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EAST CENTRAL COMMUNITY COLLEGE

DECATUR, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

EAST CENTRAL COMMUNITY COLLEGE

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EAST CENTRAL COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

WWS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of East Central Community College
P.O. Box 129
Decatur, Mississippi 39327

We have audited the accompanying financial statements of East Central Community College and East Central Community College Foundation, Inc., a discretely presented component unit of East Central Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the college's basic financial statements as listed in the table of contents.

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 opinions 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. The financial statements of East Central Community College Foundation were not audited in accordance with *Government Auditing Standards*. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of East Central Community College as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Central Community College's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of East Central Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Central Community College's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
March 25, 2014

Watkins, Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST CENTRAL COMMUNITY COLLEGE
P.O BOX 129
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of East Central Community College ("ECCC") provides this Management's Discussion and Analysis for readers of the College's financial statements. This narrative overview and analysis of the financial activities of ECCC is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the additional information that is furnished in the College's financial statements.

Overview of the Financial Statements

The College's financial statements included three components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

As required by GASB 63, Statement of Net Position replaces the Balance Sheet presented in prior years. The term "Net Position" replaces "Net Assets." The College's net position is classified as Net Investment in Capital Assets, Restricted Net Position – Nonexpendable; Restricted Net Position – Expendable; and Unrestricted Net Position. Significant changes in capital asset valuation includes the application of accumulated depreciation.

The Statement of Revenues, Expenses, and Changes in Net Position replaces the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Current Funds Revenues, Expenditures, and Other Changes presented in prior years. As previously stated, depreciation is now presented as an operating expense under the new format.

The Statement of Cash Flows using the direct method is a new statement mandated by GASB 34. This statement measures cash flows from operating activities, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. Supplemental disclosures include a reconciliation of operating loss to net cash used by operating activities and non-cash investing capital, and financing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparative Data

Comparative analysis of key elements of the financial statements is presented in the following discussion.

Analysis of Financial Position
Statement of Net Position

	June 30, 2013 Amount	June 30, 2012 Amount
Assets		
Current Assets	$9,410,143	$9,006,349
Noncurrent Assets:		
Capital, Net	19,406,375	18,760,485
Other	1,377,754	1,707,394
Total Assets	30,194,272	29,474,228
Liabilities		
Current Liabilities	1,044,529	1,319,612
Noncurrent Liabilities	1,496,829	1,806,191
Total Liabilities	2,541,358	3,125,803
Net Position		
Net Investment in Capital Assets	18,190,772	17,256,482
Restricted:		
Expendable	2,276,772	2,360,926
Unrestricted	7,185,370	6,731,017
Total Net Position	$27,652,914	$26,348,425

For the year ended June 30, 2013, the College had a net decrease in cash and cash equivalents of $4,174, representing a .10% decrease in cash and cash equivalents compared to the July 1, 2012, cash and cash equivalents balance.

Net Current Receivables increased by $237,437 or 12.88% from the previous year.

Total Net Position increased by $1,304,489, including a prior period adjustment of $11,051, a 4.95% increase from Net Position as of June 30, 2012.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2013 Amount	June 30, 2012 Amount
Operating Revenues:		
Tuition and Fees	$ 1,585,562	$ 1,804,242
Grants and Contracts	10,511,316	12,568,602
Auxiliary Enterprises	4,254,277	4,353,446
Other Operating Revenue	211,007	218,897
Total Operating Revenues	16,562,162	18,945,187
Operating Expenses	28,720,422	30,111,540
Operating Loss	(12,158,260)	(11,166,353)
Nonoperating Revenues:		
State Appropriations	9,693,010	9,428,439
Local Appropriations	2,153,339	2,105,598
Investment Income	37,534	47,350
Interest Expense on Capital-Related Debt	(58,644)	(62,811)
Other Nonoperating Revenues (Expenses)	(51,384)	(324,099)
Net Nonoperating Revenues	11,773,855	11,194,477
Income (Loss) Before Other Revenues	(384,405)	28,124
Appropriations restricted for Capital Purposes	1,402,755	980,686
Capital Grants and Gifts	275,088	277,006
Total Other Revenues (Expenses)	1,677,843	1,257,692
Total Increase (Decrease in Net Position	1,293,438	1,285,816
Net Position		
Net Position at Beginning of Year,	26,348,425	24,978,635
Prior Period Adjustment	11,051	83,974
Net Position at End of Year	$27,652,914	$26,348,425

Total Operating Revenues and Net Non-operating Revenues combined for a decrease of $1,803,647, or 5.98% from the previous year. This change was primarily due to decreases in summer PELL Grant amounts awarded to students, which in turn affected the College's tuition and fees for the summer terms.

Total Operating Expenses decreased by $1,391,118, or 4.62% as compared to the previous year. A summary of these expenses is as follows:

	June 30, 2013 Amount	June 30, 2012 Amount
Expenses by Function:		
Instruction	$ 9,716,184	$ 9,349,537
Public Service	1,205,488	1,256,421
Academic Support	417,746	387,119
Student Services	2,459,209	2,343,371
Institutional Support	2,616,466	2,519,449
Operations and Maintenance Of Plant	2,942,150	3,364,098
Student Financial Aid	5,062,541	6,450,563
Auxiliary Enterprises	3,330,531	3,382,507
Depreciation	970,107	1,058,475
Total Operating Expenses By Function	28,720,422	30,111,540

Management concludes that the College's financial position has remained stable during the past fiscal year. However, due to the continued instability of the national and local economy, we continue to plan for level funding sources for the near term. The College is planning for static or reduced expenditures in order to insure the stability of operations. In addition, increases in revenue sources such as tuition and fees will be considered.

Capital Asset Activity

ECCC's capital assets as of June 30, 2013, totaled $32,882,327, with accumulated depreciation of $13,475,952.

Economic Factors and Next Year's Budget

The State of Mississippi has experienced a revenue shortfall during the past several years and this may have a significant impact on future budgets. The college anticipates that revenue from state sources will, at best, remain stable and possibly decrease for the near term. This revenue shortfall also directly affects the potential funding of the counties of ECCC's support district. Indications are that student enrollment will be at increased levels to help offset any reductions in state and local funds.

Contacting East Central Community College's Management

If there are any questions regarding this report, please contact ECCC's business office at Post Office Box 129, Decatur, MS. 39327.

EAST CENTRAL COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

East Central Community College
Statement of Net Position
June 30,2013

Assets		
Current assets:		
Cash and cash equivalents	$	5,878,241
Short-term investments		605,107
Accounts receivable, net		2,080,885
Inventories		677,376
Prepaid Expenses		168,534
Total Current Assets		9,410,143
Non-current assets:		
Restricted cash and cash equivalents		1,377,729
Student note receivables, net		25
Capital assets, net of accumulated depreciation		19,406,375
Total Noncurrent Assets		20,784,129
Total Assets	$	30,194,272
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$	760,676
Deferred revenue		22,247
Accrued interest payable		29,915
Long-term liabilities- current portion		231,691
Total Current Liabilities		1,044,529
Noncurrent liabilities:		
Deposits refundable		264,465
Long-term debt, net of current portion		1,232,364
Total Noncurrent Liabilites		1,496,829
Total Liabilities		2,541,358
Net Position		
Net investment in capital assets		18,190,772
Restricted for:		
Expendable:		
Capital projects		826,287
Debt service		495,710
Grants and contracts		908,028
Unemployment		46,747
Unrestricted		7,185,370
Total Net Position		27,652,914
Total Liabilites and Net Position	$	30,194,272

The accompanying notes are an integral part of these financial statements

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2013

	2013
ASSETS	
Cash	$ 689,542
Investments	5,348,866
Pledge receivables	88,730
Total Assets	$ 6,127,138
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	$ 417
Total Liabilities	417
Net Assets:	
Unrestricted	44,256
Temporarily restricted	804,682
Permanently restricted	5,277,783
Total Net Assets	6,126,721
Total Liabilities and Net assets	$ 6,127,138

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

East Central Community College
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2013

Operating Revenues:		
Tuition and fees (net of scholarship allowances of $4,084,484)	$	1,585,562
Federal grants and contracts		8,693,198
State grants and contracts		1,749,951
Nongovernmental grants and contracts		68,167
Sales and services of educational departments		208,907
Auxiliary enterprises:		
Student housing (net of scholarship allowances of $186,158)		647,418
Food Services (net of scholarship allowances of $221,738)		779,068
Bookstore		2,604,061
Athletics		25,551
Other auxiliary revenues		198,179
Other operating revenues		2,100
Total Operating Revenues		16,562,162
Operating Expenses:		
Salaries and wages		11,637,283
Fringe benefits		3,392,838
Travel		381,897
Contractual services		2,592,173
Utilities		948,801
Scholarships and fellowships		4,914,388
Commodities		3,882,935
Depreciation expense		970,107
Total Operating Expense		28,720,422
Operating Income (Loss)		(12,158,260)
Non-operating Revenues (Expenses)		
State appropriations		9,693,010
Local appropriations		2,153,339
Investment income		37,534
Other nonoperating revenues		2,530
Interest expense on capital asset-related debt		(58,644)
Other uses		(53,914)
Total Net Non-Operating Revenues (Expenses)		11,773,855
Income (Loss) before Other Revenues, Expenses, Gains and Losses		(384,405)
State appropriations restricted for capital purposes		1,402,755
Local appropriations restricted for capital purposes		275,088
Change in Net Position		1,293,438
Net Position:		
Net Position-Beginning of Year		26,348,425
Prior Period Adjustment		11,051
Net Position- Beginning of Year, as restated		26,359,476
Total Net Position	$	27,652,914

The accompanying notes are an integral part of these financial statements

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues, and Reclassifications				
Contributions	$ 42,457	$ 138,494	$ 3,115,593	$ 3,296,544
Interest and dividends	119	8,656	58,566	67,341
Gain (loss) on sale of assets		56,505		56,505
Net assets released from restrictions -				
Satisfaction of purpose restrictions	141,576	(141,576)		-
Total public support, revenues, and reclassifications	184,152	62,079	3,174,159	3,420,390
Expenses:				
Scholarships	77,825	-	-	77,825
Other program expenses	104,027	-	-	104,027
Management and general	30,294	-	-	30,294
Donations to East Central Community College	10,285	-	-	10,285
Total expenses	222,431	-	-	222,431
Other income:				
Unrealized holding gains (losses) on marketable securities available for sale	-	8,608	-	8,608
Excess (deficiency) of revenues over expenses before capital additions	(38,279)	70,687	3,174,159	3,206,567
Capital additions:				
Unrealized holding gains (losses) on marketable securities available for sale - endowment funds	-	-	105,210	105,210
Excess (deficiency) of revenues over expenses after capital additions	(38,279)	70,687	3,279,369	3,311,777
Net assets, beginning of year	63,235	779,152	1,972,557	2,814,944
Fund transfers in (out)	19,300	(45,157)	25,857	-
Net assets, end of year	$ 44,256	$ 804,682	$ 5,277,783	$ 6,126,721

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

EAST CENTRAL COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities:		
Tuition and fees	$	1,420,126
Grants and contracts		10,405,141
Payments to suppliers		(6,920,739)
Payments to employees for salaries and benefits		(15,081,655)
Payments for utilities		(948,801)
Payments for scholarship and fellowships		(4,914,388)
Auxilliary enterprise charges:		
Student housing		642,008
Food services		779,068
Bookstore		2,604,061
Athletics		25,551
Other auxilliary enterprises		198,180
Sales and services of educational departments		208,907
Other receipts(payments)		11,350
Net Cash Provided(Used) by Operating Activities		(11,571,191)
Cash Flows from Noncapital Financing Activities:		
State appropriations		9,685,333
Local appropriations		2,132,092
Federal loan program receipts		4,447,793
Federal loan program disbursements		(4,447,793)
Other receipts(payments)		2,682
Net Cash Provided(Used) by Noncapital Financing Activities		11,820,107
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets		(1,616,049)
Capital appropriations received		1,677,843
Principal paid on capital debt and leases		(288,400)
Interest paid on capital debt and leases		(66,206)
Net Cash Provided(Used) by Capital and Related Financing Activities		(292,812)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments		(11,944)
Interest received		51,666
Net Cash Provided(Used) by Investing Activities		39,722
Net Increase(Decrease) in Cash and Cash Equivalents		(4,174)
Cash and Cash Equivalents - Beginning of the Year		7,260,144
Cash and Cash Equivalents - End of the Year	$	7,255,970

The accompanying notes are an integral part of these financial statements

EAST CENTRAL COMMUNITY COLLEGE
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2013

Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities		
Operating income(loss)	$	(12,158,260)
Adjustments to reconcile net income(loss) to net cash provided(used) by operating activities:		
Depreciation expense		970,107
Other		(9,315)
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Receivables, net		(265,608)
Inventories		171,053
Increase(decrease) in liabilities:		
Accounts payables and accrued liabilities		(277,005)
Deferred revenues		(3,053)
Deposits refundable		890
Total adjustments		587,069
Net Cash Provided(Used) by Operating Activities	$	(11,571,191)

The accompanying notes are an integral part of these financial statements

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

	2013
Cash flows from operating activities:	
Excess (deficiency) revenues over expenses	$ 3,311,777
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
(Gain) loss on sale of assets	(56,505)
(Increase) decrease in pledge receivables	4,964
(Increase) decrease in accounts receivables	269
Increase (decrease) in accounts payable	142
Interest and dividends restricted for reinvestment	(8,656)
Interest and dividends restricted for long-term investment	(58,566)
Unrealized holding (gains) losses on securities	(113,818)
Cash contributions restricted for endowments	(3,115,593)
Non-cash contributions	10,285
Non-cash expenses	(10,285)
Net cash provided (used) by operating activities	(35,986)
Cash flows from investing activities:	
Proceeds from sale of assets	1,205,798
Interest and dividends restricted for reinvestment	8,656
Purchase of investments	(4,591,552)
Net cash provided (used) by investing activities	(3,377,098)
Cash flows from financing activities:	
Proceeds from contributions restricted for:	
Investments in endowments	3,115,593
Other financing activities:	
Interest and dividends restricted for long-term investments	58,566
Net cash provided (used) by financing activities	3,174,159
Net Increase (decrease) in cash	(238,925)
Cash at beginning of year	928,467
Cash at end of year	$ 689,542

The accompanying notes are an integral part of these financial statements

EAST CENTRAL COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies.

A. Reporting Entity – East Central Community College was founded in 1928 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of East Central Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

East Central Community College is governed by a 29-member board of trustees, selected by the board of supervisors of Leake, Neshoba, Newton, Scott and Winston Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, East Central Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

In accordance with Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations are Component Units, an Amendment to GASB Statement No. 14 East Central Community College reports the following discretely presented component unit:

East Central Community College Foundation – The Foundation is a legally separate, tax-exempt nonprofit organization under Section 501 (c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund raising organization to supplement the resources available to East Central Community College in support of its programs.

Although the college does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the college by the donors.

During the year ended June 30, 2013, the Foundation distributed $88,110 to the college.

B. Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive look at the college's financial activities.

C. Measurement Focus and Basis of Accounting – The basic financial statements of the college have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay, which is in accordance with accounting principles generally accepted in the United States of America.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the College applies the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. FASB statements issued subsequent to November 30, 1989 are not applicable.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the College are charges to students for tuition sales and services and grants and contracts. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents – The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The College deposits excess funds in the financial institutions selected by the Board of Trustees. State statutes specify how these depositories are to be selected.

E. Short-term Investments – Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments. The College can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of that State of Mississippi may invest, except that 100 percent of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

F. Accounts Receivables, Net – Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts, which is based on historical losses and an analysis of currently outstanding amounts.

G. Student Notes Receivables, Net – Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of Net Position as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Position.

H. Inventories and Prepaid Items – Inventories consist of bookstore, physical plant and printing supplies. These inventories are valued at the lower of cost or market, on the first-in, first-out ("FIFO") basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

I. Restricted Cash and Cash Equivalents – Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Position.

J. Capital Assets, Net of Accumulated Depreciation – Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 5 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

K. Deferred Revenues – Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

L. Compensated Absences – Twelve-month employees earn annual personal leave at a rate of 10 days per year. There is no requirement that annual leave be taken and there is no maximum accumulation. At termination, these employees are paid for up to 30 days of accrued leave. The liability for accrued leave at June 30, 2013, is reported in the Statement of Net Position as a long-term liability in the amount of $248,452. See note 6 for additional details.

M. Classification of Revenues – The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances and most federal, state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.

N. State Appropriations – East Central Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a 5-year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs. The 2009 fiscal year was the first year that the formula was based entirely on full time equivalent calculations.

O. Local Appropriations – East Central Community College receives funds from taxes levied by the counties in the district for general support, maintenance, and capital improvements.

P. Scholarship Discounts and Allowances – Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid not considered to be third party aid.

Q. Net Position – GASB Statement No. 63 reports equity as "Net Position" rather than "Net Assets". Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted Net Position is gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes.

The unrestricted net position balance of $7,185,370 at June 30, 2013, includes $3,865,101, reserved for auxiliaries, and a remaining amount of $3,320,269.

2. Cash and Cash Equivalents and Cash with Fiscal Agents.

Policies:

A. Cash, Cash Equivalents and Short-term Investments – Investment policies as set forth by policy and state statute authorize the college to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. For the year ending June 30, 2013, the College had $7,255,970 in cash and cash equivalents and $605,107 in short-term investments.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the college's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the College will not be able to recover deposits of collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the College. As of June 30, 2013, none of the College's bank balance of $8,016,741 was exposed to custodial credit risk.

B. Investments – Investment policies as set forth by policy and state statute also authorize the college to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

The following table summarizes the carrying values of the college's investments reported on the statement of net position:

	June 30, 2013
Short-term Investments	$ 605,107

The following table summarizes the categorization of investments at June 30, 2013:

Investment Type	Matures (in Years)	Fair Value	Rating
Certificates of deposit	Less than 1 year	$ 605,107	Not Rated
Total Investments		$ 605,107	

Interest Rate Risk. The college does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss Code Ann. (1972). The college does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the college will not be able to recover the value of its investment. The college does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the college did not have any investments to which this would apply.

3. Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2013:

Student tuition	$ 3,569,963
Federal, state, and private grants and contracts	1,007,495
State appropriations	116,847
Local appropriations	200,487
Accrued interest	2,448
Other	1,015
Total Accounts Receivable	4,898,255
Less allowance for doubtful accounts	(2,817,370)
Net Accounts Receivable	$ 2,080,885

4. Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2013:

	Interest Rates		June 30, 2013	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	$	32,261	-	32,261
Total Notes Receivable			32,261	-	32,261
Less allowance for doubtful accounts			(32,236)	-	(32,236)
Net Notes Receivable		$	25	-	25

5. Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2013, is presented as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	274,570	-	-	-	274,570
Construction in progress	169,730	1,533,698	-	(345,949)	1,357,479
Total Nondepreciable Capital Assets	444,300	1,533,698	-	(345,949)	1,632,049
Depreciable Capital Assets					
Buildings	23,293,200	-	-	202,357	23,495,557
Improvements other than buildings	2,346,171	-	-	143,592	2,489,763
Books and Films	617,238	17,081	(39,437)	-	594,882
Furniture and Equipment	4,609,914	65,269	(5,107)	-	4,670,076
Total Depreciable Capital Assets	30,866,523	82,350	(44,544)	345,949	31,250,278
Less: Accumulated Depreciation for					
Buildings	7,754,189	405,937	-	-	8,160,126
Improvements other than buildings	767,982	94,657	-	-	862,639
Books and Films	539,016	16,659	(39,437)	-	516,238
Furniture and Equipment	3,489,151	452,854	(5,056)	-	3,936,949
Total Accumulated Depreciation	12,550,338	970,107	(44,493)	-	13,475,952
Total Depreciable Capital Assets	18,316,185	(887,757)	(51)	345,949	17,774,326
Total Capital Assets, net	18,760,485	645,941	(51)	(0)	19,406,375

Adjustments represent transfers of completed construction to buildings and assets under capital lease to equipment.

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

	Useful Lives	Salvage Value		Capitalization Threshold
Buildings	40 years	20%	$	50,000
Improvements other than buildings	20 years	20%		25,000
Equipment	3-15 years	1 – 10%		5,000
Library books	10 years	0%		0

6. Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2013. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal year.

Information regarding original issued amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2013, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Bonded Debt								
Dormitory Revenue Bond, Series 1989	$1,115,000	3.00%	2018	420,000	-	(65,000)	355,000	65,000
Dormitory Revenue Bond, Series 1999	$3,000,000	4.75%	2018	1,084,003	-	(223,400)	860,603	166,691
Total Bonded Debt				1,504,003	-	(288,400)	1,215,603	231,691
Other Long-Term Liabilities								
Accrued Leave				257,768	-	(9,316)	248,452	-
Total Other Long-Term Liabilities				257,768	-	(9,316)	248,452	-
Total Long-Term Liabilities				1,761,771	-	(297,716)	1,464,055	231,691

Annual requirements to amortize outstanding debt:

	Bonded Debt	Interest	Total
2014	$ 231,691	$ 51,529	$ 283,220
2015	244,609	41,661	286,270
2016	252,903	31,267	284,170
2017	266,591	20,329	286,920
2018	219,809	8,978	228,787
	$ 1,215,603	$ 153,764	$ 1,369,367

7. Operating Expenses.

The Community College's operating expenses by functional classifications were as follows for the year ended June 30, 2013.

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation	Total
Instruction	$ 6,388,906	1,851,255	128,348	735,124	18,230		594,321		9,716,184
Public Service	953,490	189,572	11,133	24,750	44		26,499		1,205,488
Academic Support	293,681	84,715	9,450	7,085	1,061		21,754		417,746
Student Services	1,457,440	458,087	170,503	187,566	1,490		184,123		2,459,209
Institutional Support	1,553,224	457,764	59,962	383,892	2,511		159,113		2,616,466
Operation of Plant	726,776	277,435	2,331	350,466	777,312		807,830		2,942,150
Student Aid					148,153	4,914,388			5,062,541
Auxillary Enterprises	263,766	74,010	170	903,290			2,089,295		3,330,531
Depreciation								970,107	970,107
Total Operating Expenses	$ 11,637,283	3,392,838	381,897	2,592,173	948,801	4,914,388	3,882,935	970,107	28,720,422

8. Construction Commitments and Financing.

The college has contracted the Cross Hall Renovation. The estimated costs to complete these projects and the source of funding are presented below:

Project Title	Total Costs To Complete	Funded By Federal Sources	State Sources	Institutional Funds	Other
Cross Hall Renovation	$ 2,388,721		2,388,721		
Founders Gym Renovations	409,234		409,234		
Campus ADA Renovations	467,675		467,675		
Total	$ 3,265,630	-	3,265,630	-	-

9. Pension Plan.

Plan description – The College participates in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 1-800-444-PERS.

Funding policy – PERS members are required to contribute 9.00% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 14.26% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30 2013, 2012, and 2011 were $1,611,970, $1,367,901, and $1,263,679, respectively, equal to the required contributions for each year.

10. Contingencies

Federal Grants- The College has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the College.

The College is involved in litigation and other matters, many of which occur in the normal course of business. It is not possible at the present time to estimate the outcome of liability, if any, of the College with respect to the various proceedings. However, based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the College's future financial position or on the results of its future operations.

11. Risk Management

The college is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The college carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Statement of Revenues, Expenses and Changes in Net Position

Explanation	Amount
Represents prior year voided checks	$ 11,051
Total	$ 11,051

13. Subsequent Events

Events that occur after the statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of Net Position date require disclosure in the accompanying notes. Management of East Central Community College evaluated the activity of the district through March 25, 2014, and determined that there were no subsequent events that require disclosure in the notes to the financial statements.

EAST CENTRAL COMMUNITY COLLEGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
For the Year ended June 30, 2013

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business Activities

The East Central Community College Foundation is a nonprofit organization organized for the purpose of assisting individuals in pursuing their collegiate education and training by providing scholarships and awards to individuals on the basis of academic achievement and need. East Central Community College Foundation provides leadership in attracting private investment to East Central Community College. The Foundation is exempt from federal income tax in accordance with Section 501(c)(3) of the Internal Revenue Code.

Reporting Entity

For financial reporting purposes, the Foundation is considered to be a component unit of East Central Community College.

Basis of Accounting

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes - permanently, restricted, temporarily restricted, and unrestricted as follows:

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of East Central Community College.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. To the extent that restricted resources from multiple donors are available for the same purpose, the Foundation expenses such as gifts on a "first in, first out" basis.

Unrestricted net assets - net assets which represent resources generated from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increased in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use if underlying net assets is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gif or the Foundation's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- As increases (decreases) in unrestricted net assets in all other cases.

Revenue Recognition

The Foundation generally recognizes gifts as revenue when notified of an unconditional promise to give.

Public Support and Revenue

Monthly and annual contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long term promises to give and are recorded at net present value of their net realizable value applicable to the years in which the promises are received to discount the amounts.

Endowment contributions and investments are permanently restricted by the donor. Investments earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of cash and other assets are reported as temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of property, equipment, marketable securities and other non-cash donations are recorded as contributions at their estimated fair values in the period received. Such contributions are reported as restricted support unless the donor has restricted the donated assets to a specific purpose.

Investment Earnings Allocation

Restricted and unrestricted funds are co-mingled in the investment funds. Allocation of earnings is made to each restricted and unrestricted fund based on the pro-rata share of earnings to the funds invested.

Donated Assets

Donated assets are recorded at fair market value at the date of gift.

Cash

The Foundation recognizes all demand deposit accounts as cash and cash equivalents. It is the policy of the Foundation to consider money market accounts with brokers as other short-term investments.

Investments

Investments are recorded at fair value. The fair values of all investments other than real estate are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. Both realized and unrealized gains and losses are reflected in the accompanying statements of activities based on restrictions put in place by the donor.

Fair Value of Financial Instruments

The carrying amounts at June 30, 2013 for cash and cash equivalents, investments, pledges receivable, and accounts payable, approximate their fair values. See note 7 for investments.

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

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheet.

Pledge Receivables

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. Pledge receivables at June 30, 2013, amounted to $90,000, and are due in increments of $5,000 through the fiscal year ended June 30, 2031. These receivables have been discounted at 0.15% which is the estimated annual rate of return on a 1 year certificate of deposit at June 30, 2013.

A breakdown of the calculation of the net present value of pledges receivable is as follows:

Total Pledges Receivable at June 30, 2013	$	90,000
Unamortized Discount – Pledges Receivable at June 30, 2013		(1,270)
Net Present Value of Pledges Receivable at June 30, 2013	$	88,730

Income Taxes

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation. The Foundation files its Form 990 annually with the Internal Revenue Service. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's Form 990's are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Subsequent Events

In connection with the preparation of the financial statements and in accordance with the recently issued SFAS No. 165, *Subsequent Events*, the Foundation evaluated subsequent events after the balance sheet date of June 30, 2013 through March 25, 2014, which was the date the financial statements were available to be issued. There were no events that occurred in that time period which required financial statement disclosure.

Note 2 TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restriction by incurring expenses satisfying the purpose specified by donors as follows at June 30:

	2013
Purpose restriction accomplished:	
Scholarship programs	$ 37,549
Other program services	104,027
	$ 141,576

Net assets were temporarily restricted for the following purposes by June 30:

Scholarships	$ 538,759
Other program services	265,923
	$ 804,682

Note 3 PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30:

	2013
Scholarships	$ 4,530,401
Other program services	747,382
	$ 5,277,783

Note 4 CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at one financial institution. The account at the institution is insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2013, the Foundation did have cash in excess of the insurance limit. As of June 30, 2013, the bank balance of cash held in financial institutions was $714,507. These deposits are insured up to $250,000 which leaves a balance of $464,507 as uncollateralized and uninsured deposits.

The Foundation maintains a significant portion of its investments with one brokerage firm.

Note 5 NON-CASH CONTRIBUTIONS

The Foundation receives a variety of non-cash contributions. For the year ended June 30, 2013, non-cash contributions totaled $10,285 and were included in revenue.

For the year ended June 30, 2013, the foundation received $10,285 in non-cash contributions that were included in revenues and expensed in the statement of activities. Following is a summary of these items:

Supplies	$ 2,434
Capital assets donated to ECCC	2,500
Books	4,811
Athletic program supplies	540
	$ 10,285

Note 6 CONTINGENCIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

Note 7 INVESTMENTS

The Foundation's investments recorded at market value consist of the following at June 30, 2013:

	Cost	Market	Unrealized Appreciation (Depreciation)
Merrill Lynch-Cash/Money Market Funds	$ 760,592	760,592	$ -
Merrill Lynch-Certificates of Deposit	1,086,000	1,105,189	19,189
Merrilly Lynch-Corporate Bonds	358,558	347,733	(10,825)
Merrill Lynch-Mutual Funds	1,862,231	1,991,159	128,928
Merill Lynch-Govt and Agency Securities	431,460	423,526	(7,934)
Merrill Lynch-Equities Securities	418,264	500,366	82,102
Wells Fargo-Money Market Funds	1,099	1,099	-
Wells Fargo-Mutual Funds	33,607	32,026	(1,581)
Wells Fargo-Corporate Stocks	7,039	1,782	(5,257)
Stifel Nicolaus-Money Market Funds	11,790	11,790	-
Stifel Nicolaus-Corporate Stocks	3,144	10,521	7,377
Morgan Stanley-Money Market Funds	3,853	3,853	-
Morgan Stanley-Corporate Stocks	39,012	56,362	17,350
Weyerhaeuser Stock	22,044	52,949	30,905
Vanguard - Mutual Funds	38,811	49,919	11,108
Total	$ 5,077,504	$ 5,348,866	$ 271,362

Note 8 FAIR VALUE

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also established a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in FASB ASC 820 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarch within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2013:

June 30, 2013	Level I	Level 2	Level 3	Total
Certificates of Deposit	$ 1,105,189	-	-	$ 1,105,189
Corporate bonds	347,733			347,733
Corporate stocks	121,614	-	-	121,614
Equity securities	500,366	-	-	500,366
Govt and Agency Securities	423,526			423,526
Mutual funds	2,073,104	-	-	2,073,104
Other short-term investments	777,334	-	-	777,334
	$ 5,348,866	-	-	$ 5,348,866

Note 9 NET ASSET CLASSIFICATIONS OF ENDOWMENT FUNDS

The FASB issued FASB ASC 958, Not-for-Profit Entities, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board designated endowment funds), regardless of whether an organization is subject to UPMIFA during the 2012 legislative session. The legislation is effective July 1, 2012.

The Foundation's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined that its donor agreements for permanent endowments provide for the preservation of the original gift of the donor-restricted endowment funds. As a result, the Foundation classifies as permanently restricted net assets the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until the amounts are expended in accordance with the donor agreements.

The Foundation has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income greater than the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The Board and Joint Committee on investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during the periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The primary performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, in excess of the inflation and spending rate.

The Foundation's spending policy is designed to instill confidence that the positive growth in the market value of the endowment is sufficient to offset reasonable spending over an extended period of time. The spending policy is approved by Board of Directors of the Foundation. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund was established. The objective is to provide relatively stable spending allocations. No portion of the original gift value of the endowed assets will be allocated for spending.

Changes in donor-restricted endowment net assets for the year ended June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets (deficit), June 30, 2012	$ -	-	1,972,557	1,972,557
Contributions to endowment			3,115,593	3,115,593
Appropriation for expenditures	-	-	(42,072)	(42,072)
Investment return:				
Investment income	-	-	126,495	126,495
Net appreciation (depreciation)	-	-	105,210	105,210
Donor-restricted endowment net assets (deficit), June 30, 2013	$ -	-	5,277,783	5,277,783

Note 10 ECONOMIC DEPENDENCE AND CONCENTRATION

The organization receives its contributions mainly from Leake, Neshoba, Newton, Scott and Winston counties in East Central Mississippi which is the area served by East Central Community College.

EAST CENTRAL COMMUNITY COLLEGE

SUPPLEMENTAL INFORMATION

EAST CENTRAL COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster:			
Federal PELL Grant Program	84.063		$ 7,234,049
Federal Supplemental Education al Opportunity Grant Program (FSEOG)	84.007		74,396
*Federal Direct Student Loans (Direct Loan)	84.268		4,447,793
Federal Work-Study Program (FWS)	84.033		86,294
Total Student Financial Aid Cluster			11,842,532
State Department of Education – Career & Technical Education Basic Grants to States	84.048		319,647
State Department of Education – Tech-Prep Education	84.243		9,000
State Department of Education – Vocational Rehabilitation Grants to States	84.126		4,678
State Department of Education Adult Education – Basic Grants to States	84.002		239,366
Total U.S. Department of Education			12,415,223
U.S. Department of Labor			
WIA Cluster			
Pass-through program from:			
Mississippi Department of Employment Security - WIA Adult Program	17.258		109,630
Three Rivers Planning & Development District - WIA - Dislocated Worker Formula Grants	17.278		51,380
Total WIA Cluster			161,010
Direct Program-Community Based Job Training Grants	17.269		210,862
Mississippi Department of Employment Security – Trade Adjustment Assistance Workers (TAA)	17.245		9,512
ARRA – The Montgomery Institute - Program of Competitive Grants for Worker Training and Placement In High Growth and Emerging Industry Sectors, Recovery Act	17.275		339,829
Total U.S. Department of Labor			721,213
Total Expenditures of Federal Awards			$ 13,136,436

EAST CENTRAL COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Notes to Schedule of Expenditures of Federal Awards

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements, with the following exceptions:

*For purposes of this schedule, loans made to students under the Federal Direct Student Loans (Direct Loan) (CFDA #84.268) are presented as federal expenditures. Neither the funds advanced to students, nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

EAST CENTRAL COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

WWS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees of East Central Community College
P.O. Box 129
Decatur, Mississippi 39327

We have audited the financial statements of East Central Community College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise East Central Community College's basic financial statements and have issued our report thereon dated March 25, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of East Central Community College Foundation were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the East Central Community College Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Central Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Central Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of East Central Community College'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

March 25, 2014

Watkins, Ward and Stafford, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE BY OMB CIRCULAR A-133

Board of Trustees of East Central Community College
P.O. Box 129
Decatur, Mississippi 39327

Report on Compliance for Each Major Federal Program

We have audited East Central Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of East Central Community College's major federal programs for the year ended June 30, 2013. East Central Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for East Central Community College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Central Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Central Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, East Central Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of East Central Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Central Community College's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Central Community College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

March 25, 2014

Watkins, Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

WWS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees of East Central Community College
P. O. Box 129
Decatur, Mississippi 39327

We have audited the financial statements of East Central Community College as of and for the year ended June 30, 2013, which collectively comprise East Central Community College's basic financial statements and have issued our report thereon dated March 25, 2014. We conducted our audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the East Central Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
March 25, 2014

Watkins, Ward and Stafford, PLLC

EAST CENTRAL COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST CENTRAL COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified	No
	b. Significant deficiencies identified that are not considered to be a material weakness	None Reported
3.	Noncompliance material to the financial statements?	None

Federal Awards:

4.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified that are not considered to be a material weakness	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
6.	Any audit finding(s) reported as required by Section___.510(a) of Circular A-133?	No
7.	Federal programs identified as major programs:	
	a. Student financial aid cluster:	
	CFDA #84.007	
	CFDA #84.033	
	CFDA #84.063	
	CFDA #84.268	
	b. Career and technical education- basic grants to states	
	CFDA #84.048	
8.	The dollar threshold used to distinguish between type A and B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	Yes
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315 (b) of OMB Circular A-133?	No

EAST CENTRAL COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.