholarship payable as of June 30, 2016 for the housing scholarship credits due from The Villas at Black Hawk LLC. Also recorded in other income and other expense is the value the basic rent that is to be paid in the form of a housing scholarship credit. There was no change in the net assets.

BLACK HAWK COLLEGE FOUNDATION

**ALL FUNDS
STATEMENT OF FINANCIAL POSITION
June 30, 2017**

	Unrestricted		Temporarily restricted		Permanently Restricted	Total
	Unrestricted	Board Designated Endowed	Endowed Earnings Unrestricted	Endowed Earnings Restricted		
A S S E T S:						
Cash	\$ 116,289	\$ -	\$ -	\$ -	\$ 48,809	\$ 373,731
Pledges receivable, net of allowance	5,957	-	-	-	11,909	2,472
Investment income receivable	-	-	-	2,237	-	-
Scholarship receivable	11,300	-	-	-	-	-
Due from other fund	-	-	-	282	-	18,981
Prepaid expenses	2,547	-	-	-	5	-
Land	45,000	-	-	-	-	2,552
Investments	17,262	381,187	244,690	831,033	187,431	1,447,868
Total assets	\$ 198,355	\$ 381,187	\$ 244,690	\$ 833,552	\$ 248,154	\$ 3,748,990
LIABILITIES:						
Accounts payable	\$ 6,357	\$ -	\$ -	\$ 300	\$ 8,155	\$ 14,812
Scholarship payable	11,300	-	-	-	-	11,300
Due to other funds	9,425	-	-	-	9,838	-
Total liabilities	27,082	-	-	300	17,993	45,375
NET ASSETS:						
Unrestricted net assets	171,273	381,187	244,690	-	-	797,150
Temporarily restricted net assets	-	-	-	833,252	230,161	1,063,413
Permanently restricted net assets	-	-	-	-	-	1,843,052
Total net assets	171,273	381,187	244,690	833,252	230,161	3,703,615
Total liabilities and net assets	\$ 198,355	\$ 381,187	\$ 244,690	\$ 833,552	\$ 248,154	\$ 3,748,990

BLACK HAWK COLLEGE FOUNDATION
ALL FUNDS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
June 30, 2017

	Unrestricted		Temporarily restricted		Total	
	Unrestricted	Board Designated Endowed	Endowed Earnings Unrestricted	Endowed Earnings Restricted		Other Restricted
Revenues:						
Donations	\$ 68,436	-	\$ -	\$ -	\$ 68,436	
Special events	13,485	-	-	-	13,485	
In-kind	185,981	-	-	-	185,981	
Investment income	439	-	4,466	68,434	73,339	
Other income	11,640	-	-	-	11,640	
Admin fee	26,414	-	-	(26,414)	-	
Net unrealized and realized gain (loss) on investments	926	-	11,862	181,758	194,546	
Net assets released from restrictions:						
Satisfaction of program restrictions	155,312	-	-	(94,080)	(61,232)	
Total revenues	462,633	-	16,328	129,698	608,659	
Expenses:						
Trustee fees	21,984	-	-	-	21,984	
Licenses and fees	425	-	-	-	425	
Office supplies and postage	4,036	-	-	-	4,036	
Printing	1,743	-	-	-	1,743	
Publications and dues	190	-	-	-	190	
Meeting and travel	1,347	-	-	-	1,347	
In-kind	185,981	-	-	-	185,981	
Fundraising and special events	19,341	-	-	-	19,341	
Special projects	10,000	-	-	-	10,000	
Grants	14,413	-	-	-	14,413	
Student emergency grants	2,872	-	-	-	2,872	
Scholarships	111,275	-	-	-	111,275	
Other expense	11,640	-	-	-	11,640	
Contract services	11,979	-	-	-	11,979	
Miscellaneous	6,298	-	-	-	6,298	
Total expenses	403,524	-	-	-	403,524	
Change in net assets	59,109	-	16,328	129,698	305,135	
Net assets, beginning	102,164	381,187	238,362	702,717	1,424,430	
Reclassify net assets	10,000	-	(10,000)	837	(837)	
Net assets, ending	\$ 171,273	\$ 381,187	\$ 244,690	\$ 833,252	\$ 1,843,052	

**BLACK HAWK EAST COLLEGE
FOUNDATION
Galva, Illinois**

FINANCIAL REPORT

June 30, 2017

BLACK HAWK EAST COLLEGE FOUNDATION

June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 13



Independent Auditor's Report

Board of Directors
Black Hawk East College Foundation
Galva, Illinois

We have audited the accompanying financial statements of Black Hawk East College Foundation (a 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 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 circumstances, 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 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 Black Hawk East College Foundation 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.

Wipfli LLP

Freeport, Illinois
October 12, 2017

BLACK HAWK EAST COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2017

A S S E T S:

Cash and cash equivalents	\$ 478,597
Pledge receivables	57,815
Other receivable	<u>17,834</u>
Total current assets	<u>554,246</u>

Pledge receivables, non-current portion	1,225
Investments	1,736,943
Rental property - net of accumulated depreciation of \$1,007,494	<u>1,425,878</u>
Total assets	<u>\$ 3,718,292</u>

LIABILITIES:

Accounts payable and accrued expenses	\$ <u>28,597</u>
Total liabilities	<u>28,597</u>

NET ASSETS:

Unrestricted net assets	1,239,263
Temporarily restricted net assets	2,212,278
Permanently restricted net assets	<u>238,154</u>
Total net assets	<u>3,689,695</u>
Total liabilities and net assets	<u>\$ 3,718,292</u>

See Accompanying Notes to Financial Statements.

BLACK HAWK EAST COLLEGE FOUNDATION

**STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
Year ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 27,598	\$ 58,940	\$ 19,471	\$ 106,009
In-kind income	152,285	6,496	-	158,781
Fundraising income	43,464	39,522	-	82,986
Investment income	7,642	79,414	-	87,056
Farm income	8,099	-	-	8,099
Rental income	310,913	-	-	310,913
Walnut Ridge Farm income, net of expense	3,288	-	-	3,288
Miscellaneous income	3,160	-	-	3,160
Net unrealized and realized loss on investments	13,040	129,013	-	142,053
Net assets released from restrictions: Satisfaction of program restrictions	<u>130,600</u>	<u>(130,600)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>700,089</u>	<u>182,785</u>	<u>19,471</u>	<u>902,345</u>
Expenses:				
Program expenses:				
Donations and grants	58,344	-	-	58,344
Scholarships	101,359	-	-	101,359
In-kind	23,200	-	-	23,200
In-kind services	33,895	-	-	33,895
Apartment	227,408	-	-	227,408
Depreciation	72,688	-	-	72,688
Management and general expenses:				
In-kind services	67,791	-	-	67,791
Administrative	27,930	-	-	27,930
Farm	860	-	-	860
Miscellaneous	6,631	-	-	6,631
Fundraising				
Fundraising	17,418	-	-	17,418
In-kind services	<u>33,895</u>	<u>-</u>	<u>-</u>	<u>33,895</u>
Total expenses	<u>671,419</u>	<u>-</u>	<u>-</u>	<u>671,419</u>
Change in net assets	28,670	182,785	19,471	230,926
Net assets, beginning	<u>1,210,593</u>	<u>2,029,493</u>	<u>218,683</u>	<u>3,458,769</u>
Net assets, ending	<u>\$ 1,239,263</u>	<u>\$ 2,212,278</u>	<u>\$ 238,154</u>	<u>\$ 3,689,695</u>

See Accompanying Notes to Financial Statements.

BLACK HAWK EAST COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 230,926
Adjustments to reconcile change in net assets to cash flows provided by operating activities:	
Depreciation/amortization	72,688
Net unrealized losses on investments	(139,246)
Change in pledges receivable	5,633
Change in other receivables	(7,081)
Change in accounts payable and accrued expenses	(16,078)
Contributions restricted for long-term investment	<u>(19,471)</u>

Total cash provided by operating activities 127,371

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	6,895
Purchase of investments	(74,833)
Purchase of property and equipment	<u>(90,122)</u>

Net cash used in investing activities (158,060)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for long-term investment	<u>19,471</u>
---	---------------

Net cash provided by financing activities 19,471

Net decrease in cash (11,218)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents, beginning	<u>489,815</u>
--------------------------------------	----------------

Cash and cash equivalents, ending \$ 478,597

See Accompanying Notes to Financial Statements.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Nature of Entity and Summary of Significant Accounting Policies:

The Black Hawk East College Foundation (the "Foundation") was founded under this name on February 23, 1968 as a non-profit, Illinois corporation. The Foundation has been organized to operate exclusively for educational purposes to assist in developing and augmenting the facilities and carrying out the educational functions of Black Hawk East College campus located in Galva, Illinois, five miles south of Kewanee, Illinois. In order to achieve such purposes, the Foundation raises funds by campaign and/or encourages the making of loans, gifts, grants, devises or bequests of money, donation of property for research and instruction, and the establishment of endowments, scholarships, and academic chairs for buildings, equipment and all other facilities of the College.

The Foundation acts in a fiduciary capacity in order to carry out the foregoing purposes by adhering to any restrictions imposed by the donor or transferor as well as managing, administering, investing and disposing of all funds received. Policies for such actions have been established by the Board and must be abided by for the direction of these actions.

There is a separate Foundation whose purpose is to provide for the Black Hawk College Quad Cities Campus. The two Foundations do not share any Board members, but each may share members with the Board of Trustees of Black Hawk College.

(1) Basis of Accounting

The Foundation follows the accrual basis of accounting, recognizing revenue when earned and recording expenses when the liability is incurred.

Pledges of cash which are only in the form of letters of intent are recognized as revenues or gains in the period the intent was received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

(2) Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, cash receipts and disbursements. Receipts are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Unrestricted undesignated funds are assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. They are presently available for use by the Foundation at the discretion of the Board of Directors. Temporarily restricted funds are imposed by a donor stipulation that permits the donor organization to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of the organization. Permanently restricted funds are imposed by a donor stipulation that requires resources be maintained permanently but permits the organization to use up or expend part or all of the income derived from the donated assets.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 1. Nature of Entity and Summary of Significant Accounting Policies (Continued):

(3) Inclusion in College Financial Statements

Black Hawk College has included the Foundation as a component unit in its financial statements in accordance with the provisions of the accounting standard, *Determining Whether Certain Organizations are Component Units*.

(4) Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Foundation defines cash accounts which are not subject to withdrawal restrictions or penalties as cash and cash equivalents.

(5) Promises To Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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 pursuant to financial standards. As of June 30, 2017 there were promises to give to the Foundation of \$59,040 (see Note 5).

(6) Investments

As of June 30, 2017, investments of the Foundation are carried at fair market value and realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets.

(7) Fixed Assets

Fixed assets are acquired through purchase, donation, or bequest to the Foundation. Expenditures for the acquisition of property and equipment are recorded at cost and property which is donated is recorded at the fair value of the property. Fixed assets are capitalized when purchased or received as a donation. Depreciation is calculated using the straight-line method applied to historical cost or fair market value at date of donation, whichever is applicable.

(8) Donated Services and Materials

Standards state that for donated services to be recognized in the financial statements, the services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. For the year ending June 30, 2017 the Foundation received in-kind donations of equipment and miscellaneous items valued at \$23,135 and contributed services from a related party of \$135,646.

The Foundation also receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 1. Nature of Entity and Summary of Significant Accounting Policies (Continued):

(9) 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.

(10) Accounting Standards Update

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this Update is permitted. The Foundation has not elected to early implement the amendments.

Note 2. Investments:

Investments are presented in the financial statements in the aggregate at fair market value. Investments are composed of the following:

	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit	\$ 58,014	\$ 58,014
Fixed income	35,000	36,497
Mutual funds	1,026,291	1,449,665
Stock	8,492	8,756
Annuity	184,011	184,011
Total	<u>\$1,311,808</u>	<u>\$1,736,943</u>

The following tabulation summarizes the relationship between carrying value and market value of investment assets.

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of year	<u>\$1,311,808</u>	<u>\$1,736,943</u>	<u>\$425,135</u>
Balance at beginning of year	<u>\$1,243,870</u>	<u>\$1,529,759</u>	<u>\$285,889</u>
Increase in unrealized appreciation			\$139,246
Realized net gain for the year			<u>2,807</u>
Total net gain for the year			<u>\$142,053</u>

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 3. Fair Value:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Certificates of deposit, fixed income, mutual funds and annuity: Valued at the net asset value (NAV) of shares held by the Plan at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 3. Fair Value (Continued):

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis at June 30, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets measured at fair market value on a recurring basis				
Certificates of deposit	\$ 58,014	\$ 58,014	\$ -	\$ -
Fixed income	36,497	36,497	-	-
Mutual funds	1,449,665	1,449,665	-	-
Stocks	8,756	8,756	-	-
Annuity	<u>184,011</u>	<u>-</u>	<u>184,011</u>	<u>-</u>
Total	<u>\$1,736,943</u>	<u>\$1,552,932</u>	<u>\$184,011</u>	<u>\$ -</u>

Note 4. Endowment Funds:

The Foundation's endowment consists of approximately 85 individual funds for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation's funds are invested in a long-term asset allocation arrangement depending on the fund, with 45 - 60% in equities, 10% in liquid assets, 0 - 20% in real estate, and 10 - 45% in fixed income. This allocation provides for long-term total return more than the fund's spending rate. Since the 4% of market value amount is based on the market value over the prior five years, the calculation helps to iron out fluctuations in the market and insure that a fair and reasonable distribution takes place based on a broadened time horizon while insuring the longevity of the fund through long-term market growth.

Spending Policy. Under the investment policy agreement, 4% of market value of the scholarship funds of 5 year rolling average adjusted for consumer price index will be used for scholarship awards. This percentage can be adjusted by majority vote of the Board from time-to-time.

Investment income generated by the Foundation's endowment funds are used for the benefit of the Foundation.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 4. Endowment Funds (Continued):

The endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	<u>\$2,212,278</u>	<u>\$238,154</u>	<u>\$2,450,432</u>

Changes in endowment net assets as of June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$2,029,493	\$218,683	\$2,248,176
Contributions	104,958	19,471	124,429
Interest and dividend income	79,414	-	79,414
Net unrealized gain(loss) on investments	129,013	-	129,013
Amounts released from restriction	<u>(130,600)</u>	<u>-</u>	<u>(130,600)</u>
	<u>\$2,212,278</u>	<u>\$238,154</u>	<u>\$2,450,432</u>

Note 5. Pledge Receivables:

Unconditional promises are included in the financial statements as pledge receivables and revenue of the appropriate net asset category. The Foundation evaluates receivable balances and establishes an allowance for doubtful accounts, based on age of the receivables, collections and current economic considerations. Accounts receivable are written off against the allowance for uncollectible pledges when all reasonable collection efforts have been exhausted. The breakdown of pledge receivables as of June 30, 2017 is as follows:

Due in one year or less	\$69,815
Due in one to five years	<u>1,225</u>
	71,040
Less allowance for uncollectible pledges	<u>12,000</u>
Pledge receivables	<u>\$59,040</u>

Note 6. Other Receivables:

Rent receivables for student housing are included in the financial statements as other receivables. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on student attributes. The other receivables as of June 30, 2017 are \$36,834 and an allowance has been set up in the amount of \$19,000 for estimated uncollectible receivables.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 7. Income Taxes:

The Foundation qualifies for tax exempt status under Section 501(c)(3) of the Internal Revenue Code as a charitable group not organized for profit. Accordingly, no provision for income taxes is included in the financial statements.

The Foundation accounts for income taxes in accordance with Financial Accounting Standards Board *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation recorded no liabilities for uncertain tax positions or unrecognized tax benefits. Federal Returns for 2016, 2015 and 2014 remain subject to examination by major jurisdictions.

Note 8. Related Parties:

The Foundation expends funds either directly to or for the indirect benefit of Black Hawk East College, a related party. These expenses are for scholarships and other miscellaneous expenses. During the year, \$101,359 was expended for scholarships, and \$58,344 was donated to Black Hawk East Campus. As of June 30, 2017, the Foundation had payables to the College in the amount of \$4,033.

The College pays the salaries and benefits of the Foundation's employees. The Foundation has implemented "Not-for-Profit Entities: Services Received from Employees of an Affiliate" that includes \$135,581 on the financial statements as in-kind income and the related in-kind expenses for the personnel costs incurred by the College on the Foundation's behalf.

Note 9. Rental Property:

A summary of rental property is as follows:

	Cost 6/30/2016	Additions	Retirements	Cost 6/30/2017
Land	\$ 363,232	\$ -	\$ -	\$ 363,232
Building and improvements	1,749,173	103,482	-	1,852,655
Construction in process	24,871	-	24,871	-
Equipment, furniture and appliances	205,974	11,511	-	217,485
	2,343,250	114,993	24,871	2,433,372
Less accumulated depreciation	934,806	72,688	-	1,007,494
Total, net of accumulated depreciation	<u>\$1,408,444</u>	<u>\$42,305</u>	<u>\$24,871</u>	<u>\$1,425,878</u>

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 10. Concentrations of Risk:

At year end, the carrying amount of the Foundation's deposits in checking, money market, and savings was \$478,597 and the bank balance was \$487,768. Of the bank balance, \$250,534 was covered by federal depository insurance and \$237,234 was uninsured.

The Foundation's investment policy relative to insured deposits, states: "this requirement is waived for any financial institution for which the capital to assets ratio (according to quarterly Call Reports) is 10% or more. In that case, the maximum combined deposits of the Foundation in that financial institution may total up to \$300,000. This Finance Committee will monitor this ratio quarterly and report the status of financial institutions in its quarterly company report."

For financial statement purposes, the Foundation combines cash with savings accounts and money market accounts. Certificates of deposits are shown as investments. The total carrying amount above does not include petty cash.

Note 11. Net Assets Released:

The Foundation reports gifts of cash 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2017 as follows:

Scholarships	\$ 101,359
Grants	4,510
In-kind	6,496
Fundraising	7,661
Administrative	4,071
Trustee fees	<u>6,503</u>
	<u>\$130,600</u>

Note 12. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available as of June 30, 2017 for the following purposes:

Scholarships, special projects and grants	\$2,161,773
Capital campaign	<u>50,505</u>
	<u>\$2,212,278</u>

During a previous year the Foundation used temporarily restricted funds to pay a portion of a bank loan that was secured by rental property. As of June 30, 2017 the Foundation's temporarily restricted funds are due \$431,999 from unrestricted funds.

BLACK HAWK EAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

Note 13. Permanently Restricted Net Assets:

Permanently restricted net assets include investments in perpetuity as of June 30, 2017, the income from which is expendable to support:

Scholarships	<u>\$238,154</u>
--------------	------------------

Note 14. Agri-Business Club Alumni Agreement:

The Foundation entered into an agreement on April 26, 2011 with Black Hawk East Agri-Business Club Alumni (ABCA) to further both of the parties' missions with regards to the education programs at Black Hawk College's East Campus. ABCA funds with the Foundation as of June 30, 2017 are \$119,687.

Note 15. Subsequent Events:

The Foundation has evaluated subsequent events through October 12, 2017, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2017 have been incorporated herein. There are no additional subsequent events that require disclosure.

**Black Hawk College
Health Benefit Plan Trust
Moline, Illinois**

**Financial Statements
Year Ended December 31, 2017**

**Black Hawk College
Health Benefit Plan Trust**

Table of Contents

	<u>Page Numbers</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Net Assets Available for Benefits – Cash Basis	3
Statement of Changes in Net Assets Available for Benefits – Cash Basis	4
Notes to Financial Statements	5 - 9



Wipfli LLP
4949 Harrison Avenue
Suite 300
Rockford, IL 61108-7987
PO Box 5407
Rockford, IL 61125-0407
815.399.7700
fax 815.399.7644
www.wipfli.com

Independent Auditor's Report

To the Trustee
Black Hawk College
Health Benefit Plan Trust
Moline, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Black Hawk College Health Benefit Plan Trust, which comprise the statement of net assets available for benefits – cash basis as of December 31, 2017, the related statement of changes in net assets available for benefits – cash basis for the year ended December 31, 2017, 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 the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 Plan'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 Plan'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 net assets available for benefits – cash basis of Black Hawk College Health Benefit Plan Trust as of December 31, 2017, and the changes in net assets available for benefits – cash basis for the year ended December 31, 2017, in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Wipfli LLP

Wipfli LLP

April 27, 2018
Rockford, Illinois

**Black Hawk College
Health Benefit Plan Trust
Statement of Net Assets
Available for Benefits - Cash Basis
December 31, 2017**

Assets	
Cash	<u>\$ 1,332,312</u>
Liabilities	<u> -</u>
Net assets available for benefits	<u>\$ 1,332,312</u>

See accompanying notes to financial statements.

**Black Hawk College
Health Benefit Plan Trust
Statement of Changes in Net Assets
Available for Benefits - Cash Basis
Year Ended December 31, 2017**

Additions to net assets attributed to:

Contributions:	
Employer	\$ 4,640,818
Participants'	<u>834,684</u>

Total contributions 5,475,502

Interest income 10,884

Total additions 5,486,386

Deductions from net assets attributed to:

Health benefit claims paid, net	4,981,595
Insurance premium payments	350,371
Administrative expenses	<u>105,484</u>

Total deductions 5,437,450

Net increase in net assets available for benefits 48,936

Net assets available for benefits at beginning of year 1,283,376

Net assets available for benefits at end of year \$ 1,332,312

See accompanying notes to financial statements.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 1. Description of Plan

The following description of the Black Hawk College Health Benefit Plan Trust (the "Plan") provides only general information. Participants should refer to the plan document and trust agreement for more complete descriptions of the provisions.

General

The Plan provides health benefits to substantially all full-time employees of Black Hawk College (the "College"), their covered dependents, former employees electing coverage under federally mandated benefit provisions, and retirees separating from the College under certain voluntary separation plans and their covered dependents. The definition of a full-time employee includes employees scheduled to work at least 37 1/2 hours per week and who are on the regular payroll of Black Hawk College, as well as, regular part-time employees and employees separated from service under a certain voluntary separation plan. Employees working a minimum of 37 1/2 hours per week on a long-term basis are eligible for coverage on the first day of employment provided coverage is applied for within 31 days of eligibility date.

Certain Plan assets are held in a voluntary employees' beneficiary association (VEBA) trust.

Benefits

The Plan provides health benefits (medical, vision, dental and prescription drugs) to employees and their covered dependents. The Plan also provides similar benefits to individuals covered under Consolidated Omnibus Budget Reconciliation Act (COBRA) and certain retirees participating within the State Universities Retirement System of Illinois (SURS).

Contributions

The cost of providing benefits under the Plan is shared by the College and participating employees. Employees make contributions to the Plan for their insurance coverage based on contract amounts.

The College determines the amount to be contributed by the employees based on actuarial calculations and contractual agreements with certain employee groups. It is the College's intent to fund any future excess of benefit obligations over net assets with future College contributions.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 1. Description of Plan (Continued)

Stop Loss Coverage

The Plan has entered into a stop loss insurance arrangement in an effort to limit its exposure for self-insured benefits (individual participant claims over a specific dollar amount, as well as its aggregate exposure for all claims).

Self-Insured Benefits

All of the other Plan benefits are self-insured. The claims for self-insured benefits are processed by the Plan's third-party claims processors under administrative services only (ASO) arrangements. The claims processor pays claims directly to or on behalf of participants and are then reimbursed by the Plan. Despite the Plan's utilization of third-party claim's processors, ultimate responsibility for payments to providers and participants is retained by the Plan.

The Plan utilizes a pharmacy benefit manager (PBM) which periodically makes refunds to the Plan based on the Plan's actual utilization pattern of specific drugs. Refunds have been netted with claims paid in the accompanying statement of changes in net assets available for benefits – cash basis for the year ended December 31, 2017 totaling \$29,595.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States primarily because the effects of contributions receivable and liabilities are not included in the financial statements.

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Estimates (continued)

The obligation for claims payable and claims incurred but not reported is based on certain assumptions of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements; see Note 7 for further discussion.

Payment of Benefits

Health benefits are recorded when paid, net of refunds.

Tax Status

The VEBA trust funding certain benefits of the Plan received an exemption letter from the Internal Revenue Service (IRS) dated May 6, 2003, stating that the trust is tax-exempt under the provisions of Section 501(c)(9) of the Internal Revenue Code (IRC). However, as a result of the Plan's funding policy, from time to time the trust may be subject to income taxes. No income taxes have been recorded in 2017 for unrelated business taxable income.

In addition, the Plan and the trust are required to operate in conformity with the IRC to maintain the tax-exempt status of the trust. The plan administrator believes that the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. The Plan is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Subsequent Events

The Plan has evaluated subsequent events through April 27, 2018, the date these financial statements were available to be issued.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 3. Cash

The entire cash balance was covered by federal depository insurance or by collateral held by the Plan's agent in the Plan's name.

Note 4. Claim Payments

All health benefit claims are processed and paid in accordance with Plan provisions by a third party under terms of an administrative services agreement.

The Plan has entered into a stop loss insurance arrangement in an effort to limit exposure for self-insured benefits (individual claims over a specific dollar amount, as well as its aggregate exposure for all claims). The stop loss insurance covers health and prescription drug claims. The maximum aggregate eligible claims expense is \$145,000 per participant per year. The maximum aggregate benefit (in excess of the annual aggregate deductible per policy term) is \$1,000,000.

Stop loss insurance refunds have been netted with claims paid in the accompanying statement of changes in net assets available for benefits – cash basis for the year ended December 31, 2017 totaling \$197,682.

Note 5. Priorities Upon Termination

Although it has not expressed any intention to do so, the College reserves the right to terminate the Plan at any time.

Upon termination, the trustee shall first settle claims accrued prior to the date of termination and shall thereafter disburse the residue, if any, to provide the covered participants with similar benefits to the extent of the funds remaining. The College and covered participants have no obligation to make additional contributions to the Plan upon termination.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 6. *Administrative Expenses and Party-in-Interest Transactions*

The Plan has arrangements with service providers and a financial institution. These transactions are party-in-interest transactions. Insurance premium payments and administrative expenses were paid by the College and subsequently reimbursed by the Plan.

The administrative expenses were as follows:

Administrative fees	\$ 77,174
PPO network access	22,520
Professional fees	<u>5,790</u>
Total	<u>\$105,484</u>

Note 7. *Claims Payable and Claims Incurred but Not Reported*

The obligation for claims payable and claims incurred but not reported (IBNR) represents estimated amounts of claims reported and incurred but not reported for participants as of December 31, 2017.

The IBNR as of December 31, 2017 totaled approximately \$909,000, which is estimated by the Plan's management based on a claim lag analysis provided by the third party administrators from participants' claims processed during the period of January 1, 2018 through March 31, 2018, that were incurred on or before December 31, 2017, plus an estimated additional reserve for claims incurred on or before December 31, 2017, that had not yet been reported to the administrators as of the date of their claim analysis. The net increase in the IBNR from December 31, 2016 to the year ended December 31, 2017 was approximately \$370,000.