



**KNOX COLLEGE**

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INDEPENDENT AUDITOR'S REPORTS  
PURSUANT TO THE UNIFORM GUIDANCE

For the Year Ended June 30, 2019



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**KNOX COLLEGE**  
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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**

To the Board of Trustees  
Knox College  
Galesburg, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Knox College (College), which comprise the Statement of Financial Position as of June 30, 2019, and the related Statements of Activities, Cash Flows and Functional Expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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 the 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 testing 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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sikich LLP*

Springfield, Illinois  
November 4, 2019

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees  
Knox College  
Galesburg, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited Knox College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. Knox 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Knox College's major federal programs 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the College's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control Over Compliance**

Management of the 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 the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the 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.

## **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the College as of and for the year ended June 30, 2019 and have issued our report thereon dated November 4, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

This 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sikich LLP*

Springfield, Illinois  
November 4, 2019

**KNOX COLLEGE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

| Federal Grantor/Pass Through<br>Grantor/Program or Cluster Title | CFDA<br>Number | Federal<br>Expenditures     |
|--|----------------|-----------------------------|
| <b>MAJOR PROGRAMS</b>  |                |                             |
| U.S. Department of Education:                                    |                |                             |
| Student Financial Aid Cluster:                                   |                |                             |
| Federal Supplemental Educational                                 |                |                             |
| Opportunity Grants   | 84.007         | \$ 224,818                  |
| Federal Work-Study Program                                       | 84.033         | 136,914                     |
| Federal Perkins Loan Program                                     | 84.038         | 2,961,884                   |
| Federal Pell Grant Program                                       | 84.063         | 2,070,293                   |
| Federal Direct Student Loans                                     | 84.268         | 7,701,924                   |
| Total Student Financial Aid Cluster                              |                | <u>13,095,833</u>           |
| Total Major Programs   |                | <u>13,095,833</u>           |
| <b>NONMAJOR PROGRAMS</b>   |                |                             |
| National Endowment for the Arts                                  |                |                             |
| Promotion of the Arts Grants to                                  |                |                             |
| Organizations and Individuals                                    | 45.024         | 10,000                      |
| Promotion of the Humanities Division                             |                |                             |
| of Preservation and Access                                       | 45.149         | 17                          |
| Total National Endowment for the Arts                            |                | <u>10,017</u>               |
| National Science Foundation:                                     |                |                             |
| Research and Development Cluster:                                |                |                             |
| Computer and Information Science and Engineering                 | 47.070         | 25,961                      |
| Social, Behavioral, and Economic Sciences                        | 47.075         | 10,896                      |
| Education and Human Resources                                    |                |                             |
| Passed through SageFox Consulting, grant number 1745199-03-17    | 47.076         | 33,440                      |
| Education and Human Resources                                    | 47.076         | 148,324                     |
| Total Education and Human Resources                              |                | <u>181,764</u>              |
| Total Research and Development Cluster                           |                | <u>218,621</u>              |
| U.S. Department of Education:                                    |                |                             |
| TRIO cluster   |                |                             |
| TRIO Student Support Services                                    | 84.042         | 337,587                     |
| TRIO McNair Post-Baccalaureate Achievement                       | 84.217         | 221,020                     |
| Total TRIO cluster   |                | <u>558,607</u>              |
| Total Nonmajor Programs  |                | <u>787,245</u>              |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                      |                | <u><u>\$ 13,883,078</u></u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.



**KNOX COLLEGE**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2019

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Knox College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 - LOANS OUTSTANDING**

The amount presented for the Federal Perkins Loans represents total loans outstanding at June 30, 2019, for which the U.S. Department of Education imposes continuing compliance requirements. Such amounts have been recorded net of an allowance of \$148,094 in the College's financial statements.

The College originates but does not provide funding for Federal Direct Student Loans (FDSLs). The amount presented represents the value of new FDSLs awarded by the U.S. Department of Education during the year as follows:

| Program Title                              | Federal<br>CFDA<br>Number | Amount<br>Awarded          |
|--|---------------------------|----------------------------|
| Federal Direct Stafford Loans              | 84.268                    | \$ 3,218,783               |
| Federal Direct Unsubsidized Stafford Loans | 84.268                    | 2,237,311                  |
| Federal Direct PLUS and Grad PLUS Loans    | 84.268                    | 2,245,830                  |
| <b>TOTAL FEDERAL DIRECT STUDENT LOANS</b>  |                           | <b><u>\$ 7,701,924</u></b> |

**NOTE 3 - AMOUNTS REQUIRED FOR MATCHING**

To comply with program requirements, amounts required to be expended from nonfederal sources have been excluded from reported expenditures. For June 30, 2019, the College's portion of expenditures was as follows:

| Program Title                               | Federal<br>CFDA<br>Number | Amount<br>Provided for<br>Matching |
|---|---------------------------|------------------------------------|
| Federal Work Study Program                  | 84.033                    | \$ 284,972                         |
| Supplemental Educational Opportunity Grants | 84.007                    | 74,939                             |
| <b>TOTAL</b>                                |                           | <b><u>\$ 359,911</u></b>           |

**KNOX COLLEGE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

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**NOTE 4 - OTHER INFORMATION**

Knox College did not receive any federal insurance or federal noncash assistance and did not provide any amounts to sub-recipients.

**NOTE 5 - DE MINIMIS RATE**

The College did not elect to use the de minimis rate of 10 percent for the year ended June 30, 2019.

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2019

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Type of auditor's report issued on compliance for all major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.16(a)?

\_\_\_\_\_ yes      X   no

Identification of major federal programs:

CFDA Number

Name of Federal Program

Student Financial Aid Cluster:

84.007

Federal Supplemental Educational Opportunity Grants

84.033

Federal Work-Study Program

84.038

Federal Perkins Loan Program

84.063

Federal Pell Grant Program

84.268

Federal Direct Student Loans

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_\_\_ no

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2019

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**Section II - Financial Statement Findings**

None

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2019

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**Section III - Federal Award Findings and Questioned Costs**

None

**KNOX COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended June 30, 2019

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**Section IV - Prior Year Financial Statement and Federal Award Findings**

| <u>Prior Finding</u> | <u>Condition</u>                                       | <u>Status</u> |
|----------------------|--|---------------|
| 2018-001             | Federal Direct Loans not properly awarded to students. | Not Repeated  |