# Audited Financial Statements

June 30, 2021

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# INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

## *REPORT ON THE FINANCIAL STATEMENTS*

We have audited the accompanying financial statements of Harrisburg Area Community College (the College), as of and for the years ended June 30, 2021 and 2020, 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 audits. We conducted our audits of Harrisburg Area Community College in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Harrisburg Area Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harrisburg Area Community College as of June 30, 2021 and 2020, and the changes in its financial position, and its cash flows for the years 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 14, and the schedules related to pension and OPEB on pages 61 - 66 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 an opinion on the financial statements as a whole. The schedule of expenses by functional classification is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenses by functional classification is the responsibility of management and was derived from and relates 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 expenses by functional classification is 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 October 19, 2021, except for our report on compliance and other matters for which the date is September 22, 2022, on our consideration of the 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 solely 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 the College's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 19, 2021, except as to Note 13,
which is as of September 22, 2022

## *INTRODUCTION*

Management's Discussion and Analysis (MD&A) of Harrisburg Area Community College's (HACC) financial statements provide an overview of the College's financial performance during the fiscal year ended June 30, 2021, with selected comparative information for the years ended June 30, 2020 and June 30, 2019. The purpose of the MD&A is to assist readers with understanding the accompanying financial statements by providing an objective and understandable analysis of HACC's financial activities based on current known facts, decisions, and conditions. HACC management has prepared this analysis and is responsible for the completeness and fairness of the information contained within. This MD&A should be read in conjunction with the financial statements and notes.

The College has prepared its financial statements in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that the financial statements be presented to focus on the College as a whole. Three financial statements are presented: the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. This MD&A includes comments on each statement and focuses on the activities of the College (Primary Institution) and the Foundation (Component Unit) as a whole.

As noted in the Independent Auditor's Report, the Foundation's financial statements have not been audited in accordance with Government Auditing Standards; however, they have been audited in accordance with generally accepted auditing standards. The Foundation is not required to have an audit in accordance with Government Auditing Standards due to the fact it does not receive any grants that require the audit to be in accordance with Government Auditing Standards. The College does receive grants that require the audit to be in accordance with Government Auditing Standards, which has been performed accordingly.

Additionally, the College has implemented Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity". Pursuant to the criteria set forth in GASB 14, it was determined that the HACC Foundation, whose sole purpose is to serve the institution by providing resources for scholarships and other college projects, should be treated as a blended unit of the College due in part to the governance structure of the Foundation. The Foundation's financial statements for June 30, 2021 are combined in the financial statements section of the report and are included in the MD&A discussions. Separately issued financial statements are available for the HACC Foundation by contacting Mr. Timothy L. Sandoe, Vice President of Finance, Harrisburg Area Community College, One HACC Drive, Harrisburg, PA 17110-2999.

## *FINANCIAL HIGHLIGHTS*

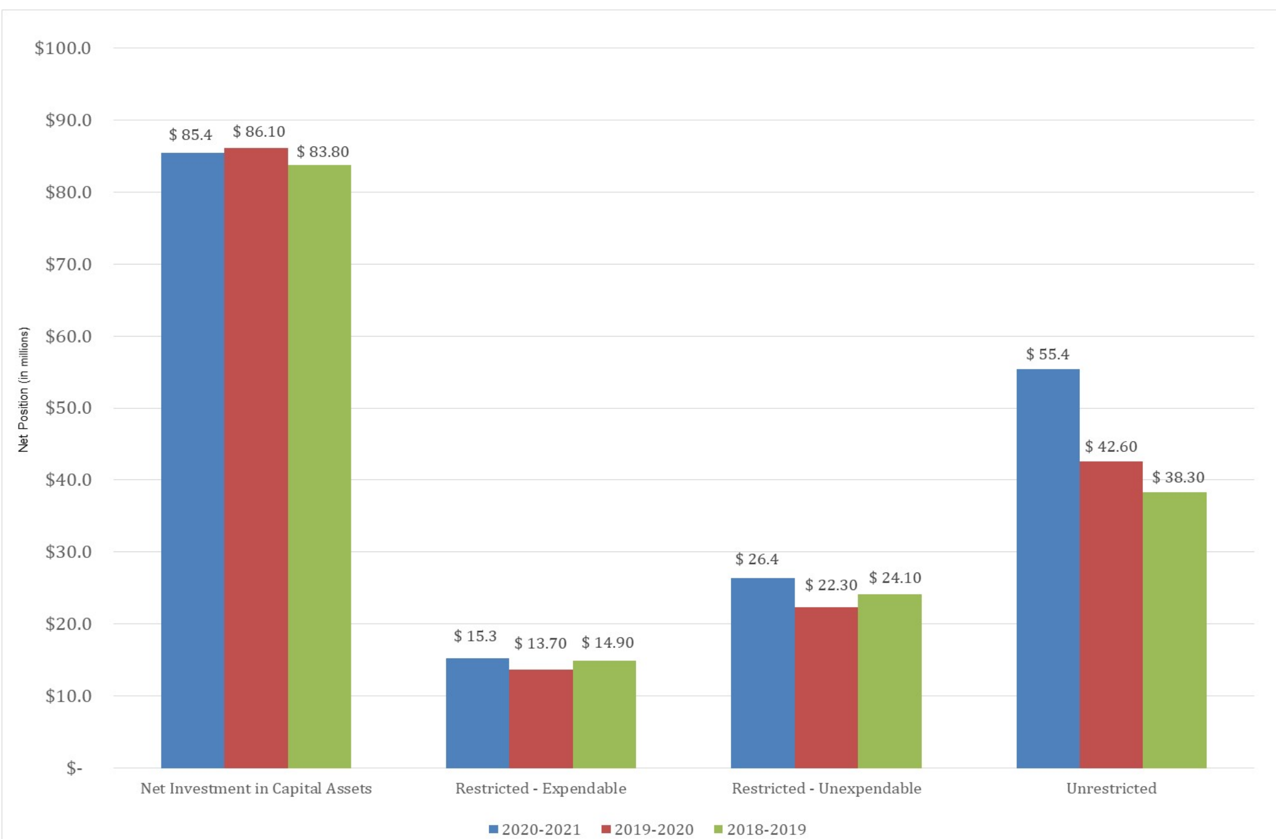
HACC's financial position continues to remain strong as of June 30, 2021. On June 30, 2021, HACC's assets and deferred outflows of resources of $ 340.8 million exceeded its liabilities and deferred inflows of resources of $ 158.3 million by $ 182.5 million, an increase compared to the prior year of $ 17.8 million. On June 30, 2020, assets and deferred outflows of resources of $ 330.5 million exceeded liabilities and deferred inflows of resources of $ 165.8 million by $ 164.7 million, an increase over the prior year of $ 3.6 million.

The “Net Position”, which represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is divided into two major categories. The first category, net investment in capital assets, shows the College’s equity in property, plant, and equipment that it owns. The fourth category, unrestricted net position, is available to use for any lawful purpose of the College. The following table and graph summarize the College’s statement of net position by category for the fiscal years ended June 30, 2021, 2020 and 2019.

**Net Position as of June 30**
**(In millions)**

| | 2021 | 2020 | Increase (Decrease) 2020-2021 | Restated 2019 | Increase (Decrease) 2019-2020 |
|---|---|---|---|---|---|
| Net Investment in Capital Assets | $ 85.4 | $ 86.1 | $ (0.7) | $ 83.8 | $ 2.3 |
| Restricted - Expendable | 15.3 | 13.7 | 1.6 | 14.9 | (1.2) |
| Restricted - Unexpendable | 26.4 | 22.3 | 4.1 | 24.1 | (1.8) |
| Unrestricted | 55.4 | 42.6 | 12.8 | 38.3 | 4.3 |
| Total Net Position | $ 182.5 | $ 164.7 | $ 17.8 | $ 161.1 | $ 3.6 |

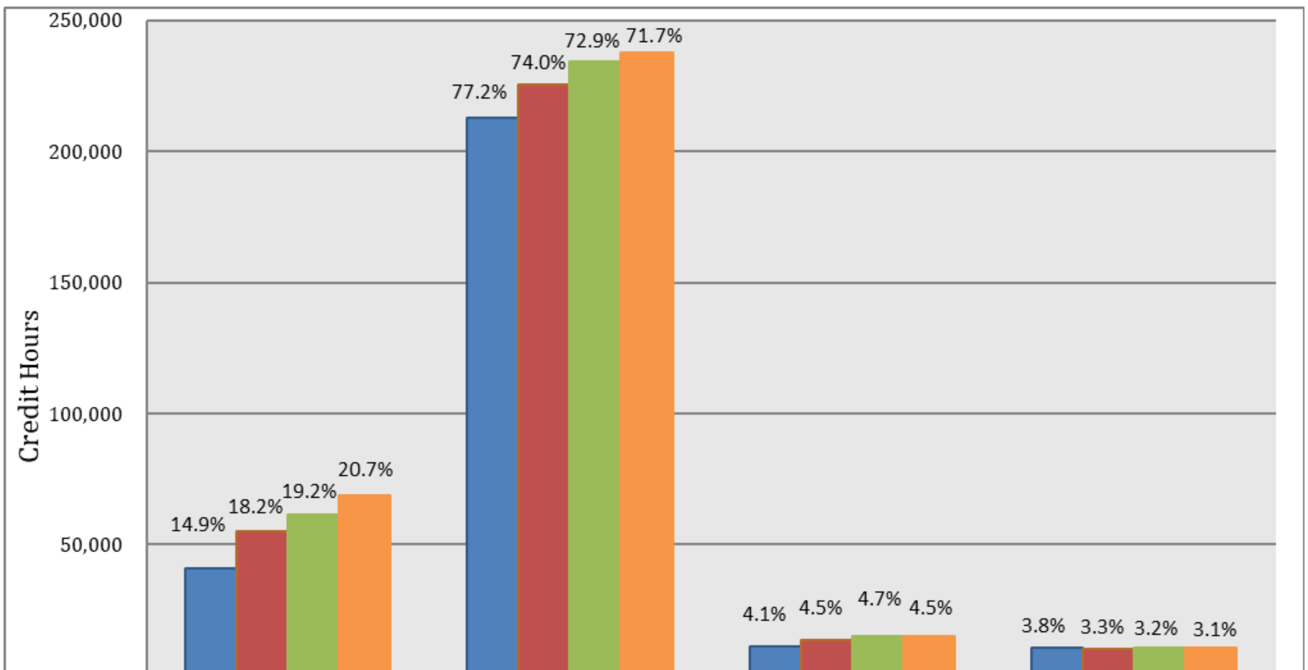
**Comparison of Net Position Fiscal Years 2021, 2020 and 2019**



## *CREDIT HOUR PRODUCTION*

The College experienced a decrease in enrollments of 9.4% (28,733 credit hours) in 2021, 5.2% (16,691 credit hours) in 2020 and 3.2% (10,743 credit hours) in 2019 due to the continuing effects of the economy and college-going demographic, compounded by decreases due to continuing effects from the COVID-19 pandemic. Total credit hours have gone from 321,052 in 2019, to 304,361 in 2020, to 275,269 in 2021. In 2021, the proportion of non-sponsored student credit hours compared to total credit hours has continued to increase to 77.2% from 74.0% in 2020 and from 72.9% in 2019. Correspondingly, the proportion of sponsoring student credit hours has continued to drop to 14.9% in 2021, down from 18.2% in 2020 and 19.2% in 2019. Each non-sponsored student paid tuition of $ 222.00 per credit hour in 2021, while a sponsored student paid $ 180.25 per credit hour and received local sponsoring school district support.

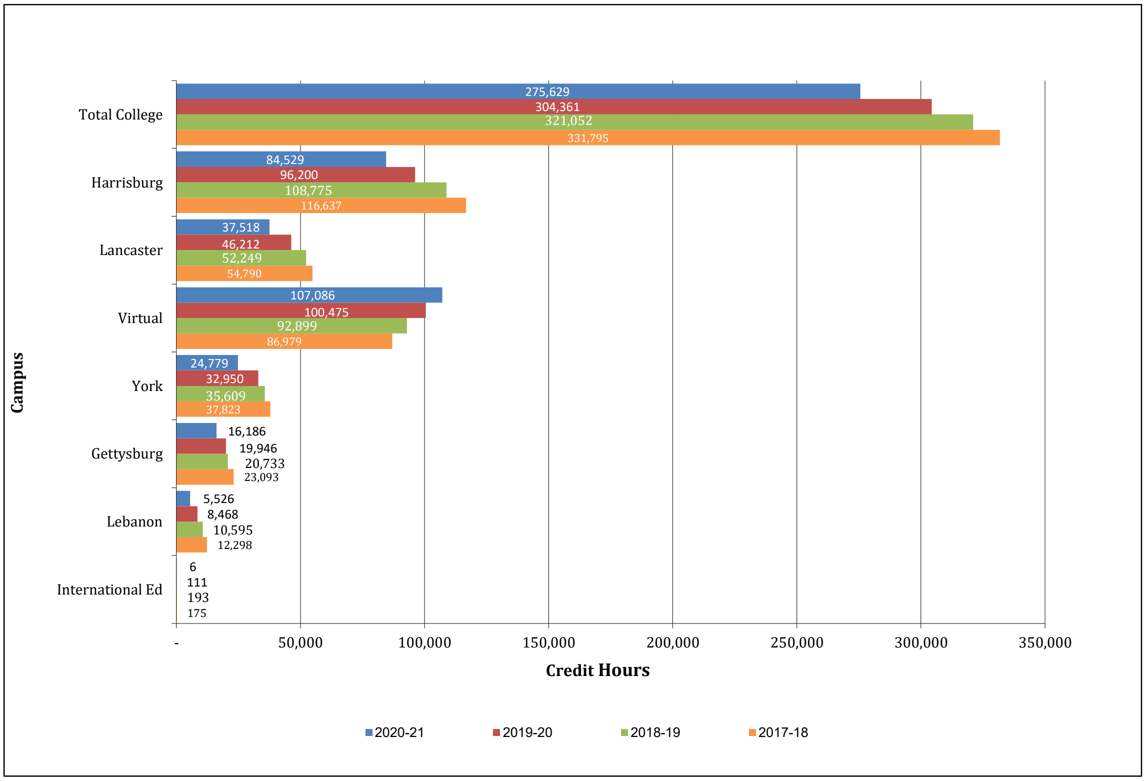
### Credit Hour Production by Student Type




| | Sponsored | Nonsponsored | Out of State | College in HS |
|---|---|---|---|---|
| 2020-21 | 41,000 | 212,917 | 11,291 | 10,421 |
| 2019-20 | 55,301 | 225,354 | 13,656 | 10,049 |
| 2018-19 | 61,411 | 234,025 | 15,200 | 10,416 |
| 2017-18 | 68,708 | 237,761 | 14,935 | 10,391 |

Student Type

## Credit Hour Production by Campus 2021, 2020, 2019 and 2018




## *STATEMENT OF NET POSITION*

The Statement of Net Position presents the assets, deferred outflows/inflows of resources, liabilities, and net position of the College as of the end of the June 30, 2021 fiscal year. This statement provides a snapshot of the financial condition of the College with unrestricted net position representing funds available to continue the operations of the institution. It presents the end-of-the-year data for current and noncurrent assets, deferred outflows/inflows of resources, current and noncurrent liabilities, and net position (assets plus deferred outflows/inflows minus liabilities). Over a period of time, increases and decreases in net position may serve as a useful gauge of the College's financial position. As the following chart illustrates, the College is in a strong financial position with net position increasing over the past year due to a continuing alignment of operating costs with operating revenues, as well as a decrease in our long-term liabilities.

## Statement of Net Position
## (In millions)

| | 2021 | 2020 | Increase (Decrease) 2021-2020 | 2019 | Increase (Decrease) 2020-2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current Assets | $ 103.5 | $ 92.3 | $ 11.2 | $ 89.0 | $ 3.3 |
| Noncurrent Assets | 230.0 | 231.6 | (1.6) | 240.2 | (8.6) |
| **Total Assets** | 333.5 | 323.9 | 9.6 | 329.2 | (5.3) |
| Deferred Outflows of Resources | 7.3 | 6.6 | 0.7 | 10.4 | (3.8) |
| **Total Assets and Deferred Outflows of Resources** | 340.8 | 330.5 | 10.3 | 339.6 | (9.1) |
| | | | - | | - |
| **Liabilities** | | | - | | - |
| Current Liabilities | 31.0 | 31.0 | - | 29.1 | 1.9 |
| Noncurrent Liabilities | 120.9 | 130.8 | (9.9) | 147.4 | (16.6) |
| **Total Liabilities** | 151.9 | 161.8 | (9.9) | 176.5 | (14.7) |
| Deferred Inflows of Resources | 6.4 | 4.0 | 2.4 | 2.0 | 2.0 |
| **Total Liabilities and Deferred Inflows of Resources** | 158.3 | 165.8 | (7.5) | 178.5 | (12.7) |
| | | | - | | - |
| **Net Position** | | | - | | - |
| Net Investment in Capital Assets | 85.4 | 86.1 | (0.7) | 83.8 | 2.3 |
| Restricted - expendable | 15.3 | 13.7 | 1.6 | 14.9 | (1.2) |
| Restricted - nonexpendable | 26.4 | 22.3 | 4.1 | 24.1 | (1.8) |
| Unrestricted | 55.4 | 42.6 | 12.8 | 38.3 | 4.3 |
| **Total Net Position** | $ 182.5 | $ 164.7 | $ 17.8 | $ 161.1 | $ 3.6 |

In 2021, current assets increased by $ 11.2 million over 2020. During the year, operating cash and cash equivalents increased by $ 2.3 million and short-term investments increased by $ 7.9 million. $ 12.4 million of cash and cash equivalents changed designation to either long-term investments or short-term investments as of June 30, 2021. In 2021 an additional inflow of $ 12.5 million in cash and cash equivalents offset the shift to short-term and long-term investments. In addition, in 2021 the College incurred a modest increase in accounts receivable of $ 1.4 million due to the effects of COVID-19. The bookstore inventory decreased by $ 500,000 due to decreased sales volume. Other assets increased by $ 200,000.

The noncurrent assets decreased by $ 1.6 million in 2021 from the previous year. This decrease is mainly attributable to the decrease in Capital Assets of $ 10.0 million relating to the sale of the Lebanon Campus building and the outpacing of depreciation expense to additions of assets. Long-term investments increased by $ 8.4 million changes in investments from short-term investments or cash and equivalents.

Deferred Outflows of Resources increased by $ 0.6 million due to a increase in deferred outflows related to pension liability of $ 300,000 and a $ 300,000 increase in deferred charges in bond refinancing. The deferred outflow related to Other Post Employment Benefit (OPEB) [GASB 75] liability remained equal to 2020.

The College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* as of July 1, 2017. This statement requires entities that provide other postemployment benefits other than pension plans (OPEB) to report a liability for its net liability as well as deferred inflows and outflows of resources related to those other postemployment liabilities. The College's OPEB liability is $ 1.8 million as of June 30, 2021, $ 1.8 million as of June 30, 2020 and $ 1.6 million as of June 30, 2019.

Current liabilities for 2021 increased by $ 41,000 due to fluctuations in Accounts Payable, Deposits held in custody for others, unearned revenue and Current portion of long-term debt. Accounts Payables decreased by $ 514,000 while Deposits held in custody for other increased by $ 624,000. Unearned Revenue saw a decrease of $ 110,000 with Current portions of long-term liabilities increased by $ 41,000.

The noncurrent liabilities decreased by $ 10 million. This was a result of a $ 8.8 million principal pay-down on the College's long-term debt, a $ 2.4 million decrease of proportionate share of net pension liability associated with the Public School Employees' Retirement System (PSERS) and Pennsylvania State Employee's Retirement System (SERS) defined benefit plans and a $ 1.2 million increase in combined accrued vacation and sick pay.

The College adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions,* as of July 1, 2014. This statement requires entities that participate in pension plans to report a liability for its proportionate share of the net pension liability as well as deferred inflows and outflows of resources related to those pension liabilities. The College's proportionate share of net pension liability of the combined PSERS and SERS defined benefit pension plans was $ 27.4 million as of June 30, 2021, $ 29.8 million as of June 30, 2020, and $ 34.7 million as of June 30, 2019. The College's proportionate share of net pension liability from the SERS plan was $ 16.4 million as of June 30, 2021. The PSERS retirement code mandates the Commonwealth of Pennsylvania (Commonwealth) fund 50 percent of the College's retirement expense directly to the plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards, which mandates the College record 50 percent of the net pension liability of the PSERS plan. The College's total PSERS net pension liability is $ 11.0 million, which is equally allocated to the College and Commonwealth.

In addition, a deferred inflow, representing the difference between projected and actual investment earnings for the above net pension liability, was recorded as an increase to total liabilities of $ 2.4 million. See Notes to Financial Statements, Note 10, for additional information.

Net position as of June 30, 2021 increased to $ 182.5 million, from $ 164.7 million as of June 30, 2020. The largest portion of the net position, $ 85.4 million, reflects the College's net investment in capital assets, which showed a $ 700,000 decrease from 2020. The College uses these capital assets to provide services to students and employees and they cannot be easily liquidated for future spending. Therefore, resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities. The Restricted –expendable and Restricted – nonexpendable increased by $ 5.7 million over 2020 due to an increase in the market value of the Foundation endowment. The unrestricted net position balance of $ 55.4 million is available to use for any lawful purpose of the College and the Foundation.

## *STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*

The statement of revenues, expenses, and changes in net position shows the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating.

Operating revenues are those received by the College for directly providing goods and services. Non-operating revenues are those that exclude a direct exchange of goods and services. State and local (school district) appropriations are classified as non-operating revenues since these governmental agencies do not directly receive goods or services for the revenue.

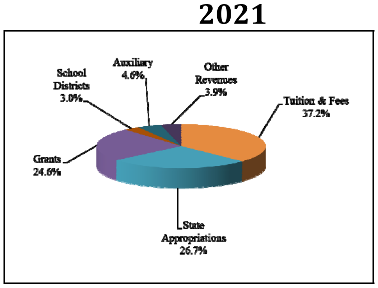
The following is a summarized version of the College's revenues, expenses, and changes in net position for years ending June 30, 2021, 2020 and 2019, as well as graphical representations of revenues and expenses by category.

**Revenues, Expenses and Changes in Net Position**
**(In millions)**

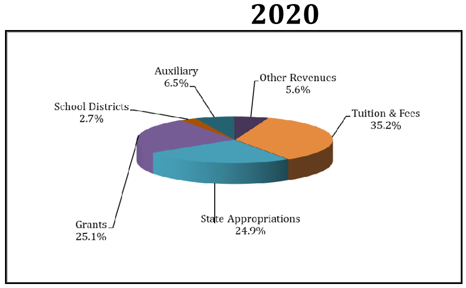
| | 2021 | 2020 | Increase (Decrease) 2021-2020 | 2019 | Increase (Decrease) 2020-2019 |
|---|---|---|---|---|---|
| Operating Revenues | $ 108.6 | $ 112.1 | $ (3.5) | $ 126.0 | $ (13.9) |
| Operating Expenses | 142.4 | 162.9 | (20.5) | 172.3 | (9.4) |
| Operating Income (Loss) | (33.8) | (50.8) | 17.0 | (46.3) | (4.5) |
| Nonoperating Revenues (Net) | 44.1 | 45.7 | (1.6) | 40.7 | 5.0 |
| Net Income (Loss) Before Capital Contributions | 10.3 | (5.1) | 15.4 | (5.6) | 0.5 |
| Capital Contributions | 7.5 | 8.6 | (1.1) | 9.5 | (0.9) |
| Increase (Decrease) in Net Position | $ 17.8 | $ 3.5 | $ 14.3 | $ 3.9 | $ (0.4) |

**Total Operating and Non-Operating Revenues**

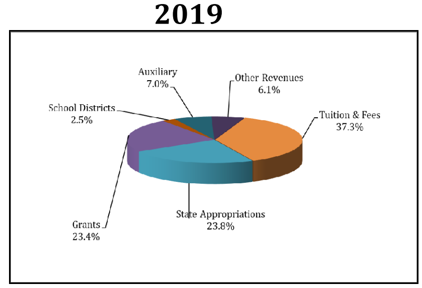
**2021**




**2020**




**2019**




In 2021, operating revenues of $ 108.6 million were $ 3.5 million lower than $ 112.1 million in 2020. In 2021, tuition and fees decreased by $ 7.1 million due to a decrease in student enrollment of 9.4%. Scholarship allowances and discounts decreased by $ 4.6 million resulting in a total tuition and fee decrease of $ 2.5 million. In addition, the College experienced an overall decrease of $ 5.3 million in grants and contracts mainly due to the addition of $ 4.5 million in CARES Act funding, which is offset by decreases of $ 4.3 million in PELL Grants and a $ 1.0 million reduction in PHEAA grants. Auxiliary enterprise revenue decreased by $ 3.8 million, driven by a $ 3.3 million decrease in bookstore revenue and a decrease in food service revenue in Harrisburg campus of $ 450,000 due to the closure of on campus activities in response to COVID 19. Other operating revenues, which includes income from institutional fees decreased by $ 1.2 million, driven by the 9.4% decrease in enrollment. For the

Foundation, contributions remained fairly consistent with 2020. Foundation investment income decreased by $ 180,000 due to decreasing interest rates, while realized and unrealized gains increased by $ 9.4 million due to improved market conditions.

**Tuition Per Credit Hour Comparison**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Sponsored | $ 180.25 | $ 180.25 | $ 180.25 |
| Non Sponsored | 222.00 | 222.00 | 217.00 |
| Out of State | 267.00 | 267.00 | 262.00 |
| Dual Enrolled | 125.00 | 125.00 | 125.00 |
| Veteran | 180.25 | 174.25 | 174.25 |
| College in the High School | 75.00 | 75.00 | 75.00 |

In 2021, operating expenses decreased by $ 20.5 million for a total of $ 142.4 million. Overall labor expenses decreased by $ 11.9 million. Salaries and Wages decreased by $ 9.9 million due to the college wide reorganization efforts and open positions. Fringe benefits cost decreased $ 2.0 million due to college wide reorganization efforts and a decrease to PSERS, SERS and OPEB Liabilities. Professional and Purchased Services increased $ 700,000 in large part due to the college wide reorganization project and other consultants used throughout the College. Scholarships decreased by $ 5.7 million due to the decrease in enrollment and the fact that no additional CARES Act funding was distributed to students in 2021. Supplies and other expenses decreased by $ 3.6 million as a direct result of the switch to remote learning and working remotely due to COVID 19. Depreciation and Amortization and Utilities costs remained consistent with Fiscal Year 2019-20.

Non-operating revenues (expenses) decreased by $ 1.7 million, which includes decreases of $ 900,000 in state appropriations from social security reimbursements and retirement contributions. Federal subsidies increased by $ 1.2 million due to increased spending to support College operations during the continued global pandemic. Local appropriations (school district allocations) remained consistent with 2020 per the sponsorship agreement. Gifts decreased $ 200,000 due to a decrease in private scholarships and investment income decreased $ 1.2 million driven by lower interest rates, while interest expense decreased $1.1 million. There was a loss on sales of assets of $ 1.7 million due to the sale of the Lebanon Campus building to the City of Lebanon.

The total capital contributions for fiscal year 2021 amounted to $ 7.5 million. This was a decrease of $ 1.1 million compared to 2020, which was attributable to a decrease of $ 500,000 in local appropriations per the sponsorship agreement, a decrease of $ 400,000 in state appropriations due to decrease in debt funding per the amortization schedules and an $ 300,000 decrease in Capital Grants and Gifts. On the Foundation side the Capital Contributions to permanent endowments increased by $ 100,000.

The Increase (Decrease) in net position as reported in the Statement of Revenues, Expenses, and Changes in Net Position reflects an overall increase of $ 14.2 million when compared to the Increase (Decrease) in net position reported as of June 30, 2020.

## *STATEMENT OF CASH FLOWS*

The final statement presented by the College is the statement of cash flows. The statement of cash flows presents information about the cash activity of the College identifying the major sources and uses of cash during the year. The following summary shows the College's liquidity as of June 30, 2021 increased $ 2.2 million compared to the prior year's increase of $ 11.3 million. The following is a summary of the statement of cash flows for the years ending June 30, 2021, 2020 and 2019.

**Cash Flows**
**(In millions)**

| | 2021 | 2020 | Increase (Decrease) 2021-2020 | 2019 | Increase (Decrease) 2020-2019 |
|---|---|---|---|---|---|
| Cash Provided (Used) By: | | | | | |
| Operating Activities | $ (60.0) | $ (68.8) | $ 8.8 | $ (69.3) | $ 0.5 |
| Noncapital Financing Activities | 76.90 | 79.00 | (2.10) | 80.70 | (1.70) |
| Capital Financing Activities | (7.80) | (9.90) | 2.10 | (10.20) | 0.30 |
| Investing Activities | (6.90) | 11.00 | (17.90) | 3.60 | 7.40 |
| Net Increase (decrease) in Cash and Cash Equivalents | 2.20 | 11.30 | (9.10) | 4.80 | 6.50 |
| | | | - | | - |
| Cash and Cash Equivalents - Beginning of Year | 66.20 | 54.90 | 11.30 | 50.10 | 4.80 |
| Cash and Cash Equivalents - End of Year | $ 68.4 | $ 66.2 | $ 2.2 | $ 54.9 | $ 11.3 |

## *CAPITAL ASSET AND DEBT ADMINISTRATION*

During the year ending June 30, 2021 the College had capital additions of $ 3.9 million. This included designing and renovating areas of the third floor at the Lebanon campus ($ 446 thousand), purchasing and upgrading computer network switches and replacing telecommunication equipment collegewide ($ 344 thousand), restoring the roof of the McCormick Library at the Harrisburg campus ($ 226 thousand), and updating, repairing, and modifying multiple areas of the Public Safety Center Burn Building at the Harrisburg campus ($ 201 thousand). Other assets include equipment purchases, classroom upgrades, and smaller renovation projects.

The College has several outstanding debt instruments, which were issued to finance various construction projects and other improvements. No new debt was acquired during the year, but the 2011 bond for the purchase of the Lancaster campus was refinanced. These debts, including payment schedules, are fully disclosed in detail within Note 7 of the financial statements.

## *CAPITAL PLAN*

For FY22, the College has several capital projects planned. Significant ongoing work begun prior to the start of FY22 includes planning, designing, and renovating areas of Hall Technology Building, Whitaker Hall, and Midtown I at the Harrisburg campus to receive academic programs formerly located in Midtown II, providing a dental simulation laboratory at the Harrisburg campus, transitioning Banner for the One College model, and updating the ceiling in the Select Medical Education Pavilion to address sound issues. Some larger initiatives planned to begin in FY22 include replacing the roof of the Leader Building on the York Campus, restoring the roof of the Main Building on the Lancaster campus, and purchasing and upgrading computer network switches collegewide. The College plans to issue a bond to finance the capital activities of a Guaranteed Energy Savings Act agreement that will address some of the deferred maintenance across the Harrisburg, Lancaster, and York campuses. Other smaller projects planned across the College include replacing and repairing equipment, improving security and technology, and upgrading/renovating classrooms.

## *ECONOMIC FACTORS THAT WILL IMPACT THE FUTURE*

The College's financial position is closely tied to the economy, the Pennsylvania State budget, and its ability to maintain accreditation. Changes in the economy, unemployment rates in Central Pennsylvania, high school graduating yield rates, competition and retention efforts all have an impact on student enrollment.

HACC is accredited by the Middle States Commission on Higher Education. It was initially accredited in April of 1967. In March 2018, the College was subject to reaffirmation by the Commission. The Commission commended the College for the quality of its self-study process and report and reaffirmed its accreditation on June 21, 2018. The next evaluation visit is scheduled for fiscal year 2026-2027.

State and local funding through annual appropriations remained flat for FY2021. During 2017, the College amended the sponsorship agreement with the local sponsors (school districts) changing their operating support each year based on the PA Act 1 index, from $ 4.0 million in fiscal year 2017-2018 to an estimated $ 4.4 million in fiscal year 2021-2022. In FY2021, local sponsors contributed nearly $ 4.3 million in operating support. The overall contributions were nearly flat compared to the prior year, as the capital contribution was eliminated in FY2020. The College will seek to amend the sponsorship agreement in the coming year as the end of the amended agreement nears.

Throughout FY2021 the higher education landscape continued to experience disruption from the COVID-19 global pandemic. HACC continued to monitor risk through its enterprise risk management program. The tool identifies and manages potential risks and enables the College to seize opportunities that support strategic goals and objectives. As part of that process, HACC had identified market risks back in FY2019 and completed a reorganization of its operations on June 30, 2020 to focus on student needs and to better manage labor costs. The reorganization came at an opportune time as the COVID-19 global pandemic impacted countries around the world and required all higher education institutions to deliver education remotely to students during the spring of 2020. The reorganization included a reduction in the labor force and realignment of departments to be student focused and to increase HACC nimbleness. This change allowed the College to quickly transition to remote learning and continue with mainly remote and virtual courses through all of FY2021.

As part of the reorganization activities over the past two years, the College evaluated and analyzed six core business functions to determine if they should be considered for outsourcing. The goal of the evaluation was to determine if the College could receive the same level, or better, of service from an outside entity at a material savings compared to existing costs. The college completed the last and final evaluation, which was the bookstore, during the fiscal year. Based on the results of a Request for Proposal, it was determined that the College would continue to operate a College-run bookstore.

The College remains focused on student retention and fostering growth through the pursuit of alternative sources of revenue, including funding through grants, major gift campaigns, and partnerships with local businesses, hospitals, and state agencies to meet our ongoing purpose to provide learning for all, learning for life. The College continues to be innovative during these uncertain times caused by the pandemic by reviewing and improving our programs and methods of instruction to our students and strengthening our online course offerings. The College continues to invest in our non-credit offerings through our work force development group to offer programs that help business and industry fill the employee-training gap.

Prior to the pandemic, the College was evaluating how we deliver our services through our campus locations. As a result of those reviews, the College identified several opportunities to sell or lease our real estate and reduce leased space. The College sold its Lebanon campus to the City of Lebanon on June 30, 2021. As part of the agreement, the College leased back approximately one-third of the building for the next five years rent free. The College used a donor's contribution to invest in capital improvements to ensure the leased space was aligned to meet the needs of the campus within the smaller footprint. In addition, the College renovated several academic spaces at the Harrisburg campus and relocated numerous programs from an existing 125,000 square feet leased building. The College has notified the landlord that it will not renew our lease at the termination of the agreement on June 30, 2022. We continue to evaluate and explore options at all locations including the potential sale or lease of other real estate.

During FY2021 the College was awarded federal and state grants through the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), the American Rescue Plan Act (ARP) to assist with the significant disruption caused by the global pandemic. In total, the College will receive $ 72.3 million, with at least $ 27.9 million allocated to emergency financial-aid grants to be distributed directly to HACC students. During FY2021 the College received $ 5.7 million in federal subsidies in support of operations. It is anticipated that the remaining funds will be received over the next two fiscal years as the College seeks to strategically invest the proceeds into enhancing the student experience and improving the College's operations.

Overall, the College's current financial position remains strong as is evident by the 2020-21 financial statements. The improved financial position was affirmed in FY2021 when S&P Global Ratings reaffirmed the College's credit rating of 'A-'. However, the College realizes that the changes introduced by the COVID-19 global pandemic continue to unfold and that it needs to monitor the market and make changes necessary to serve the market and ensure a positive impact on the College's future financial position. The College structure has been aligned to streamline operations, create efficiencies, leverage technology, and eliminate redundancies as evidenced in improving financial position of the College. We are committed to advancing fiscal stability and providing a high quality, low cost education where students come first.

# HARRISBURG AREA COMMUNITY COLLEGE
## Statements of Net Position
## June 30, 2021 and 2020

| | Primary Institution | | Component Unit Foundation | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | $ 64,453,116 | $ 64,360,690 | $ 3,927,348 | $ 1,789,730 | $ 68,380,464 | $ 66,150,420 |
| Restricted cash and cash equivalents | 83,159 | 94,361 | - | - | 83,159 | 94,361 |
| Short-term investments | 22,853,439 | 14,963,598 | - | - | 22,853,439 | 14,963,598 |
| Receivables, net | 9,796,711 | 8,205,435 | 391,538 | 609,936 | 10,188,249 | 8,815,371 |
| Other assets | 855,329 | 673,008 | - | - | 855,329 | 673,008 |
| Inventories | 1,162,791 | 1,659,485 | - | - | 1,162,791 | 1,659,485 |
| Internal balances | 89,363 | 974,817 | (89,363) | (974,817) | - | - |
| Total current assets | 99,293,908 | 90,931,394 | 4,229,523 | 1,424,849 | 103,523,431 | 92,356,243 |
| **Noncurrent Assets** | | | | | | |
| Long-term investments | 7,579,889 | 3,284,281 | 42,973,977 | 38,950,916 | 50,553,866 | 42,235,197 |
| Capital assets not being depreciated | 14,108,725 | 12,086,963 | - | - | 14,108,725 | 12,086,963 |
| Capital assets, net of accumulated depreciation | 165,327,548 | 177,293,440 | - | - | 165,327,548 | 177,293,440 |
| Total noncurrent assets | 187,016,162 | 192,664,684 | 42,973,977 | 38,950,916 | 229,990,139 | 231,615,600 |
| Total assets | 286,310,070 | 283,596,078 | 47,203,500 | 40,375,765 | 333,513,570 | 323,971,843 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | | |
| Deferred outflows related to pension liability | 5,228,101 | 4,886,798 | - | - | 5,228,101 | 4,886,798 |
| Deferred outflows related to OPEB liability | 314,297 | 294,050 | - | - | 314,297 | 294,050 |
| Deferred charge on bond refunding | 1,721,616 | 1,382,064 | - | - | 1,721,616 | 1,382,064 |
| Total deferred outflows of resources | 7,264,014 | 6,562,912 | - | - | 7,264,014 | 6,562,912 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 293,574,084 | $ 290,158,990 | $ 47,203,500 | $ 40,375,765 | $ 340,777,584 | $ 330,534,755 |
| **LIABILITIES** | | | | | | |
| **Current Liabilities** | | | | | | |
| Accounts payable and accrued expenses | $ 13,436,029 | $ 13,949,735 | $ - | $ - | $ 13,436,029 | $ 13,949,735 |
| Deposits held in custody for others | 3,327,346 | 2,703,362 | - | - | 3,327,346 | 2,703,362 |
| Unearned revenue | 3,750,488 | 3,861,094 | - | - | 3,750,488 | 3,861,094 |
| Current portion of long-term liabilities | 10,491,267 | 10,449,392 | - | - | 10,491,267 | 10,449,392 |
| Total current liabilities | 31,005,130 | 30,963,583 | - | - | 31,005,130 | 30,963,583 |
| **Noncurrent Liabilities** | | | | | | |
| Long-term liabilities | 91,745,969 | 99,339,453 | - | - | 91,745,969 | 99,339,453 |
| Net pension liability | 27,428,793 | 29,752,158 | - | - | 27,428,793 | 29,752,158 |
| OPEB liability | 1,747,205 | 1,770,931 | - | - | 1,747,205 | 1,770,931 |
| Total noncurrent liabilities | 120,921,967 | 130,862,542 | - | - | 120,921,967 | 130,862,542 |
| Total liabilities | 151,927,097 | 161,826,125 | - | - | 151,927,097 | 161,826,125 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | |
| Deferred inflows related to pension liability | 5,920,747 | 3,568,280 | - | - | 5,920,747 | 3,568,280 |
| Deferred inflows related to OPEB liability | 437,610 | 437,987 | - | - | 437,610 | 437,987 |
| Total deferred inflows of resources | 6,358,357 | 4,006,267 | - | - | 6,358,357 | 4,006,267 |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 85,401,311 | 86,124,531 | - | - | 85,401,311 | 86,124,531 |
| Restricted - expendable | - | - | 15,278,918 | 13,708,930 | 15,278,918 | 13,708,930 |
| Restricted - nonexpendable | - | - | 26,439,550 | 22,323,982 | 26,439,550 | 22,323,982 |
| Unrestricted | 49,887,319 | 38,202,067 | 5,485,032 | 4,342,853 | 55,372,351 | 42,544,920 |
| Total net position | 135,288,630 | 124,326,598 | 47,203,500 | 40,375,765 | 182,492,130 | 164,702,363 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | $ 293,574,084 | $ 290,158,990 | $ 47,203,500 | $ 40,375,765 | $ 340,777,584 | $ 330,534,755 |

# HARRISBURG AREA COMMUNITY COLLEGE
## Statements of Revenues, Expenses and Changes in Net Position
## Years Ended June 30, 2021 and 2020

| | Primary Institution | | Component Unit Foundation | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **REVENUES** | | | | | | |
| Operating Revenues | | | | | | |
| Student tuition and fees | $ 67,467,256 | $ 74,589,912 | $ - | $ - | $ 67,467,256 | $ 74,589,912 |
| Scholarship allowance and discounts | (14,441,091) | (19,024,672) | - | - | (14,441,091) | (19,024,672) |
| Federal grants | 23,802,681 | 27,899,257 | - | - | 23,802,681 | 27,899,257 |
| State and local grants | 5,635,296 | 6,832,655 | - | - | 5,635,296 | 6,832,655 |
| Sales and services of auxiliary enterprises | 6,512,409 | 10,254,571 | - | - | 6,512,409 | 10,254,571 |
| Other operating revenues | 9,505,927 | 10,714,712 | - | - | 9,505,927 | 10,714,712 |
| Contributions | - | - | 994,514 | 1,014,619 | 994,514 | 1,014,619 |
| Investment income, net of investment expenses | - | - | 750,868 | 953,686 | 750,868 | 953,686 |
| Realized and unrealized gains (losses) on investments | - | - | 8,331,793 | (1,123,219) | 8,331,793 | (1,123,219) |
| Total operating revenues | 98,482,478 | 111,266,435 | 10,077,175 | 845,086 | 108,559,653 | 112,111,521 |
| **EXPENSES** | | | | | | |
| Operating Expenses | | | | | | |
| Salaries and wages | 63,910,756 | 73,572,073 | 608,213 | 843,792 | 64,518,969 | 74,415,865 |
| Benefits and payroll taxes | 25,657,447 | 27,578,771 | 255,491 | 360,494 | 25,912,938 | 27,939,265 |
| Supplies and other expense | 18,311,806 | 22,009,766 | 180,707 | 83,244 | 18,492,513 | 22,093,010 |
| Professional and purchased services | 4,920,302 | 4,175,867 | 97,046 | 104,779 | 5,017,348 | 4,280,646 |
| Utilities | 2,932,135 | 3,026,857 | - | - | 2,932,135 | 3,026,857 |
| Depreciation and amortization | 11,934,312 | 11,851,128 | - | - | 11,934,312 | 11,851,128 |
| Scholarships | 13,590,414 | 19,302,104 | - | - | 13,590,414 | 19,302,104 |
| Total operating expenses | 141,257,172 | 161,516,566 | 1,141,457 | 1,392,309 | 142,398,629 | 162,908,875 |
| Operating income (loss) | (42,774,694) | (50,250,131) | 8,935,718 | (547,223) | (33,838,976) | (50,797,354) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | | | |
| Federal subsidies | 5,695,499 | 4,541,312 | - | - | 5,695,499 | 4,541,312 |
| State appropriations | 38,104,044 | 38,963,402 | - | - | 38,104,044 | 38,963,402 |
| Local appropriations | 4,236,788 | 4,198,765 | - | - | 4,236,788 | 4,198,765 |
| Gifts | 500,019 | 733,814 | - | - | 500,019 | 733,814 |
| Gain (loss) on sale of assets | (1,738,815) | (25,552) | - | - | (1,738,815) | (25,552) |
| Investment income, net of investment expenses | 87,192 | 1,210,609 | - | - | 87,192 | 1,210,609 |
| Interest expense | (2,801,357) | (3,898,757) | - | - | (2,801,357) | (3,898,757) |
| Total non-operating revenues, net | 44,083,370 | 45,723,593 | - | - | 44,083,370 | 45,723,593 |
| Net gain (loss) before capital contributions, additions to permanent endowments and transfers | 1,308,676 | (4,526,538) | 8,935,718 | (547,223) | 10,244,394 | (5,073,761) |
| **CAPITAL CONTRIBUTIONS, ADDITIONS TO PERMANENT ENDOWMENTS AND TRANSFERS** | | | | | | |
| Capital appropriations - local sources | - | 500,000 | - | - | - | 500,000 |
| Capital appropriations - state sources | 6,966,830 | 7,346,858 | - | - | 6,966,830 | 7,346,858 |
| Capital grants and gifts | 380,777 | 687,533 | - | - | 380,777 | 687,533 |
| Contributions to permanent endowments | - | - | 197,766 | 67,257 | 197,766 | 67,257 |
| Transfers in | 3,169,453 | 3,264,712 | 863,704 | 1,206,877 | 4,033,157 | 4,471,589 |
| Transfers out | (863,704) | (1,206,877) | (3,169,453) | (3,264,712) | (4,033,157) | (4,471,589) |
| Total Capital Contributions, Additions to Permanent Endowments and Transfers | 9,653,356 | 10,592,226 | (2,107,983) | (1,990,578) | 7,545,373 | 8,601,648 |
| Change in net position | 10,962,032 | 6,065,688 | 6,827,735 | (2,537,801) | 17,789,767 | 3,527,887 |
| Net position - beginning of year | 124,326,598 | 118,260,910 | 40,375,765 | 42,913,566 | 164,702,363 | 161,174,476 |
| Net position - end of year | $ 135,288,630 | $ 124,326,598 | $ 47,203,500 | $ 40,375,765 | $ 182,492,130 | $ 164,702,363 |

# HARRISBURG AREA COMMUNITY COLLEGE
## Statements of Cash Flows
## Years Ended June 30, 2021 and 2020

| | Primary Institution | | Component Unit Foundation | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Payments received for tuition and fees | $ 51,823,771 | $ 56,632,317 | $ - | $ - | $ 51,823,771 | $ 56,632,317 |
| Payments received from auxiliary enterprise charges | 6,529,093 | 10,275,017 | - | - | 6,529,093 | 10,275,017 |
| Payments received from other revenues | 9,616,251 | 10,594,849 | 1,224,338 | 1,322,890 | 10,840,589 | 11,917,739 |
| Payments to and on behalf of employees | (89,688,942) | (99,981,392) | - | - | (89,688,942) | (99,981,392) |
| Payments to suppliers for goods and services | (24,967,253) | (28,563,466) | (960,188) | (136,204) | (25,927,441) | (28,699,670) |
| Payments for financial aid and scholarships | (13,590,414) | (19,020,075) | - | - | (13,590,414) | (19,020,075) |
| Net cash provided (used) by operating activities | (60,277,494) | (70,062,750) | 264,150 | 1,186,686 | (60,013,344) | (68,876,064) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Grants and contracts | 33,627,690 | 37,214,563 | - | - | 33,627,690 | 37,214,563 |
| State appropriations | 38,390,858 | 36,937,336 | - | - | 38,390,858 | 36,937,336 |
| Local appropriations | 4,347,616 | 4,136,607 | - | - | 4,347,616 | 4,136,607 |
| Gifts received | 605,328 | 763,841 | - | - | 605,328 | 763,841 |
| Transfer to/(from) other funds | 3,191,203 | 2,310,475 | (3,191,203) | (2,310,475) | - | - |
| Net cash provided (used) by noncapital financing activities | 80,162,695 | 81,362,822 | (3,191,203) | (2,310,475) | 76,971,492 | 79,052,347 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | | | | | |
| State and local appropriations | 6,966,830 | 7,846,858 | - | - | 6,966,830 | 7,846,858 |
| Capital grants and gifts received | 380,777 | 661,681 | - | - | 380,777 | 661,681 |
| Purchases of capital assets | (5,132,289) | (5,015,060) | - | - | (5,132,289) | (5,015,060) |
| Proceeds from sale of capital assets | 2,200,500 | 443,961 | - | - | 2,200,500 | 443,961 |
| Capital debt refinancing payment | - | 18,474 | - | - | - | 18,474 |
| Proceeds from capital debt | 33,593,164 | - | - | - | 33,593,164 | - |
| Principal paid on debt and capital leases | (41,794,148) | (9,623,801) | - | - | (41,794,148) | (9,623,801) |
| Interest paid on debt and capital leases | (3,979,707) | (4,221,869) | - | - | (3,979,707) | (4,221,869) |
| Net cash provided (used) by capital financing activities | (7,764,873) | (9,889,756) | - | - | (7,764,873) | (9,889,756) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Purchase of investments | (43,488,774) | (50,480,447) | 4,308,732 | 309,180 | (39,180,042) | (50,171,267) |
| Proceeds from sale/maturities of investments | 31,303,325 | 58,949,417 | - | - | 31,303,325 | 58,949,417 |
| Investment income | 146,345 | 1,318,998 | 755,939 | 965,613 | 902,284 | 2,284,611 |
| Net cash provided (used) by investing activities | (12,039,104) | 9,787,968 | 5,064,671 | 1,274,793 | (6,974,433) | 11,062,761 |
| Increase(decrease) in cash and cash equivalents | 81,224 | 11,198,284 | 2,137,618 | 151,004 | 2,218,842 | 11,349,288 |
| Cash and cash equivalents - beginning of year | 64,455,051 | 53,256,767 | 1,789,730 | 1,638,726 | 66,244,781 | 54,895,493 |
| Cash and cash equivalents - end of year | $ 64,536,275 | $ 64,455,051 | $ 3,927,348 | $ 1,789,730 | $ 68,463,623 | $ 66,244,781 |
| **AS REPORTED ON STATEMENT OF NET POSITION** | | | | | | |
| Cash and cash equivalents | $ 64,453,116 | 64,360,690 | $ 3,927,348 | $ 1,789,730 | $ 68,380,464 | $ 66,150,420 |
| Restricted cash and cash equivalents | 83,159 | 94,361 | - | - | 83,159 | 94,361 |
| Total cash and cash equivalents | $ 64,536,275 | $ 64,455,051 | $ 3,927,348 | $ 1,789,730 | $ 68,463,623 | $ 66,244,781 |

# HARRISBURG AREA COMMUNITY COLLEGE
## Statements of Cash Flows (Continued)
## Years Ended June 30, 2021 and 2020

| | Primary Insitution | | Component Unit Foundation | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES** | | | | | | |
| Operating (loss) | $ (42,774,694) | $ (50,250,131) | $ 8,935,718 | $ (547,223) | $ (33,838,976) | $ (50,797,354) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | | | | | |
| Depreciation and amortization | 11,934,312 | 11,851,128 | - | - | 11,934,312 | 11,851,128 |
| Grants classified as operating revenues | (29,437,977) | (34,732,613) | - | - | (29,437,977) | (34,732,613) |
| Miscellaneous nonoperating revenues | - | 1,991,000 | - | | - | 1,991,000 |
| Investment income | - | - | (750,868) | (953,686) | (750,868) | (953,686) |
| Realized and unrealized (gains) losses on investments | - | - | (8,331,793) | 1,123,219 | (8,331,793) | 1,123,219 |
| Contributions to permanent endowments | - | - | 197,766 | 67,257 | 197,766 | 67,257 |
| Transfers to/(from) other funds | - | (1,206,877) | - | 1,206,877 | - | - |
| (Increase) Decrease in: | | - | | | | |
| Accounts receivable | (259,358) | 662,413 | 213,327 | 285,453 | (46,031) | 947,866 |
| Inventory | 496,694 | 424,019 | - | - | 496,694 | 424,019 |
| Other assets | (173,913) | (42,416) | - | 4,789 | (173,913) | (37,627) |
| Increase (Decrease) in: | | | | | | |
| Unearned revenue | (484,946) | 321,445 | - | - | (484,946) | 321,445 |
| Accounts payable and accrued expenses | (1,185,999) | 1,589,332 | | - | (1,185,999) | 1,589,332 |
| Compensated absences | 1,340,954 | (1,622,436) | - | - | 1,340,954 | (1,622,436) |
| Other postemployment benefits | (44,343) | 81 | - | - | (44,343) | 81 |
| Net pension liability and related items | (312,208) | 748,329 | - | - | (312,208) | 748,329 |
| Deposits held in custody for others | 623,984 | 203,976 | - | - | 623,984 | 203,976 |
| Net cash provided (used) by operating activities | $ (60,277,494) | $ (70,062,750) | $ 264,150 | $ 1,186,686 | $ (60,013,344) | $ (68,876,064) |
| **NONCASH INVESTING, CAPITAL AND NONCAPITAL FINANCING TRANSACTIONS** | | | | | | |
| Capital gifts of equipment and buildings | $ 58,000 | $ 25,852 | $ - | $ - | $ 58,000 | $ 25,852 |
| Transfers of salaries, benefits, professional services, and other in-kind contributions | $ (863,704) | $ (1,206,877) | $ 863,704 | $ 1,206,877 | $ - | $ - |
| Unrealized gains (losses) on investments | $ (79,556) | $ (228,140) | | | $ (79,556) | $ (228,140) |

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Organization*

The Harrisburg Area Community College (the "College") is a public comprehensive, two year, co-educational institution, which commenced operations in 1964 under the provisions of the Community College Act of 1963. Campuses are located in Gettysburg, Harrisburg, Lancaster, Lebanon, and York, Pennsylvania. The College is accredited by the Middle States Association of College and Secondary Schools.

### *Basis of Presentation*

The financial statements of the College have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), providing a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, and changes in net position and cash flows.

The College's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All activities of the College are accounted for within a single proprietary (enterprise) fund and are classified as a business-type activity. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received. All intercompany accounts and transactions have been eliminated.

### *Reporting Entity*

GASB provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The Harrisburg Area Community College Foundation (the "HACC Foundation" or "Foundation") is included in the College's financial statements as a component unit due to the oversight responsibility of the College in accordance with GASB standards. The criteria used in determining oversight responsibility include financial interdependency, ability to appoint members of the governing body, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Reporting Entity (Continued)*

In accordance with the provisions of the GASB, the HACC Foundation is shown as a blended component unit due primarily to the fact that it was organized for the purpose of receiving gifts and grants and to distribute the available funds to, or for the benefit of, the College and the Foundation's Board of Directors is appointed by the College Board of Trustees. Substantially all of HACC Foundation's expenses for scholarships and capital grants are reported as transfers between the entities in these financial statements. The blended financial statements include activity of both entities in the "total" columns but have separate columns for the activity of the College and the Foundation in order to provide a more comprehensive and informational presentation.

### *Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The College's activity is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with operations are included on the balance sheet. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is segregated into net investment of capital assets, restricted and unrestricted elements.

The College records tuition; all academic, instructional, and other student fees; student financial aid; and auxiliary activity, as operating revenue. In addition, governmental grants in which the grantor receives equal value for the funds given to the College are recorded as operating revenue. All expenses, with the exception of interest expense, loss on the sale of investments, and loss on the disposal of assets are recorded as operating expenses. Appropriations, gifts, interest income, capital grants, gain on the sale of investments, gains on the disposal of assets, and governmental grants in which the grantor does not receive equal value for the funds given to the College are reported as nonoperating revenue or other revenue.

### *Net Position*

Net position is classified in the following categories:

**Net Investment in capital assets** – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, accounts payable and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted expendable** - This includes net position whose use is limited by donor-imposed stipulations that can be removed by the passage of time or action of the HACC Foundation pursuant to those stipulations. For the College, this also includes constraints imposed by creditors, grantors, or laws or regulations.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Net Position (Continued)*

**Restricted nonexpendable** - This includes net position whose use is limited by donor-imposed stipulations that cannot be removed by the passage of time or action of the HACC Foundation.

**Unrestricted** – This category of net position is the amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position represents resources derived from student tuition and fees, state and local appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the entities and may be used at the discretion of the entities to meet current expenses for any purpose.

**Use of restricted net position -** The entities have not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the entities attempt to utilize restricted funds first when practicable.

### *Management's Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

These include cash on hand, demand deposits, money market funds, certificates of deposit with an original maturity of less than ninety days, and, in accordance with GASB pronouncements, short-term pooled investments in the PSDLAF. For purposes of the statement of net position, the entities consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

### *Restricted Cash and Cash Equivalents*

Restricted cash consists of unspent bond proceeds which are designated to be used for the specific projects that were funded by the bonds.

### *Investments*

Investments are reported at fair value based on quoted market prices. Certificates of deposit with an original maturity of greater than ninety days are considered investments.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Total Return Policy - HACC Foundation*

The Foundation follows PA Act 141, "Investment of Trust Funds," and has adopted a total return policy for its permanently restricted (nonexpendable) endowment funds. Based on the PA Act 141 guidelines, the policy has been set into place where income for permanently restricted (nonexpendable) funds has been redefined to mean a percentage of the value of the trust. This percentage is determined annually by the Foundation Board and applied to the previous three years' average of the market value of the trust as a whole. The percentage must legally fall within the range of 2% to 7% and was approved to be 3% for the year ended June 30, 2021, and 4% for the year ended June 30, 2020. Actual investment return, net of the spending policy amount, is added back to the permanently restricted (nonexpendable) corpus. The purpose of this policy is to smooth out the spending of the funds while maintaining the long-term preservation of the fund as a whole under the assumption that in the long run, the actual income and growth of the fund will be greater than the spending of the fund.

### *Inventories*

Inventories are stated at the lower of cost or market, cost being determined using the first-in, first-out method (FIFO).

### *Capital Assets*

Buildings and improvements are stated at cost less accumulated depreciation. Equipment is stated at estimated historical cost (based on an appraisal done July 1, 1999, plus actual costs for subsequent purchases) less accumulated depreciation. The College provides for depreciation on the straight-line method over the estimated useful lives of the related assets as shown below. All assets with a purchased cost, or acquisition value if acquired by gift, in excess of $ 5,000 with an estimated useful life in excess of one year is capitalized. Interest costs related to construction are expensed as incurred, effective July 1, 2018. Normal repair and maintenance expenses are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

| Asset Type | Useful Life in Years |
|---|---|
| Buildings | 45 |
| Land improvements | 20 |
| Equipment | 5 - 20 |
| Furniture | 20 |

### *Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Deferred Outflows and Inflows of Resources (Continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College's deferred inflows of resources consist of various amounts related to pension and OPEB liabilities. These amounts will be amortized in future periods.

### *Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using either the effective interest method or the straight-line method (which approximates the effective interest method). Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance costs are reported as other assets and amortized over the term of the related debt.

### *Income Taxes*

The College is considered an activity of the Commonwealth of Pennsylvania and is tax-exempt. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The HACC Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. HACC Foundation files Form 990, "Return of Organization Exempt from Income Tax".

### *Compensated Absences*

Liability for compensated absences is accounted for in accordance with generally accepted accounting principles, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned, and payment becomes probable.

The College's full-time employees earn up to a maximum of twenty vacation leave days per year and are entitled to compensation for accumulated, unpaid vacation leave upon termination up to a maximum of forty days. Full-time employees also earn up to 12 sick leave days per year and are entitled to compensation for accumulated unpaid sick leave upon retirement. The maximum payout is for 45 sick days.

The estimate of the liability for the accumulated unpaid sick leave has been calculated using the vesting method. Under that method, the College has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the College, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense incurred for vacation leave and sick leave is recorded as a component of fringe benefits and payroll taxes on the statement of revenues, expenses, and changes in net position.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Classification of Revenues*

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

**Operating Revenues -** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most Federal, state, local, and nongovernmental grants and contracts; and (4) sales and service of educational activities.

**Nonoperating Revenues -** Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the College receives value without directly giving equal value in return), such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as federal subsidies, state and local appropriations and investment income.

**Capital Contributions, Additions to Permanent Endowments and Transfers -** These include activities that have the characteristics of non-exchange transactions, such as contributions for capital purposes, permanently restricted contributions (nonexpendable), and transfers between the College and Foundation.

### *Accounts Receivable*

College accounts receivable relate to transactions involving student tuition and fee billings for semesters in which services are provided, governmental appropriations, grants and contracts, financial aid, and other miscellaneous transactions. Foundation accounts receivable represent contributions receivable, net of an allowance for uncollectible accounts.

### *Allowance for Doubtful Accounts*

It is the College's policy to provide an estimate for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant and loan balances, the historical collectability experienced by the College on such balances and such other factors which, in the College's judgment, require consideration in estimating doubtful accounts.

The Foundation provides an allowance based on prior years' experience and management's analysis of specific promises made.

### *Scholarship Allowances*

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Scholarship Allowances (Continued)*

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 the Federal Direct Loan Program (FDLP) 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 either operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense 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-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

### *Pension Plans*

Employees of the College are provided pension benefits through one of three available multiple-employer retirement plans. The College follows the provisions of GASB standards for the measurement, recognition, and display of the net pension liability, deferred outflows and inflows of resources, pension expense, and note disclosures associated with their proportionate share of the pension plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and Pennsylvania State Employees' Retirement System (SERS) and additions to/deductions from PSERS's and SERS's fiduciary net position have been determined on the same basis as they are reported by PSERS and SERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Other Postemployment Benefits Other Than Pension*

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The College's other postemployment benefits are accounted for in accordance with these standards.

#### College Health Care Plan

The College provides postemployment benefits by permitting retired employees the ability to participate in the single employer defined benefit other postemployment benefit (OPEB) plan at the same premium rate, albeit 100% paid for by the retirees. Consequently, the College is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Other Postemployment Benefits Other Than Pension (Continued)*

**PSERS Health Insurance Premium Assistance Program**

The College also participates in governmental cost sharing multiple-employer OPEB plan with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Reclassifications*

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

### *Risks and Uncertainties*

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shutdowns of operations for some businesses and created many economic uncertainties. These uncertainties include but are not limited to disruption of the College's revenue sources derived from the ability of students to pay for services provided. In addition, these uncertainties include but are not limited to the disruption of the Foundation's income levels of contributions, and number of contributions. These events could impact the entities financial investment market conditions and operating results. However, the financial impact and duration cannot be reasonably estimated at this time.

## NOTE 2 DEPOSITS AND INVESTMENTS

The College authorizes the following investment instruments which are allowable under Pennsylvania Law:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Repurchase agreements whose underlying purchased securities consist of the U.S. Treasury obligations or U.S. government agency and instrumentality obligations as outlined above;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Bankers' acceptances;
- Commercial paper;

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

- Shares of a portfolio of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933; provided that all of the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.
- Shares of a portfolio of a local government investment pool, either state-administered or developed through State Law, also known as the Intergovernmental Cooperation Act, provided that the following are met: (a) the only investments of that portfolio are in the authorized investments listed above, (b) the portfolio is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds); and (c) the portfolio is rated in the highest category by a nationally recognized rating agency.

The Foundation is not restricted by any outside parties regarding the types of investments it may invest in. However, the Foundation does have an investment policy, which allows for investments in stock (domestic and foreign), fixed income securities, commercial real estate securities, private equity securities, hedge funds, commodities, and cash.

### *Custodial Credit Risk – Deposits and Investments*

Custodial credit risk is the risk that in the event of a bank failure, the College's or the Foundation's deposits may not be returned. The College and the Foundation have separate deposits and therefore have separate credit risk. Neither the College nor the Foundation has a written policy for custodial credit risk. As of June 30, 2021, $ 16,810,952 of the College's bank balance of $ 63,778,478 was exposed to custodial credit risk but collateralized under Pennsylvania Act 72. As of June 30, 2020, $ 14,052,209 of the College's bank balance of $ 52,088,501 was exposed to custodial credit risk but collateralized under Pennsylvania Act 72. Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets.

Included in the totals above is a non-negotiable certificate of deposit (CD) in the amount of $ 534,373. This CD had an original maturity greater than 90 days and is classified as investments in the financial statements.

Based on the standards outlined in Act 72, the various banks utilized by the College have pledged collateral on a pooled basis on behalf of the College and all other governmental depositors in the respective financial institutions.

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### *Custodial Credit Risk – Deposits and Investments (Continued)*

As of June 30, 2021, $ 238,887 of the Foundation's bank balance of $ 488,887 was exposed to custodial credit risk, all of which was uninsured and uncollateralized. As of June 30, 2020, $ 146,136 of the Foundation's bank balance of $ 396,136 was exposed to custodial credit risk, all of which was uninsured and uncollateralized. In addition, the Foundation has investments of $ 46,410,991 and $ 40,344,470 as of June 30, 2021 and 2020, respectively, which are exposed to custodial credit risk because the investments are held on behalf of the Foundation by an investment manager, not in the name of the Foundation. All of these investments are uninsured and uncollateralized.

### *Credit Risk - Investments*

Credit risk is the risk that an issuer of debt securities or other counterparty to an investment will not fulfill its obligations.

Included on the statement of net position of the College are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of $ 535,548 and $ 535,497 (classified as cash equivalents) at June 30, 2021 and 2020, respectively. These funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of $ 1 per share. Portfolio securities are valued at amortized cost, which approximates market value. At June 30, 2021 and 2020, the College's investment in PSDLAF was rated AAAm by Standard and Poor's.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pool which is governed by the PSDLAF Board of Trustees. The College's investment in PSDLAF is valued at amortized cost, which approximates fair value and is determined by the pools' share price.

The College has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

In addition to PSDLAF, the College also invests in brokered certificates of deposit, municipal bonds, commercial paper, US Treasury obligations, and agency bonds. At June 30, 2021, the College's agency bonds were rated AAA and the College's commercial paper were rated P-1 by Moody's. The remaining instruments were unrated or the credit quality rating unavailable.

As of June 30, 2021, the Foundation's investments were rated as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **S+P Credit Quality Rating** | **Fair Value** | **S+P Credit Quality Rating** |
| Stocks, options, and ETF's | $ 22,359,854 | N/A | $ 17,193,648 | N/A |
| Fixed income securities | 3,377,102 | AAA to BBB- | 2,951,908 | AAA to BBB- |
| Mutual funds | 20,674,035 | N/A | 20,198,914 | N/A |
| | $ 46,410,991 | | $ 40,344,470 | |

The Foundation's investment policy limits fixed income securities to investment grade bonds.

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### *Interest Rate Risk - Investments*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments in PSDLAF are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

As of June 30, 2021, the College had the following investments subject to interest rate risk:

| | | Investment Maturities (in Years) | | |
|---|---|---|---|---|
| | Fair Value | Less than 1 | 1-5 | 6-10 |
| Brokered certificates of deposit | $ 6,047,186 | $ 2,373,337 | $ 3,673,849 | $ - |
| Commercial paper | 14,580,707 | 14,580,707 | - | - |
| Mutual funds | 621,369 | 621,369 | - | - |
| Municipal bonds | 1,200,000 | - | - | 1,200,000 |
| US Treasury obligations | 3,570,622 | 1,398,954 | 2,171,668 | - |
| Agency bonds | 4,500,440 | 4,500,440 | - | - |
| | $ 30,520,324 | $ 23,474,807 | $ 5,845,517 | $ 1,200,000 |

As of June 30, 2021, the Foundation had the following investments subject to interest rate risk:

| | | | Investment Maturities (in Years) | | |
|---|---|---|---|---|---|
| | Fair Value | Less than 1 | 1-5 | 6-10 | Thereafter |
| Fixed income securities | $ 3,377,102 | $ - | $ 384,862 | $ 1,167,539 | $ 1,824,701 |

The College's and the Foundation's investment policies do not place limits on investment maturities.

### *Concentrations of Credit Risk - Investments*

At June 30, 2021, the following investment was in excess of 5% of the College's investments: Federal Home Loan Bank (14.25%), Cedar Springs Capital commercial paper (9.27%), Industrial and Commercial Bank China commercial paper (9.17%), Agricultural Bank China commercial paper (8.91%), Chesham Financial commercial paper (7.98%), and Sinopec Century America commercial paper (6.53%).

### *Market Risks*

The entities invest in various investment securities, which are exposed to various risks, such as interest rate, market, currency 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 changes could be material.

In addition, economic uncertainty and market events as a result of COVID-19 pandemic and other market forces have led to unprecedented volatility in currency, commodity, credit and equity markets. These events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the Foundation's investment securities.

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### *Investments – Fair Value Measurements*

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the Statement of Net Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

### *Brokered Certificates of Deposit*

The fair value of brokered certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. Such investments are classified within Level 2 of the valuation hierarchy.

### *Commercial Paper*

Commercial paper consists of various corporations. These investments are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable to maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

### *Municipal Bonds*

The fair value of municipal bonds is estimated using similar bonds available on the open market. Such investments are generally classified as Level 2 of the valuation hierarchy.

### *Equity Securities and Mutual Funds*

Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. The Foundation's interests in mutual funds are categorized by type as equity, fixed income, or alternative investments. Such securities are classified within Level 1 of the valuation hierarchy.

### *Government Obligations and Corporate Bonds*

Government obligations consisting of U.S. Treasury bonds and notes, agency securities, mortgage-backed securities and corporate debt obligations consisting of bonds are generally valued at the most recent price of the equivalent quotes yield for such securities, or those comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### *Agency Bonds*

Agency Bonds consisting of Federal Home Loan Bank are generally valued at the most recent price of the equivalent quotes yield for such securities, or those of comparable maturity, quality, and type. Such investments are generally classified as Level 2 of the valuation hierarchy.

The following table sets forth by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of June 30, 2021 and 2020:

| | 2021 | | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **College:** | | | | |
| Brokered certificates of deposit | $ 6,047,186 | $ - | $ 6,047,186 | $ - |
| Commercial paper | 14,580,707 | - | 14,580,707 | - |
| Mutual funds | 621,369 | 621,369 | - | - |
| Municipal bonds | 1,200,000 | - | 1,200,000 | - |
| US Treasury obligations | 3,570,622 | - | 3,570,622 | - |
| Agency bonds | 4,500,440 | - | 4,500,440 | - |
| **Foundation:** | | | | |
| Mutual funds | 20,674,035 | 20,674,035 | - | - |
| Equities | 22,359,854 | 22,359,854 | - | - |
| US Government obligations | 1,115,304 | - | 1,115,304 | - |
| US Treasury bonds | 417,902 | - | 417,902 | |
| Municipal bonds | 277,048 | - | 277,048 | - |
| Corporate bonds | 1,566,848 | - | 1,566,848 | - |
| Total investments by fair value category | $ 76,931,315 | $ 43,655,258 | $ 33,276,057 | $ - |

| | 2020 | | | |
|---|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **College:** | | | | |
| Brokered certificates of deposit | $ 9,311,512 | $ - | $ 9,311,512 | $ - |
| Commercial paper | 6,090,564 | - | 6,090,564 | - |
| Mutual funds | 12,247,167 | 12,247,167 | | |
| Municipal bonds | 2,320,072 | - | 2,320,072 | - |
| **Foundation:** | | | | |
| Mutual funds | 20,198,914 | 20,198,914 | - | - |
| Equities | 17,193,648 | 17,193,648 | - | - |
| US Government obligations | 990,367 | - | 990,367 | - |
| Fixed income exchange traded funds | 331,883 | - | 331,883 | - |
| Foreign bonds | 262,853 | - | 262,853 | |
| Corporate bonds | 1,366,805 | - | 1,366,805 | - |
| Total investments by fair value category | $ 70,313,785 | $ 49,639,729 | $ 20,674,056 | $ - |

## NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

| | College | | HACC Foundation | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Student Tuition and fees | $ 5,525,380 | $ 5,434,925 | $ - | $ - | $ 5,525,380 | $ 5,434,925 |
| Allowance for doubtful accounts | (1,228,000) | (1,456,000) | - | - | (1,228,000) | (1,456,000) |
| Grants and contracts receivable | 4,630,283 | 2,841,559 | - | - | 4,630,283 | 2,841,559 |
| State appropriations receivable | 566,437 | 852,856 | - | - | 566,437 | 852,856 |
| Other receivables | 302,611 | 532,095 | 54,931 | 60,002 | 357,542 | 592,097 |
| Contributions receivable (net of discount) | - | - | 484,617 | 607,103 | 484,617 | 607,103 |
| Allowance for doubtful accounts | - | - | (148,010) | (57,169) | (148,010) | (57,169) |
| Total | $ 9,796,711 | $ 8,205,435 | $ 391,538 | $ 609,936 | $ 10,188,249 | $ 8,815,371 |

Contributions receivable of the Foundation, representing donor promises to give, have been discounted to their present value assuming their respective terms and a discount rate of 0.29% - 2.73% at June 30, 2021 and 2020. In addition to the contributions receivable noted above, the Foundation also has pledges outstanding for permanently restricted (nonexpendable) endowments that are not reflected in these financial statements. In accordance with GASB standards, contributions are considered voluntary nonexchange transactions which are not recorded as receivable and revenue until all eligibility requirements are met. In the case of contributions where the principal amount must be maintained in perpetuity, the time eligibility requirement related to permanently holding the assets cannot be met until the assets are received. Therefore, receivables are not recorded for these transactions and revenues are not recorded until assets are received. The amount of permanently restricted (nonexpendable) pledges, net of allowance, that are being maintained and tracked internally are $ 42,595 as of June 30, 2021 and $ 33,793 as of June 30, 2020.

## NOTE 4 ENDOWMENTS

The Foundation's endowments consist of individual funds established to provide scholarships and benefits for students of Harrisburg Area Community College. The endowments include both donor-restricted endowment funds and funds designated by the Foundation to function as an endowment. Net position associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported as unrestricted, restricted expendable, or restricted nonexpendable net position based on the existence or absence of donor-imposed restrictions. The classification is based on the Board's interpretation of Pennsylvania's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Foundation, the purpose of any donor restrictions, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments and other resources.

## NOTE 4 ENDOWMENTS (CONTINUED)

The Board of Directors annually makes a determination of the level of funding that will be provided to the Foundation. The Board has the ability to provide funding from the annual investment income and has established a policy of receiving distributions equal to 3% and 4% for the years ended June 30, 2021 and 2020, respectively, of the average market value of the endowments for the last three years. Any undistributed investment income, as defined by the total return policy, are added to the endowment's temporarily restricted (expendable) principal.

The endowments are invested consistent with an investment policy statement that is monitored by the Board of Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income (interest and dividends). Funds in the endowment are primarily invested in equities, fixed income securities and mutual funds. The investment policy sets investment ranges at 55% to 75% for equities, 15% to 35% for fixed income securities, 0% - 20% for alternative investments, and 0% - 10% for cash and cash equivalents.

### *Total Return Policy*

Based on the Total Return Policy described in Note 1, $ 654,867 and $ 930,782 was designated as spendable income within the restricted nonexpendable funds during the years ended June 30, 2021 and 2020, respectively. The remaining amount of accumulated spendable income which is included in restricted expendable net position is $ 2,379,255 and $ 2,280,820 at June 30, 2021 and 2020, respectively.

## NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset transactions of the College for the years ended June 30, 2021 and 2020:

**2021**

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| **Cost:** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 11,223,581 | $ - | $ - | $ 11,223,581 |
| Construction in progress | 863,382 | 2,439,580 | (417,818) | 2,885,144 |
| **Total capital assets not being depreciated** | 12,086,963 | 2,439,580 | (417,818) | 14,108,725 |
| Capital assets being depreciated | | | | |
| Building | 155,954,811 | - | (6,645,019) | 149,309,792 |
| Improvements - land | 15,315,574 | 19,422 | | 15,334,996 |
| Improvements - building | 94,564,648 | 1,353,650 | (3,641,407) | 92,276,891 |
| Improvements - leasehold | 17,447,696 | - | (27,077) | 17,420,619 |
| Instructional equipment | 41,161,705 | 1,402,779 | (405,733) | 42,158,751 |
| Non-instructional equipment | 35,757,987 | 1,102,886 | (513,653) | 36,347,220 |
| **Total capital assets being depreciated** | 360,202,421 | 3,878,737 | (11,232,889) | 352,848,269 |
| **Less accumulated depreciation:** | | | | |
| Building | (60,669,200) | (3,535,859) | 4,466,750 | (59,738,309) |
| Improvements - land | (4,579,463) | (699,753) | | (5,279,216) |
| Improvements - building | (43,652,933) | (4,174,410) | 1,972,774 | (45,854,569) |
| Improvements - leasehold | (11,642,097) | (841,231) | 21,868 | (12,461,460) |
| Instructional equipment | (29,092,561) | (897,856) | 360,501 | (29,629,916) |
| Non-instructional equipment | (33,272,727) | (1,756,204) | 471,680 | (34,557,251) |
| **Total accumulated depreciation** | (182,908,981) | (11,905,313) | 7,293,573 | (187,520,721) |
| **Total capital assets being depreciated, net** | 177,293,440 | (8,026,576) | (3,939,316) | 165,327,548 |
| **Total capital assets, net** | $ 189,380,403 | $ (5,586,996) | $ (4,357,134) | $ 179,436,273 |

**2020**

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| **Cost:** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 11,368,181 | $ - | $ (144,600) | $ 11,223,581 |
| Construction in progress | 1,703,708 | 797,723 | (1,638,049) | 863,382 |
| **Total capital assets not being depreciated** | 13,071,889 | 797,723 | (1,782,649) | 12,086,963 |
| Capital assets being depreciated | | | | |
| Building | 156,376,053 | - | (421,242) | 155,954,811 |
| Improvements - land | 14,678,100 | 637,474 | - | 15,315,574 |
| Improvements - building | 91,456,550 | 3,108,098 | - | 94,564,648 |
| Improvements - leasehold | 17,427,316 | 20,380 | - | 17,447,696 |
| Instructional equipment | 40,009,405 | 1,220,753 | (68,453) | 41,161,705 |
| Non-instructional equipment | 35,094,705 | 712,206 | (48,924) | 35,757,987 |
| **Total capital assets being depreciated** | 355,042,129 | 5,698,911 | (538,619) | 360,202,421 |
| **Less accumulated depreciation:** | | | | |
| Building | (57,232,692) | (3,536,584) | 100,076 | (60,669,200) |
| Improvements - land | (3,868,806) | (710,657) | - | (4,579,463) |
| Improvements - building | (39,551,017) | (4,101,916) | - | (43,652,933) |
| Improvements - leasehold | (10,770,611) | (871,486) | - | (11,642,097) |
| Instructional equipment | (28,294,401) | (864,972) | 66,812 | (29,092,561) |
| Non-instructional equipment | (31,592,842) | (1,726,704) | 46,819 | (33,272,727) |
| **Total accumulated depreciation** | (171,310,369) | (11,812,319) | 213,707 | (182,908,981) |
| **Total capital assets being depreciated, net** | 183,731,760 | (6,113,408) | (324,912) | 177,293,440 |
| **Total capital assets, net** | $ 196,803,649 | $ (5,315,685) | $ (2,107,561) | $ 189,380,403 |

## NOTE 6 OTHER ASSETS

Other assets of the College at June 30 consist of:

| | 2021 | 2020 |
|---|---|---|
| Prepaid expenses | $ 503,135 | $ 338,761 |
| Prepaid bond insurance | 778,022 | 585,971 |
| Accumulated amortization - prepaid bond insurance | (425,828) | (251,724) |
| | $ 855,329 | $ 673,008 |

## NOTE 7 BORROWINGS AND COMPENSATED ABSENCES

Long-term liabilities had the following activity during the year ended June 30, 2021 and 2020:

**2021**

| | Beginning Balance | Additions | Retirements | Ending Balance | Current Portion | Long-term Portion |
|---|---|---|---|---|---|---|
| **Leases and bonds payable:** | | | | | | |
| Capital lease obligations | $ 180,522 | $ - | $ (79,141) | $ 101,381 | $ 53,172 | $ 48,209 |
| SPSBA and LHEA College Revenue Bonds payable: | | | | | | |
| Series of 2011 | 34,805,000 | - | (34,805,000) | - | - | - |
| Series of 2012 | 10,675,000 | - | (670,000) | 10,005,000 | 690,000 | 9,315,000 |
| Series of 2013 | 1,150,000 | - | (1,080,000) | 70,000 | 70,000 | - |
| Series of 2014 | 13,380,000 | - | (1,900,000) | 11,480,000 | 1,985,000 | 9,495,000 |
| Series of 2015 | 2,605,000 | - | (470,000) | 2,135,000 | 495,000 | 1,640,000 |
| Series of 2015A | 11,700,000 | - | (870,000) | 10,830,000 | 915,000 | 9,915,000 |
| Series of 2016 | 15,260,000 | - | (720,000) | 14,540,000 | 760,000 | 13,780,000 |
| Series of 2016A | 11,690,000 | - | (1,200,000) | 10,490,000 | 1,260,000 | 9,230,000 |
| Series of 2021 | - | 28,315,000 | | 28,315,000 | 1,985,000 | 26,330,000 |
| Bond premium | 3,400,879 | 5,470,216 | (897,465) | 7,973,630 | 1,373,526 | 6,600,104 |
| Bond discount | (114,107) | - | 13,832 | (100,275) | (12,548) | (87,727) |
| Total leases and bonds payable | 104,732,294 | 33,785,216 | (42,677,774) | 95,839,736 | 9,574,150 | 86,265,586 |
| **Other liabilities:** | | | | | | |
| Compensated absences: | | | | | | |
| Vacation leave | 2,725,930 | 1,526,822 | (461,108) | 3,791,644 | 551,229 | 3,240,415 |
| Sick leave | 2,330,621 | 323,964 | (48,729) | 2,605,856 | 365,888 | 2,239,968 |
| Total other liabilities | 5,056,551 | 1,850,786 | (509,837) | 6,397,500 | 917,117 | 5,480,383 |
| **Total long-term liabilities** | $ 109,788,845 | $ 35,636,002 | $ (43,187,611) | $ 102,237,236 | $ 10,491,267 | $ 91,745,969 |

**2020**

| | Beginning Balance | Additions | Retirements | Ending Balance | Current Portion | Long-term Portion |
|---|---|---|---|---|---|---|
| **Leases and bonds payable:** | | | | | | |
| Capital lease obligations | $ 265,847 | $ 18,476 | $ (103,801) | $ 180,522 | $ 79,144 | $ 101,378 |
| SPSBA and LHEA College Revenue Bonds payable: | | | | | | |
| Series of 2011 | 36,955,000 | - | (2,150,000) | 34,805,000 | 2,265,000 | 32,540,000 |
| Series of 2012 | 11,325,000 | - | (650,000) | 10,675,000 | 670,000 | 10,005,000 |
| Series of 2013 | 2,210,000 | - | (1,060,000) | 1,150,000 | 1,080,000 | 70,000 |
| Series of 2014 | 15,200,000 | - | (1,820,000) | 13,380,000 | 1,900,000 | 11,480,000 |
| Series of 2015 | 3,135,000 | - | (530,000) | 2,605,000 | 470,000 | 2,135,000 |
| Series of 2015A | 12,530,000 | - | (830,000) | 11,700,000 | 870,000 | 10,830,000 |
| Series of 2016 | 15,945,000 | - | (685,000) | 15,260,000 | 720,000 | 14,540,000 |
| Series of 2016A | 13,485,000 | - | (1,795,000) | 11,690,000 | 1,200,000 | 10,490,000 |
| Bond premium | 3,976,718 | - | (575,839) | 3,400,879 | 533,773 | 2,867,106 |
| Bond discount | (127,943) | - | 13,836 | (114,107) | (13,836) | (100,271) |
| Total leases and bonds payable | 114,899,622 | 18,476 | (10,185,804) | 104,732,294 | 9,774,081 | 94,958,213 |
| **Other liabilities:** | | | | | | |
| Compensated absences: | | | | | | |
| Vacation leave | 3,777,256 | 1,498,858 | (2,550,184) | 2,725,930 | 353,054 | 2,372,876 |
| Sick leave | 2,901,731 | 1,406,111 | (1,977,221) | 2,330,621 | 322,257 | 2,008,364 |
| Total other liabilities | 6,678,987 | 2,904,969 | (4,527,405) | 5,056,551 | 675,311 | 4,381,240 |
| **Total long-term liabilities** | $ 121,578,609 | $ 2,923,445 | $ (14,713,209) | $ 109,788,845 | $ 10,449,392 | $ 99,339,453 |

## NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

If the College defaults in its payments on the bonds in any fiscal year because its revenues in such fiscal year are insufficient to pay its obligations as they become due and payable, the State Public School Building Authority or the Lancaster Higher Education Authority, respectively, shall notify the Secretary of the Department of such default and request that the Secretary of the Department withhold out of any appropriation due to the College under the Community College Act an amount equal to the sum or sums owing by the College and to pay over to the trustee, the amount so withheld.

### *College Revenue Bonds Payable*

College revenue bonds payable at June 30, 2021 and 2020 consist of the following:

| | 2021 | 2020 |
|---|---|---|
| 2011, issued $51,010,000 in December 2011; at a fixed rate of 2.00%-5.00%; interest and principal payable semi-annually through October 2020. | $ - | $ 34,805,000 |
| 2012, issued $14,860,000 in October 2012; at a fixed rate of 0.90%-3.75%; interest and principal payable semi-annually through October 2032. | 10,005,000 | 10,675,000 |
| 2013, issued $8,185,000 in April 2013; at a fixed rate of 1.00%-2.50%; interest and principal payable semi-annually through October 2021. | 70,000 | 1,150,000 |
| 2014, issued $22,510,000 in June 2014; at a fixed rate of 0.30%-3.50%; interest and principal payable semi-annually through October 2027. | 11,480,000 | 13,380,000 |
| 2015, issued $5,720,000 in February 2015; at a fixed rate of 0.30%-2.46%; interest and principal payable semi-annually through October 2024. | 2,135,000 | 2,605,000 |
| 2015A, issued $14,245,000 in February 2015; at a fixed rate of 0.50%-3.11%; interest and principal payable semi-annually through October 2030. | 10,830,000 | 11,700,000 |
| 2016, issued $18,000,000 in July 2016; at a fixed rate of 0.75%-3.00%; interest and principal payable semi-annually through April 2036. | 14,540,000 | 15,260,000 |
| 2016A, issued $13,620,000 in July 2016; at a fixed rate of 0.78%-2.7%; interest and principal payable semi-annually through October 2029. | 10,490,000 | 11,690,000 |
| 2021, issued $28,315,000 in February 2021; at a fixed rate of 0.22%-1.23%; interest and principal payable semi-annually through October 2031. | 28,315,000 | - |
| Total College revenue bonds payable | $ 87,865,000 | $ 101,265,000 |

As a result of the full refunding of the Series of 2011 Bond, the College will have the following benefits:

| | |
|---|---|
| (1) Cash flow gain | $ 6,325,126 |
| (2) Economic gain | 6,009,644 |

(1) Represents the difference between cash flows required to service the old debt and the new debt, less bond issue costs
(2) Represents the difference in present values of the old debt and new debt, less bond issue costs

The bonds are guaranteed by a municipal bond insurance policy. In addition, the College has pledged to include debt service payments due each fiscal year in its budget for such fiscal year.

## NOTE 7 BORROWINGS AND COMPENSATED ABSENCES (CONTINUED)

### *Line of Credit*

In addition to the above bonds payable, the College also has a line of credit, which was authorized on December 16, 2015, available in the amount of $ 10,000,000, with a variable interest rate of LIBOR plus 0.85%. There were no draws on the line of credit during the fiscal year and the ending balance as of June 30, 2021 and 2020 is $ 0.

### *Future Maturities*

Under an agreement with the Commonwealth of Pennsylvania, a portion of the principal and interest on outstanding bonds eligible for state reimbursement will be paid by the Commonwealth on a reimbursement basis. The combined aggregate amounts of maturities of all bonds and notes are as follows:

| Year Ending | State Share | | College Share | | Total | Total | |
|---|---|---|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2022 | $ 3,750,500 | $ 1,459,884 | $ 4,409,500 | $ 1,803,524 | $ 8,160,000 | $ 3,263,408 | $ 11,423,408 |
| 2023 | 3,871,500 | 1,303,666 | 4,588,500 | 1,591,264 | 8,460,000 | 2,894,930 | 11,354,930 |
| 2024 | 4,031,250 | 1,143,511 | 4,793,750 | 1,394,710 | 8,825,000 | 2,538,221 | 11,363,221 |
| 2025 | 3,733,500 | 987,780 | 4,526,500 | 1,200,698 | 8,260,000 | 2,188,478 | 10,448,478 |
| 2026 | 3,437,500 | 854,986 | 3,957,500 | 1,023,879 | 7,395,000 | 1,878,865 | 9,273,865 |
| 2027 - 2031 | 16,525,000 | 2,252,872 | 19,470,000 | 2,801,748 | 35,995,000 | 5,054,620 | 41,049,620 |
| 2032 - 2036 | 2,835,000 | 83,561 | 7,935,000 | 568,487 | 10,770,000 | 652,048 | 11,422,048 |
| Total | $ 38,184,250 | $ 8,086,260 | $ 49,680,750 | $ 10,384,310 | $ 87,865,000 | $ 18,470,570 | $ 106,335,570 |

## NOTE 8 LEASES

### *Capital Leases*

The College has entered into capital leases for certain vehicles. At June 30, 2021 and 2020, the leased assets are as follows:

| | 2021 | 2020 |
|---|---|---|
| Capitalized equipment | $ 408,373 | $ 575,989 |
| Accumulated amortization | (308,079) | (397,040) |
| Net book value | $ 100,294 | $ 178,949 |

The amortization expense for the years ended June 30, 2021 and 2020 was $ 78,655 and $ 97,908 and is included with depreciation expense for the respective years.

The future minimum lease payments under capital leases as of June 30, 2021 are as follows:

| | |
|---|---|
| 2022 | $ 62,506 |
| 2023 | 38,922 |
| 2024 | 16,199 |
| 2025 | 1,742 |
| | 119,369 |
| Less interest | (17,988) |
| | $ 101,381 |

## NOTE 8 LEASES (CONTINUED)

### *Operating Leases*

The College has entered into long-term noncancelable operating leases for certain campus facilities and equipment. Minimum lease payments in future years are as follows:

| | |
|---|---|
| 2022 | $ 3,618,919 |
| 2023 | 378,021 |
| 2024 | 173,180 |
| Total minimum lease payments | $ 4,170,120 |

The total rent expenses under operating leases for the years ended June 30, 2021 and 2020 was $ 3,150,130 and $ 3,333,810, respectively.

## NOTE 9 RISK MANAGEMENT

The College is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and students, and natural disasters.

The College has purchased commercial insurance to cover general and professional liability, cyber liability, directors and officers liability, worker's compensation, accident insurance, flood, unemployment compensation, and employees' health coverage. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The College is self-insured for dental coverage and a prescription drug plan. The liability for estimated claims at June 30, 2021 and 2020 represents three months of claims paid. Changes in the College's claims liability amount for the years ended June 30 were:

| | 2021 | 2020 |
|---|---|---|
| Beginning balance | $ 69,296 | $ 138,215 |
| Claims made/Changes in estimates | 606,588 | 208,261 |
| Claims paid | (540,707) | (277,180) |
| Ending balance | $ 135,177 | $ 69,296 |

## NOTE 10 PENSION BENEFITS

Substantially all of the employees of the College are covered by one of three multi-employer contributory pension plans; the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS), or the Commonwealth of Pennsylvania State Employees' Retirement System (SERS).

The Public School Employees' Retirement System ("PSERS") and the Commonwealth of Pennsylvania State Employees' Retirement System ("SERS") are governmental cost-sharing multiple-employer defined benefit plans. The Teachers Insurance and Annuity Association – College Requirement Equities Fund (TIAA-CREF) is a defined contribution plan.

### *General Information about the Pension Plans*

#### Plan Descriptions

Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Pennsylvania State Employees' Retirement System (SERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. Members and employees of employees in the field of education are not required but are given the option to participate. SERS issues a publicly available financial report that can be obtained at www.SERS.pa.gov.

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *General Information about the Pension Plans (Continued)*

#### Benefits Provided (Continued)

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members qualify for a defined benefit normal retirement benefit must work until age 67with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. A members' right to a defined benefit is vested in 10 years.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

SERS provides retirement, death, and disability benefits. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Member retirement benefits are determined by taking years of credited service multiplied by the final average salary multiplied by the annual accrual rate. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Prior to Act 2010-120, employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for members but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. The Act created a class of service in which members earn a benefit that accrues at 2% of the member's final average salary instead of 2.5% each year and vests in 10 years instead of five. The full retirement age is 65 for most employees

### *General Information about the Pension Plans (Continued)*

who entered SERS membership after January 1, 2011, and age 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 changed the benefit structure for most new employees effective January 1, 2019, which created two hybrid plan options. The two hybrid plan options contain a Defined Benefit Plan component with a full retirement age of 67 that accrues at 1.25% or 1% of the member's final average salary.

Most members of SERS, and all state employees hired after June 30, 2001 and prior to January 1, 2011 (except state police officers and certain members of the judiciary and legislators), are Class AA members. Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. The multiplier for Class AA is 1.25, which translate into an annual benefit of 2.5% of the member's highest three-year average salary times years of service and became effective for members July 1, 2001. The general annual benefit for Class A members is 2% of the member's highest three-year average salary times years of service.

Act 2010-120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010. Employees who enter SERS membership after the effective date of Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5%.

Act 2017-5 created a new hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees), who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of an average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight Defined Contribution Plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

**Contributions**

*Public School Employees' Retirement System (PSERS)*

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *General Information about the Pension Plans (Continued)*

**Contributions (Continued)**

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Members who joined the System after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member’s qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

Members are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions made to the defined contribution plan. Members with at least three eligibility points become vested and eligible for employer defined contributions made on their behalf.

*Employer Contributions:*

The College’s contractually required contribution rate for fiscal years ended June 30, 2021 and 2020 was 33.69% and 33.45%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were $ 1,001,945 and $ 1,048,555 for the years ended June 30, 2021 and 2020, respectively.

*State Funding:*

Pursuant to § 8327 of the PSERS Retirement Code, the Commonwealth of Pennsylvania funds 50% of the College’s retirement expense directly to the Plan. This arrangement meets the criteria of a special funding situation in accordance with GASB standards. The net pension liabilities and related deferred inflows and outflows of resources represent the College's share of these amounts or 50%. However, the pension expense is increased and a revenue is recorded to represent the State’s portion of pension expense that relates to the College.

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *General Information about the Pension Plans (Continued)*

#### Contributions (Continued)

*Pennsylvania State Employees' Retirement System (SERS)*

Section 5507 of the SERC (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due.

The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The general membership contribution rate under Act 2017-5 for A-5 and A-6 members is 5% and 4% of salary, respectively. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute.

Accumulated employee contributions are credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits.

At December 31, 2020 and 2019, the actuarially determined rate including the Benefits Completion Plan (BCP) was 33.48% and 33.59%, respectively.

Employer rates are computed based on SERS full year ended December 31 and applied to the Commonwealth based on its fiscal year end of June 30; therefore, the employer contribution rates, in effect for SERS full year ended December 31, reflect a blended average of calculated rates. As of December 31, 2020 and 2019, the blended contribution rates were 33.54% and 33.26%, respectively. Contributions to the pension plan from the employer were $ 1,847,505 and $ 2,020,730 for the years ended June 30, 2021 and 2020.

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

**Public School Employees' Retirement System (PSERS)**

At June 30, 2021 and 2020, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for Commonwealth pension support provided directly to the Plan. The amount recognized by the employer as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College were as follows:

| | 2021 | 2020 |
|---|---|---|
| College's proportionate share of the net pension liability | $ 11,029,542 | $ 11,555,304 |
| Commonwealth's proportionate share of the net pension liability associated with the College | 11,029,542 | 11,555,304 |
| Total | $ 22,059,084 | $ 23,110,608 |

The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020 and June 30, 2018 to June 30, 2019. The College's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the College's proportion was 0.0224, which is a 0.0023 decrease from its proportion measured as of June 30, 2019. At June 30, 2019, the College's proportion was 0.0247 percent, which did not change from its proportion measured as of June 30, 2018.

**Pennsylvania State Employees' Retirement System (SERS)**

At June 30, 2021 and 2020, the College reported a liability of $ 16,399,251 and $ 18,196,854, respectively, for its proportionate share of the net pension liability. The net pension liability and the total pension liability were measured and actuarially determined as of December 31, 2020, and December 31, 2019. The College's proportion of the net pension liability was calculated utilizing the employer's projected contributions as it relates to the total projected contributions. At December 31, 2020, the College's proportion was 0.0896 percent, which was a decrease of 0.0105 percent from its proportion measured as of December 31, 2019. At December 31, 2019, the College's proportion was 0.1001 percent, which was an increase of 0.0098 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2021, the College recognized pension expense and related revenue for defined benefit plans as follows:

| | PSERS | SERS | Total |
|---|---|---|---|
| Pension expense | $ 3,015,591 | $ 954,735 | $ 3,970,326 |
| Revenue for support provided by the Commonwealth | 1,455,000 | - | 1,455,000 |

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

#### Pennsylvania State Employees' Retirement System (SERS) (Continued)

For the year ended June 30, 2020, the College recognized pension expense and related revenue for defined benefit plans as follows:

| | PSERS | SERS | Total |
|---|---|---|---|
| Pension expense | $ 4,018,707 | $ 1,757,917 | $ 5,776,624 |
| Revenue for support provided by the Commonwealth | 1,955,000 | - | 1,955,000 |

At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | PSERS | | SERS | | Total | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 29,000 | $ 264,000 | $ 153,970 | $ 18,393 | $ 182,970 | $ 282,393 |
| Changes in assumptions | - | - | 1,823,524 | - | 1,823,524 | - |
| Net difference between projected and actual investment earnings | 485,000 | - | - | 2,098,198 | 485,000 | 2,098,198 |
| Changes in proportions | 357,000 | 824,000 | 243,964 | 2,715,529 | 600,964 | 3,539,529 |
| Difference between employer contributions and proportionate share of total contributions | 102,848 | 627 | 93,204 | - | 196,052 | 627 |
| Contributions subsequent to the measurement date | 978,138 | - | 961,453 | - | 1,939,591 | - |
| | $ 1,951,986 | $ 1,088,627 | $ 3,276,115 | $ 4,832,120 | $ 5,228,101 | $ 5,920,747 |

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | PSERS | | SERS | | Total | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 64,000 | $ 383,000 | $ 226,888 | $ 123,251 | $ 290,888 | $ 506,251 |
| Changes in assumptions | 110,000 | - | 701,214 | - | 811,214 | - |
| Net difference between projected and actual investment earnings | - | 33,000 | - | 1,297,780 | - | 1,330,780 |
| Changes in proportions | 957,000 | - | 413,668 | 1,730,300 | 1,370,668 | 1,730,300 |
| Difference between employer contributions and proportionate share of total contributions | 207,550 | 939 | 54,177 | 10 | 261,727 | 949 |
| Contributions subsequent to the measurement date | 1,048,555 | - | 1,103,746 | - | 2,152,301 | - |
| | $ 2,387,105 | $ 416,939 | $ 2,499,693 | $ 3,151,341 | $ 4,886,798 | $ 3,568,280 |

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

**Pennsylvania State Employees' Retirement System (SERS) (Continued)**

Amounts of $ 978,138 and $ 961,453 are reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020 related to the PSERS and SERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | PSERS | SERS | Total |
|---|---|---|---|
| 2022 | $ 125,487 | $ (659,764) | $ (534,277) |
| 2023 | (254,789) | (382,831) | (637,620) |
| 2024 | (130,477) | (1,096,827) | (1,227,304) |
| 2025 | 145,000 | (377,072) | (232,072) |
| 2026 | - | (964) | (964) |
| | $ (114,779) | $ (2,517,458) | $ (2,632,237) |

**Actuarial Assumptions**

*Public School Employees' Retirement System (PSERS)*

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level of % pay.
- Investment return – 7.25% includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants of the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The target allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 are as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global public equity | 15.0% | 5.2% |
| Private equity | 15.0% | 7.2% |
| Fixed income | 36.0% | 1.1% |
| Commodities | 8.0% | 1.8% |
| Absolute return | 10.0% | 2.5% |
| Infrastructure/MLPs | 6.0% | 5.7% |
| Real estate | 10.0% | 5.5% |
| Risk Parity | 8.0% | 3.3% |
| Cash | 6.0% | (1.0%) |
| Financing (LIBOR) | (14.0%) | (0.7%) |
| | 100.0% | |

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

**Actuarial Assumptions (Continued)**

*Pennsylvania State Employees' Retirement System (SERS)*

The actuarial assumptions used in the December 31, 2020 valuation were based on the experience study that was performed for the five-year period ending December 31, 2015. The actuary made recommendations with respect to the actuarial assumptions and methods based on their analysis.

SERS reviews its investment return assumptions in light of economic conditions every year as part of its annual valuation. In June 2020, the SERS Board approved a reduction in the Defined Benefit Plan investment rate of return to 7.000% for 2020 from 7.125% in 2019.

The total pension liability as of December 31, 2020 was determined using the following actuarial assumptions incorporating the changes noted above:

- Actuarial cost method - Entry Age.
- Investment return - 7.000%, includes inflation at 2.50%, net of expenses.
- Salary increases – Average of 4.60% with a range of 3.30% - 6.95%, includes inflation at 2.50%.
- Mortality rates were based on the projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement.

The long-term expected real rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2020 are as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 40.0% | 5.6% |
| International equity | 27.0% | 5.8% |
| Fixed income | 23.0% | 1.7% |
| Real estate | 8.0% | 4.6% |
| Cash and cash equivalents | 1.5% | 0.9% |
| Private equity | 0.5% | 10.4% |
| | 100% | |

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% and 7.00% for PSERS and SERS, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined, and set by statute for each respective plan. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability, for each respective plan.

**Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, for the PSERS plan, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

*Public School Employees' Retirement System (PSERS) – June 30, 2021*

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|---|---|---|---|
| College's proportionate share of the net pension liability | $ 13,645,871 | $ 11,029,542 | $ 8,813,141 |

The following presents the net pension liability, for the SERS plan, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

*Pennsylvania State Employees' Retirement System (SERS) – June 30, 2021*

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|---|---|---|---|
| College's proportionate share of the net pension liability | $ 20,501,485 | $ 16,399,251 | $ 11,160,872 |

**Pension Plans Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Detailed information about SERS' fiduciary net position is available in SERS Comprehensive Annual Financial Report which can be found on the System's website at www.sers.pa.gov.

## NOTE 10 PENSION BENEFITS (CONTINUED)

### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

**Payables to the Pension Plan**

As of June 30, 2021 and 2020, the College has $ 222,889 and $ 265,105 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2021 and 2020, respectively, related to the PSERS plan.

### *Defined Contribution Pension Plan*

The Teachers Insurance and Annuity Association-College Retirement and Equity Fund (TIAA-CREF) is a cost-sharing, multiple-employer defined contribution plan in which employees are eligible to participate. In a defined contribution plan, benefits depend on amounts contributed to the plan plus investment earnings. Employer and employee contribution rates are established by statute. The contribution policy, as established by statute, requires contributions by active members and employers. Active members contribute at a rate of 5 percent of their qualifying compensation. Effective June 30, 2019, the College's contribution rate changed to 8 percent of qualifying compensation. Employees hired prior to this change are grandfathered into an employer contribution rate of 10% of qualifying compensation. In addition, employees may contribute to TIAA-CREF through the Supplemental Retirement Annuity.

The contributions to TIAA-CREF for the years ended June 30 were as follows:

| | 2021 | 2020 |
|---|---|---|
| College | $ 3,668,261 | $ 4,289,134 |

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN

### *Plan Descriptions and Benefits Provided*

**College Plan**

The College has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the College. The plan provides medical and prescription drug coverage for both retiree and family. To continue coverage upon retirement, the retiree must reimburse the College 100% of the College's cost of coverage. After age 65, the coverage shall change to a Medicare Supplement Plan with a Medicare Part D Prescription Drug rider or with the plan prescription drug at an adjusted premium. The fact that the blended rate that the retirees pay is less than the actual cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the College, which gives rise to the other postemployment benefit (OPEB).

No assets are accumulated in a trust that meets the criteria of GASB standards for the College Plan.

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Plan Descriptions and Benefits Provided (Continued)*

**PSERS**

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a governmental cost-sharing multiple employer defined benefit plan. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. Healthcare cost trends were applied to retirees receiving less than $ 1,200 in annual premium assistance. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of $ 1,200. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Retirees of the System can participate in the premium assistance program if they 1) have 24 ½ or more years of service, 2) are a disability retiree, 3) have 15 or more years of service and retired after reaching superannuation age, or 4) participate in the PSERS' health option program.

The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

### *Plan Membership*

Membership in the College's plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

| | |
|---|---|
| Active participants | 577 |
| Retired participants | 68 |
| Total | 645 |

### *Contributions*

**College Plan**

The contribution requirements of plan members and the College are established and may be amended by the College. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the College. For fiscal year 2021, the estimated contribution was $ 121,481 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan.

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Contributions (Continued)*

**PSERS**

The College's contractually required contribution rate for the fiscal years ended June 30, 2021 and 2020 was 0.82% and 0.84%, respectively, of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance the unfunded accrued liability. Contributions to the OPEB plan from the employer were $ 23,807 and $ 26,331 for the years ended June 30, 2021 and 2020, respectively.

### *OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

**College Plan**

The College's total OPEB liability for June 30, 2021 was measured as of July 1, 2020, and the total OPEB liability was determined by rolling forward the total liability from July 1, 2019 to July 1, 2020 based on an actuarial valuation as of July 1, 2019, which was based on census information as of July 2017. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At June 30, 2021, the College reported a total OPEB liability of $ 1,265,371.

For the year ended June 30, 2021, the College recognized OPEB expense of $ 74,200.

**PSERS**

At June 30, 2021 and 2020, the College reported a liability of $ 481,834 and $ 525,330, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020 and June 30, 2018 to June 30, 2019. The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the College's proportion was 0.0223, which is a .0024 decrease from its proportion measured as of June 30, 2019. At June 30, 2019, the College's proportion was 0.0247 percent, which did not change from its proportion measured at June 30, 2018.

For the years ended June 30, 2021 and 2020, the College recognized OPEB expense of $ 23,807 and $ 36,011, respectively, and revenue from support from the Commonwealth of $ 28,000 and $ 36,000, respectively, due to the special funding situation.

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)*

The table below summarizes the combined OPEB liability for the years ended June 30, 2021 and 2020:

| Total OPEB/ Net OPEB Liability | 2021 | 2020 |
|---|---|---|
| College plan | $ 1,265,371 | $ 1,245,601 |
| PSERS | 481,834 | 525,330 |
| Total | $ 1,747,205 | $ 1,770,931 |

### *Changes in the Total OPEB Liability*

**College Plan**

| Total OPEB Liability | 2021 | 2020 |
|---|---|---|
| **Beginning Balance** | $ 1,245,601 | $ 1,084,447 |
| **Changes for the year:** | | |
| Service cost | 62,080 | 110,015 |
| Interest | 41,823 | 34,610 |
| Differences between expected and actual experience | 42,830 | 77,527 |
| Changes in assumptions | - | - |
| Benefit payments | (126,963) | (60,998) |
| Net changes | 19,770 | 161,154 |
| **Ending Balance** | $ 1,265,371 | $ 1,245,601 |

At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | College Plan | | PSERS | | Total | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 106,222 | $ 165,217 | $ 4,000 | $ - | $ 110,222 | $ 165,217 |
| Changes in assumptions | 576 | 218,296 | 20,000 | 11,000 | 20,576 | 229,296 |
| Net difference between projected and actual investment earnings | - | - | 1,000 | - | 1,000 | - |
| Changes in proportions - plan | - | - | 37,000 | 43,000 | 37,000 | 43,000 |
| Difference between employer contributions and proportionate share of total contributions | - | - | 211 | 97 | 211 | 97 |
| Contributions subsequent to the measurement date | 121,481 | - | 23,807 | - | 145,288 | - |
| | $ 228,279 | $ 383,513 | $ 86,018 | $ 54,097 | $ 314,297 | $ 437,610 |

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Changes in the Total OPEB Liability (Continued)*

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | College Plan | | PSERS | | Total | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 71,989 | $ 181,739 | $ 3,000 | $ - | $ 74,989 | $ 181,739 |
| Changes in assumptions | 629 | 240,125 | 17,000 | 16,000 | 17,629 | 256,125 |
| Net difference between projected and actual investment earnings | - | - | 1,000 | - | 1,000 | - |
| Changes in proportions - plan | - | - | 47,000 | - | 47,000 | - |
| Difference between employer contributions and proportionate share of total contributions | - | - | 138 | 123 | 138 | 123 |
| Contributions subsequent to the measurement date | 126,963 | - | 26,331 | - | 153,294 | - |
| | $ 199,581 | $ 421,864 | $ 94,469 | $ 16,123 | $ 294,050 | $ 437,987 |

Amounts of $ 121,481 and $ 23,807 are reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date and will be recognized as a reduction in the total/net OPEB liability in the year ended June 30, 2021 related to the College and PSERS plans, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| | College | PSERS | Total |
|---|---|---|---|
| Year ended June 30: | | | |
| 2022 | $ (29,702) | $ 5,023 | $ (24,679) |
| 2023 | (29,702) | 4,023 | (25,679) |
| 2024 | (29,702) | 4,023 | (25,679) |
| 2025 | (29,702) | 4,023 | (25,679) |
| 2026 | (29,702) | (3,989) | (33,691) |
| Thereafter | (128,205) | (4,989) | (133,194) |
| Total | $ (276,715) | $ 8,114 | $ (268,601) |

### *Actuarial Methods and Assumptions*

#### College Plan

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

#### PSERS

The total OPEB liability for the College as of June 30, 2021, was determined by rolling forward the System's Total OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement.

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Actuarial Methods and Assumptions (Continued)*

| | College Plan | PSERS |
|---|---|---|
| Actuarial Cost Method | Entry age normal – level % of pay. | Entry age normal – level % of pay. |
| Investment Rate of Return | 3.36% - S&P 20-year AA rated municipal bond rate. | 2.66% - S&P 20-year municipal bond rate. |
| Salary | An assumption for salary increases of 3.50%. | Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases. |
| Mortality | Based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2014 and SOA Scale MP-2019. | Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. |
| Percentage of Eligible Employees Electing Coverage in Plan | 25% of future retirees are assumed to continue medical coverage. 40% of those are assumed to elect spousal coverage. | Eligible retirees will elect to participate pre-age 65 at 50% and eligible retirees will elect to participate post-age 65 at 70%. |
| Health Care Cost Trend Rate | 6.00% in 2019 and 2020, 5.5% in 2021 and 2022. Rates gradually decrease from 5.4% in 2023 to 3.8% in 2077. | Applied to retirees with less than $ 1,200 in premium assistance per year. Benefit is capped at $ 1,200 per year. |
| Per Capita Claims Cost | Developed the projected claim costs from the fully insured renewals from 2019 and 2020. Calculated to be 86.3% of the fully insured premiums, with the other 13.7% assumed to be fixed costs. Claims costs then adjusted for age/gender factors. | N/A |

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Actuarial Methods and Assumptions (Continued)*

**PSERS**

*Investment Return*

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

| OPEB – Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 50.3% | (1.0%) |
| US Core Fixed Income | 46.5% | (0.1%) |
| Non-US Fixed | 3.2% | (0.1%) |
| | 100.0% | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### *Discount Rate*

The discount rate used to measure the OPEB liability was 3.36% and 2.66% for the College's Plan and PSERS, respectively. The College Plan is not funded, therefore, the S&P 20-year AA rated municipal bond rate of 3.36% as of June 30, 2019 is the applicable discount rate. Under the PSERS plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient or the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the S&P 20-year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Sensitivity of the Total and Net OPEB Liability to Changes in the Discount Rate*

The following presents the total and net OPEB liabilities of the College, as well as what the College's liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

| | 1% Decrease 2.36% | Current Discount Rate 3.36% | 1% Increase 4.36% |
|---|---|---|---|
| College Plan - Total OPEB liability | $ 1,344,919 | $ 1,265,371 | $ 1,191,119 |

| | 1% Decrease 1.66% | Current Discount Rate 2.66% | 1% Increase 3.66% |
|---|---|---|---|
| PSERS -College's proportionate share of the net OPEB liability | $ 549,000 | $ 481,834 | $ 426,000 |

The following presents the total and net OPEB liabilities of the plans, as well as what the plans' total OPEB liability would be if it were calculated using the healthcare cost trend rate that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

**College Plan**

| | 1% Decrease (5.0% decreasing to 2.8%) | Healthcare Cost Trend Rate (6.0% decreasing to 3.8%) | 1% Increase (7.0% decreasing to 4.8%) |
|---|---|---|---|
| College Plan - Total OPEB Liability | $ 1,167,783 | $ 1,265,371 | $ 1,376,742 |

**PSERS**

| | 1% Decrease (Between 4% to 6.5%) | Healthcare Cost Trend Rate (Between 5% to 7.5%) | 1% Increase (Between 6% to 8.5%) |
|---|---|---|---|
| PSERS - School District's proportionate share of the net OPEB liability | $ 481,000 | $ 481,834 | $ 482,000 |

### *OPEB Plan Fiduciary Net Position*

**PSERS**

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

## NOTE 11 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

### *Payables to the OPEB Plan*

**College Plan**

As of June 30, 2021 and 2020, the College had no amounts payable to the College OPEB Plan.

**PSERS**

As of June 30, 2021 and 2020, the College has $ 5,425 and $ 6,657 included in accounts payable and accrued wages for the contractually required contribution for the second quarter of 2021 and 2020, respectively, related to the PSERS plan.

## NOTE 12 COMMITMENTS

The College has signed contracts for various projects with commitments in the amount of $ 4,135,023, of which $ 1,823,539 has been incurred as of June 30, 2021.

## NOTE 13 CONTINGENCIES

The nature of the educational industry is such that, from time to time, the College is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to and/or destruction of assets; errors and omissions; injuries to employees and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. Management does not expect that the resolution of any outstanding claims and litigation, of which there are several being defended by the College, will have a material adverse effect on the financial position of the College.

The United States Department of Education, Office of Federal Student Aid (USDOE) is currently conducting a program review of the College's administration of its federal student financial aid program. This review is not yet complete and at this time, while it is reasonably possible there could be required repayments to the federal government, the amount of those repayments, if any, cannot be determined.

## NOTE 14 STATE APPROPRIATIONS

The following shows the detail of state appropriations earned for the years ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Included in non-operating revenue | | |
| Retirement contribution | $ 1,483,000 | $ 1,991,000 |
| Social security reimbursement | 2,392,898 | 2,744,256 |
| Tuition reimbursement | 34,228,146 | 34,228,146 |
| Subtotal | 38,104,044 | 38,963,402 |
| Included in capital contributions | | |
| Debt reimbursement | 5,722,766 | 6,102,400 |
| Lease reimbursement | 1,244,064 | 1,244,458 |
| Subtotal | 6,966,830 | 7,346,858 |
| Total | $ 45,070,874 | $ 46,310,260 |

## NOTE 15 NET POSITION

### *College*

The following shows the details of net investment in capital assets at June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Capital assets, net | $ 179,436,273 | $ 189,380,403 |
| Bonds and notes payable (net of premium, discount and deferred charge on bond refunding) and capital leases | (94,118,121) | (103,350,233) |
| Unspent bond proceeds | 83,159 | 94,361 |
| Total | $ 85,401,311 | $ 86,124,531 |

The remaining net position of the College is considered unrestricted.

### *HACC Foundation*

The Foundation's board of directors has chosen to place the following limitations on unrestricted net position at June 30:

| | 2021 | 2020 |
|---|---|---|
| Designated for endowment purposes | $ 2,269,960 | $ 2,071,373 |
| Undesignated | 3,214,599 | 2,271,480 |
| | $ 5,484,559 | $ 4,342,853 |

## NOTE 15 NET POSITION (CONTINUED)

### *HACC Foundation (Continued)*

Restricted expendable net position is available for the following purposes or periods at June 30:

| | 2021 | 2020 |
|---|---|---|
| Scholarships and awards | $ 5,744,596 | $ 5,276,632 |
| Academic support | 2,113,601 | 1,733,361 |
| Capital improvements | 2,975,838 | 3,183,460 |
| Other | 4,444,883 | 3,515,477 |
| | $ 15,278,918 | $ 13,708,930 |

Restricted nonexpendable net position is to provide a permanent endowment restricted for various purposes as follows at June 30:

| | 2021 | 2020 |
|---|---|---|
| Scholarships and awards | $ 24,160,576 | $ 20,493,478 |
| Academic support | 1,089,450 | 879,573 |
| Other | 1,189,524 | 950,931 |
| | $ 26,439,550 | $ 22,323,982 |

## NOTE 16 INTERFUND ACTIVITY

At June 30, 2021 and 2020, the Foundation owes the College $ 89,363 and $ 974,817 for expenses paid for by the College that were not yet reimbursed by June 30 of the respective year and for unpaid amounts related to the allocation of expenses for operational support to the College.

In addition, there were transfers made in 2021 and 2020 between the College and the Foundation. The College directly pays the salaries of College employees that provide services to the Foundation and for contracted services. The allocation of employee salaries between the College and the Foundation varies based on their roles and responsibilities. Thus, the Foundation's share of the expenses is reflected in these financial statements as salaries, wages, benefits and payroll taxes totaling $ 863,704 and $ 1,206,877 for the years ended June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, the Foundation provided the College with the following funding:

| | 2021 | 2020 |
|---|---|---|
| Scholarship and awards | $ 1,142,698 | $ 1,220,985 |
| Capital related support | 1,266,194 | 710,897 |
| Debt service | 518,950 | 884,130 |
| Other endowments | 241,611 | 448,700 |
| | $ 3,169,453 | $ 3,264,712 |

# REQUIRED SUPPLEMENTARY INFORMATION

# Schedule of College's Proportionate Share of the Net Pension Liability

**Public School Employees' Retirement System (PSERS)**

| For the Fiscal Year Ended June 30 | College's proportion of the net pension liability (asset) | College's proportionate share of the net pension liability (asset) | Commonwealth's proportionate share of the net pension liability (asset) associated with the College | Total share of the net pension liability (asset) | College's covered payroll - measurement period | College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|---|---|
| 2021 | 0.0224% | $ 11,029,542 | $ 11,029,542 | $ 22,059,084 | $ 6,260,618 | 176.17% | 54.32% |
| 2020 | 0.0247% | 11,555,304 | 11,555,304 | 23,110,608 | 6,810,376 | 169.67% | 55.66% |
| 2019 | 0.0247% | 11,857,225 | 11,857,225 | 23,714,450 | 6,659,678 | 178.05% | 54.00% |
| 2018 | 0.0225% | 11,112,390 | 11,112,390 | 22,224,780 | 6,002,302 | 185.14% | 51.84% |
| 2017 | 0.0214% | 10,605,161 | 10,605,161 | 21,210,322 | 5,547,636 | 191.17% | 50.14% |
| 2016 | 0.0186% | 8,056,648 | 8,056,648 | 16,113,296 | 4,797,798 | 167.92% | 54.36% |
| 2015 | 0.0174% | 6,887,045 | 6,887,045 | 13,774,090 | 4,440,330 | 155.10% | 57.24% |

**State Employees' Retirement System (SERS)**

| For the Fiscal Year Ended June 30 | College's proportion of the net pension liability (asset) | College's proportionate share of the net pension liability (asset) | College's covered payroll - measurement period | College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 2021 | 0.0896% | $ 16,399,251 | $ 5,870,779 | 279.34% | 67.00% |
| 2020 | 0.1001% | 18,196,851 | 6,381,057 | 285.17% | 63.10% |
| 2019 | 0.1099% | 22,897,354 | 7,047,937 | 324.88% | 56.39% |
| 2018 | 0.1088% | 18,811,095 | 6,812,472 | 276.13% | 62.97% |
| 2017 | 0.1046% | 20,150,811 | 6,407,146 | 314.51% | 57.81% |
| 2016 | 0.1090% | 19,827,130 | 6,783,607 | 292.28% | 58.90% |
| 2015 | 0.1320% | 19,613,942 | 7,852,744 | 249.77% | 64.79% |

## NOTES

The amounts presented for each fiscal year were determined as of the measurement period year ended that was used for the fiscal year. For PSERS, the measurement period year end is one year prior to the fiscal year end. For SERS, the measurement period year end is six months prior to the fiscal year end.

This schedule will be expanded to show 10 fiscal years as information becomes available in the future.

## CHANGES IN ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were changed during the 2017 fiscal year for the PSERS plan:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following actuarial assumptions were changed during the 2017 fiscal year for the SERS plan:

- Actuarial cost method - Entry Age.
- Investment return - 7.25%, includes inflation at 2.60%, net of expenses.
- Salary increases – Average of 5.60% with a range of 3.70% - 8.90%, includes inflation at 2.60%.
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement.

The following actuarial assumptions were changed during the 2020 fiscal year for the SERS plan:

- Investment return - 7.125%, includes inflation at 2.60%, net of expenses.

The following actuarial assumptions were changed during the 2021 fiscal year for the SERS plan:

- Investment return - 7.000%, includes inflation at 2.50%, net of expenses.
- Salary increases – Average of 4.60% with a range of 3.30% - 6.95%, includes inflation at 2.50%.

# Schedule of College's Contributions – Pension Plans
## Last 10 Fiscal Years

**Public School Employees' Retirement System (PSERS)**

| For the Fiscal Year Ended June 30 | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | College's covered payroll - fiscal year | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| 2021 | $ 978,138 | $ 978,138 | $ - | $ 5,776,186 | 16.93% |
| 2020 | 1,048,555 | 1,048,555 | - | 6,260,618 | 16.75% |
| 2019 | 1,104,870 | 1,104,870 | - | 6,810,376 | 16.22% |
| 2018 | 1,434,602 | 1,434,602 | - | 6,659,678 | 21.54% |
| 2017 | 883,862 | 883,862 | - | 6,002,302 | 14.73% |
| 2016 | 705,816 | 705,816 | - | 5,547,636 | 12.72% |
| 2015 | 502,931 | 502,931 | - | 4,797,798 | 10.48% |
| 2014 | 361,260 | 361,260 | - | 4,440,330 | 8.14% |
| 2013 | 245,381 | 245,381 | - | N/A | N/A |
| 2012 | 204,713 | 204,713 | - | N/A | N/A |

**State Employees' Retirement System (SERS)**

| For the Fiscal Year Ended June 30 | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | College's covered payroll - fiscal year | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| 2021 | $ 1,847,505 | $ 1,847,505 | $ - | $ 5,650,000 | 32.70% |
| 2020 | 2,020,730 | 2,020,730 | - | 6,208,926 | 32.55% |
| 2019 | 2,182,733 | 2,182,733 | - | 6,895,104 | 31.66% |
| 2018 | 2,501,280 | 2,501,280 | - | 6,881,612 | 36.35% |
| 2017 | 1,793,907 | 1,793,907 | - | 6,373,459 | 28.15% |
| 2016 | 1,585,540 | 1,585,540 | - | 6,710,811 | 23.63% |
| 2015 | 1,345,915 | 1,345,915 | - | 6,867,547 | 19.60% |
| 2014 | 978,634 | 978,634 | - | N/A | N/A |
| 2013 | 672,241 | 672,241 | - | N/A | N/A |
| 2012 | 565,062 | 565,062 | - | N/A | N/A |

## COLLEGE PLAN

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total OPEB liability** | | | | |
| Service cost | $ 62,080 | $ 110,015 | $ 105,756 | $ 146,848 |
| Interest | 41,823 | 34,610 | 33,723 | 38,332 |
| Differences between expected and actual experience | 42,830 | 77,527 | - | (231,304) |
| Changes in assumptions | - | - | 733 | (305,615) |
| Benefit payments | (126,963) | (60,998) | (59,812) | (80,348) |
| Net change in total OPEB liability | 19,770 | 161,154 | 80,400 | (432,087) |
| Total OPEB liability - beginning | 1,245,601 | 1,084,447 | 1,004,047 | 1,436,134 |
| Total OPEB liability - ending | $ 1,265,371 | $ 1,245,601 | $ 1,084,447 | $ 1,004,047 |
| Covered employee payroll | N/A | $ 42,840,625 | N/A | $ 48,960,678 |
| Total OPEB liability as a percentage of covered employee payroll | N/A | 2.91% | N/A | 2.05% |

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For the College Plan, the measurement period year-end is one year prior to the fiscal year-end.

## Schedule of College's Proportionate Share of Net OPEB Liability - PSERS

| For the Fiscal Year Ended June 30 | College's Proportion of the Net OPEB Liability (Asset) | College's Proportionate Share of the Net OPEB Liability (Asset) | Commonwealth's Proportionate Share of the Net OPEB Liability (Asset) associated with the College | Total Share of the Net OPEB Liability (Asset) | College's Covered Payroll - measurement period | College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|---|---|
| 2021 | 0.0223% | $ 481,834 | $ 481,834 | $ 963,668 | $ 6,260,618 | 7.70% | 5.69% |
| 2020 | 0.0247% | 525,330 | 525,330 | 1,050,660 | 6,810,376 | 7.71% | 5.56% |
| 2019 | 0.0247% | 514,879 | 514,879 | 1,029,758 | 6,659,678 | 7.73% | 5.56% |
| 2018 | 0.0225% | 458,418 | 458,418 | 916,836 | 6,002,302 | 7.64% | 5.73% |

**Notes**

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

## HARRISBURG AREA COMMUNITY COLLEGE
## Schedule of College's OPEB Contributions - PSERS

| For the Fiscal Year Ended June 30 | Contractually Required Contribution | Contributions in Relation to the Contractually Required Contribution | Contribution Deficiency (Excess) | Covered Payroll - Fiscal Year | Contributions as a Percentage of Covered Employee Payroll |
|---|---|---|---|---|---|
| 2021 | $ 23,807 | $ 23,807 | $ - | $ 5,776,186 | 0.41% |
| 2020 | 26,331 | 26,331 | - | 6,260,617 | 0.42% |
| 2019 | 28,811 | 28,811 | - | 6,810,376 | 0.42% |
| 2018 | 37,515 | 37,515 | - | 6,659,678 | 0.56% |

**Notes**

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

# OTHER SUPPLEMENTARY INFORMATION

# Harrisburg Area Community College
## Schedule of Expenses by Functional Classification - Primary Institution
## Years Ended June 30, 2021 and 2020

**2021**

| Functional Classification | Natural Classification | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries and Wages | Fringe Benefits | Supplies & Other Expense | Professional & Purchased Services | Utilities | Depreciation | Scholarships | Total |
| Instruction | $ 38,275,126 | $ 11,129,792 | $ 2,315,136 | $ 815,226 | $ 35,874 | $ - | $ 51,082 | $ 52,622,236 |
| Public Support | 229,035 | 41,789 | 34,579 | 2,033 | - | - | - | 307,436 |
| Academic Support | 5,614,547 | 2,109,533 | 892,682 | 170,509 | - | - | - | 8,787,271 |
| Student Services | 7,566,731 | 3,336,635 | 201,374 | 470,520 | - | - | - | 11,575,260 |
| Institutional Support | 8,812,671 | 7,277,429 | 5,164,670 | 3,153,337 | - | 1,573,461 | - | 25,981,568 |
| Operation and Maintenance of Plant | 2,424,966 | 1,355,343 | 3,815,577 | 308,677 | 2,896,261 | 10,360,851 | - | 21,161,675 |
| Student Aid | 164,906 | - | 52,000 | - | - | - | 13,539,332 | 13,756,238 |
| Auxiliary Enterprises | 822,774 | 406,926 | 5,835,788 | - | - | - | - | 7,065,488 |
| Total operating expenses | $ 63,910,756 | $ 25,657,447 | $ 18,311,806 | $ 4,920,302 | $ 2,932,135 | $ 11,934,312 | $ 13,590,414 | 141,257,172 |
| Interest expense | | | | | | | | 2,801,357 |
| Total expenses | | | | | | | | $ 144,058,529 |

**2020**

| Functional Classification | Natural Classification | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Wages | Fringe Benefits | Supplies & Other Expense | Professional & Purchased Services | Utilities | Depreciation | Scholarships | Total |
| Instruction | $ 44,492,796 | $ 13,631,929 | $ 2,476,558 | $ 653,869 | $ 39,563 | $ - | $ 5,047 | $ 61,299,762 |
| Public Support | 324,097 | 62,651 | 32,762 | 37,519 | - | - | - | 457,029 |
| Academic Support | 6,327,843 | 2,600,728 | 1,049,285 | 129,591 | 97 | - | - | 10,107,544 |
| Student Services | 9,044,798 | 4,068,797 | 324,860 | 476,121 | - | - | - | 13,914,576 |
| Institutional Support | 8,819,825 | 5,270,311 | 4,112,947 | 2,395,820 | - | 1,693,451 | - | 22,292,354 |
| Operation and Maintenance of Plant | 2,661,212 | 1,528,615 | 5,446,716 | 482,462 | 2,987,197 | 10,157,677 | - | 23,263,879 |
| Student Aid | 719,248 | 347,622 | 49,000 | - | - | - | 19,297,057 | 20,412,927 |
| Auxiliary Enterprises | 1,182,254 | 68,118 | 8,517,638 | 485 | - | - | - | 9,768,495 |
| Total operating expenses | $ 73,572,073 | $ 27,578,771 | $ 22,009,766 | $ 4,175,867 | $ 3,026,857 | $ 11,851,128 | $ 19,302,104 | $ 161,516,566 |
| Interest expense | | | | | | | | 3,898,757 |
| Total expenses | | | | | | | | $ 165,415,323 |

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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
Harrisburg Area Community College
Harrisburg, Pennsylvania

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 Harrisburg Area Community College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Harrisburg Area Community College's basic financial statements, and have issued our report thereon dated October 19, 2021, except for Note 13, which is as of September 22, 2022. The financial statements of the Harrisburg Area Community College Foundation, the blended component unit, 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 Harrisburg Area Community College Foundation.

## *Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Harrisburg Area Community College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrisburg Area Community College' internal control. Accordingly, we do not express an opinion on the effectiveness of Harrisburg Area 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. 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 Harrisburg Area Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

### *Harrisburg Area Community College's Response to Findings*

*Government Auditing Standards* requires the auditor to perform limited procedures on the Harrisburg Area Community College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Harrisburg Area Community College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### *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.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
October 19, 2021, except for our report on
compliance and other matters as it relates to
finding 2021-001 for which the date is
September 22, 2022

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

Board of Trustees
Harrisburg Area Community College
Harrisburg, Pennsylvania

## *REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM*

We have audited Harrisburg Area Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harrisburg Area Community College's major federal programs for the year ended June 30, 2021. Harrisburg Area 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 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 Harrisburg Area Community 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; and 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 Harrisburg Area 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 Harrisburg Area Community College's compliance.

### *Basis for Qualified Opinion on the Student Financial Aid Cluster*

As described in the accompanying schedule of findings and questioned costs, the Harrisburg Area Community College did not comply with requirements regarding the Student Financial Aid Cluster as described in finding 2021-001 for Activities Allowed or Unallowed and Eligibility. Compliance with such requirements is necessary, in our opinion, for the Harrisburg Area Community College to comply with the requirements applicable to that program.

### *Qualified Opinion on the Student Financial Aid Cluster*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Harrisburg Area 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 the Student Financial Aid Cluster for the year ended June 30, 2021.

### *Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, Harrisburg Area 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 each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

Harrisburg Area Community College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Harrisburg Area Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## *REPORT ON INTERNAL CONTROL OVER COMPLIANCE*

Management of Harrisburg Area 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 Harrisburg Area Community 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 Harrisburg Area Community College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies and a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be significant deficiencies.

Harrisburg Area Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Harrisburg Area Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## *REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE*

We have audited the financial statements of Harrisburg Area Community College as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Harrisburg Area Community College's basic financial statements. We issued our report thereon dated October 19, 2021, except as to Note 13 of the basic financial statements for which the date is September 22, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 19, 2021, except for Note 13 of the basic financial statements for which our procedures extend to September 22, 2022.

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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
September 22, 2022

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass Through Grantor's Number | Total Passed-Through to Subrecipients | Cash Receipts/ (Repayments) | Accrual Basis Expenditures |
|---|---|---|---|---|---|
| **DEPARTMENT OF EDUCATION** | | | | | |
| **Education Stabilization Cluster** | | | | | |
| COVID-19 - Higher Education Emergency Relief Fund - Student Portion | 84.425E | N/A | $ - | $ (100,000) | $ (105,586) |
| COVID-19 - Higher Education Emergency Relief Fund - Institutional Relief | 84.425F | N/A | - | 1,350,000 | 25,015,231 |
| COVID-19 - Higher Education Emergency Relief Fund - Strengthening Institutions | 84.425M | N/A | - | 225,000 | 2,891,736 |
| **Passed through Tri-County Opportunities Industrialization Center, Inc** | | | | | |
| COVID-19 - Governors Emergency Education Relief Fund | 84.425C | 250-0036 | - | 2,685 | 2,686 |
| **Passed through Pennsylvania Department of Education** | | | | | |
| COVID-19 - Governors Emergency Education Relief Fund | 84.425C | 410087442 | - | 739,159 | 468,642 |
| COVID-19 - Governors Emergency Education Relief Fund II | 84.425C | 257-21-007 | - | 91,399 | - |
| Total Education Stabilization Fund - 84.425 | | | - | 2,308,243 | 28,272,709 |
| **Student Financial Aid Cluster** | | | | | |
| FSEOG Program | 84.007 | N/A | - | 989,948 | 1,050,021 |
| FWS Program | 84.033 | N/A | - | 190,037 | 154,818 |
| PELL Program | 84.063 | N/A | - | 22,179,211 | 20,625,636 |
| Direct Student Loan Program | 84.268 | N/A | - | 36,640,749 | 36,068,825 |
| Total Student Financial Aid Cluster | | | - | 59,999,945 | 57,899,300 |
| **Passed through Pennsylvania Department of Education** | | | | | |
| Vocational Educational Grants Perkins III | 84.048 | FA 381-20-012 | - | 1,168,399 | 1,156,322 |
| **Passed through Tri-County Opportunities Industrialization Center, Inc.** | | | | | |
| Adult Basic Education | 84.002 | 064-19-FEDERAL | - | (5,221) | - |
| Adult Basic Education | 84.002 | 064-20-FEDERAL | - | 57,917 | 63,595 |
| Total Adult Basic Education | | | - | 52,696 | 63,595 |
| Total Department of Education | | | - | 63,529,283 | 87,391,926 |
| **CORPORATION FOR NATIONAL AND COMMUNITY SERVICE** | | | | | |
| AmeriCorps | 94.006 | N/A | - | 45,684 | 40,159 |
| **DEPARTMENT OF LABOR** | | | | | |
| **Passed through Pennsylvania Department of Labor and Industry** | | | | | |
| Trade Adjustment Assistance | 17.245 | TC-22519-11-60-A-42 | - | 127,142 | 127,142 |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | | |
| **Passed through Pennsylvania Department of Welfare** | | | | | |
| Keystone Education Yields Success (KEYS) | 93.558 | 4100063543-2 | - | 387,691 | 389,464 |
| **Passed through Shippensburg University** | | | | | |
| ECE Workforce CDA Cohorts for Shippensburg University | 93.434 | SU-20-017 | - | 28,000 | - |
| Strengthening & Aligning Higher Education Systems for Early Care and Education Professions | 93.434 | SU-20-023 | - | 233,900 | 272,647 |
| **Passed through Delaware County Community College** | | | | | |
| Strengthening & Aligning Higher Education Systems for Early Care and Education Professions | 93.434 | PTE 90TP0038 | - | 4,848 | - |
| Total Every Student Succeeds Act/Preschool Development Grants | | | - | 266,748 | 272,647 |
| Total Department of Health and Human Services | | | - | 654,439 | 662,111 |
| **DEPARTMENT OF HOMELAND SECURITY** | | | | | |
| **Passed through the City of Philadelphia** | | | | | |
| PA Urban Search and Rescue Task Force | 97.025 | PA-TF-1 | - | 351,840 | 278,850 |
| **NATIONAL SCIENCE FOUNDATION** | | | | | |
| **Passed through Jefferson Community College and Technical College** | | | | | |
| Geospatial Tech Center of Excellence: Growing the Workforce | 47.076 | DUE-1700496-HACC | - | 9,022 | 9,804 |
| Total federal financial assistance | | | $ - | $ 64,717,410 | $ 88,509,992 |

## NOTE 1 GENERAL INFORMATION

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the federal financial assistance programs of the Harrisburg Area Community College (the College). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

## NOTE 2 BASIS OF PRESENTATION/ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of the College and the expenditures recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

## NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The Schedule of Expenditures of Federal Awards presents only a selected portion of the activities of the College. It is not intended to, and does not, present either the financial position, changes in net position, or cash flows of the College. The financial activity for the aforementioned awards is reported in the College's statement of revenues, expenses, and changes in net position. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards, due to grant or contract budget limitations.

## NOTE 4 FEDERAL DIRECT STUDENT LOANS

The College is only responsible for the performance of certain administrative duties and is not considered the lender with respect to the student loan programs, and accordingly, these loans are not included in its financial statements and it is not practical to determine the balance of loans outstanding to students and former students of the College under these programs. The amount reported on the Schedule of Expenditures of Federal Awards represents new loan advances during the year.

## NOTE 5 INDIRECT COST RATE

The College has not elected to use the 10% de minimus indirect cost rate for its federal programs.

# 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 ☒ No |
| • Significant deficiencies identified? | ☐ Yes ☒ None reported |
| Noncompliance material to financial statements noted? | ☒ Yes ☐ No |

**Federal Awards**

| | |
|---|---|
| Internal control over major programs: | |
| • Material weakness(es) identified? | ☒ Yes ☐ No |
| • Significant deficiencies identified? | ☒ Yes ☐ None reported |
| Type of auditor's report issued on compliance for major programs**:** | Qualified |
| • Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516? | ☒ Yes ☐ No |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| | **Student Financial Aid Cluster**: |
| 84.007 | FSEOG Program |
| 84.033 | FWS Program |
| 84.063 | PELL Program |
| 84.268 | Direct Student Loan Program |
| | **Education Stabilization Fund**: |
| 84.425E | COVID-19 – Higher Education Emergency Relief Fund – Student Portion |
| 84.425F | COVID-19 – Higher Education Emergency Relief Fund – Institutional Relief |
| 84.425M | COVID-19 – Higher Education Emergency Relief Fund – Strengthening Institutions |
| 84.425C | COVID-19 – Governors Emergency Education Relief Fund I and II |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 2,655,300 |
| Auditee qualified as low-risk auditee? | ☐ Yes ☒ No |

## Section II – Financial Statement Findings

**A. Significant Deficiencies or Material Weaknesses in Internal Control**

None noted.

**B. Compliance Findings**

See finding 2021-001.

## Section III – Federal Findings and Questioned Costs

| | |
|---|---|
| **Finding Reference:** | **2021-001** |
| **Federal Agency:** | **U.S. Department of Education** |
| **Federal Program:** | **Student Financial Aid Cluster** |
| **Compliance Requirement:** | **Activities Allowed or Unallowed and Eligibility** |
| **Type of Finding:** | **Significant Deficiency in Internal Control over Compliance and Noncompliance** |
| *Criteria:* | 34 CFR 668.32 – a student is eligible to receive Title IV, HEA (Higher Education Act) program assistance if the student is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution. |
| *Statement of Condition:* | Potential noncompliance was identified by the College. It is possible there are students enrolled in ineligible programs. |
| *Statement of Cause:* | No cause could be determined. |
| *Possible Asserted Effect:* | The institution may have improperly awarded Title IV funds to students who have not been accepted in an eligible program of study leading to a degree or certificate. |
| *Questioned Costs:* | $ 13,134 |
| *Context:* | During the performance of the audit, the College reported possible noncompliance to the auditors and noted they are currently working with consultants to review the situation and make programmatic adjustments as necessary. The College offers a number of health career programs in which a student is initially enrolled and begins the program by taking general education courses and in some cases certain major courses as well. Once these courses are completed the student is able to apply to continue in the program through a selective admissions process to transition to the clinical portion of the program which culminates in the student receiving a certificate or degree. The selective admissions process differs from program to program but is generally based on a published criteria which centers around a ranking based on the completion and final grade for certain initial courses, certain test scores and selection of campus location. |

## Section III – Federal Findings and Questioned Costs (Continued)

The possible noncompliance centers on whether the College's selective admission process to transition to the clinical portion of the programs, in turn, makes the initial portion of these programs ineligible. In that situation, students enrolled in the initial portion of the program may not be considered regular students enrolled or accepted for enrollment for the purpose of obtaining a degree or certificate offered by the College and would not be eligible for Title IV financial aid.

The auditor selected a sample of 25 students to review program eligibility. The sample included eight (8) students enrolled in the health career programs noted above. Of these eight (8) students, four (4) students did not advance to the clinical portion of the program or transfer to a program receiving credit for their initial courses. The auditor was unable to determine if the College's selective admission process related to these health career programs is in compliance with federal regulations. As a result, questioned costs which encompass the financial aid received during 2020/2021 are included above for the possible violation related to the four (4) students noted.

Based on the fact the auditor is unable to determine the eligibility status of students enrolled in these programs or the overall program eligibility for the initial portion of these programs, the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance includes a qualified opinion for the Student Financial Aid Cluster.

*Repeat Finding:* This is not a repeat finding.

*Recommendation:* We recommend that the College contact the U.S. Department of Education to review the programs in question and determine if they are in alignment with current federal regulations.

*Views of Responsible Officials and Planned Corrective Actions:* Management acknowledges and agrees with the findings.

## Section III – Federal Findings and Questioned Costs (Continued)

| | |
|---|---|
| **Finding Reference:** | **2021-002 - Reporting – COVID-19** |
| **Federal Agency:** | **U.S. Department of Education** |
| **Federal Program:** | **84.425C – COVID – 19 Governors Emergency Education Relief Fund (GEER) II** |
| **Compliance Requirement:** | **Reporting** |
| **Type of Finding:** | **Significant Deficiency in Internal Control over Compliance and Noncompliance** |

*Criteria:* The GEER II award requires a Reconciliation of Cash on Hand Quarterly Report to be completed at end of each quarter throughout the term of the agreement.

*Statement of Condition:* GEER II funds were received during June of 2021; however, a Quarterly Cash on Hand report was not filed for the quarter ended June 30, 2021.

*Statement of Cause:* The College had previously received an award under GEER I that did not include a requirement to file a Quarterly Cash on Hand report. The GEER II reporting requirement was not identified timely by the College.

*Possible Asserted Effect:* The College was not in compliance with the reporting requirements established by the Department of Education and may not receive additional funding until this noncompliance is corrected.

*Questioned Costs:* None noted.

*Context:* For the testing of the GEER program, there was only one quarterly report that was due to be filed for the 2020/2021 fiscal year.

*Repeat Finding:* This is not a repeat finding.

*Recommendation:* As new grants are awarded, the grant agreements should be reviewed in detail to determine applicable compliance requirements.

*Views of Responsible Officials and Planned Corrective Actions:* Management agrees with the recommendation and will review new grants in detail to determine applicable compliance requirements.

## Section III – Federal Findings and Questioned Costs (Continued)

| | |
|---|---|
| **Finding Reference:** | **2021-003 – HEERF Lost Revenue – COVID-19** |
| **Federal Agency:** | **U.S. Department of Education** |
| **Federal Program:** | **84.425F – COVID – 19 Higher Education Emergency Relief Fund (HEERF)– Institutional Relief** |
| **Type of Finding:** | **Material Weakness in Internal Control over Compliance** |

*Criteria:* In accordance with the Higher Education Emergency Relief Fund (HEERF I, II, and III) Lost Revenue Frequently Asked Questions document published by the U.S. Department of Education, an institution must adequately document its estimate of lost revenue, including its rationale, calculations, methodology, underlying data, and budgets or projections used to determine the amount of lost revenue.

*Statement of Condition:* Upon review of the lost revenue calculation during the audit process, it was determined the original calculation of lost revenue that was used to charge the grant and to report federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA) was incorrect due to various errors in the calculation that were not initially identified during the College's internal control processes at the time the grant was charged and quarterly and annual reports were completed. This resulted in an over allowance for lost revenue of $ 1,292,377 through June 30, 2021. The College anticipates the calculation of the June 30, 2022 lost revenue will be utilized in the future to appropriately charge the grant award for this over allowance amount.

In addition, the final SEFA presented for the year ended June 30, 2021 was updated to reflect the appropriate calculation for lost revenue through June 30, 2021.

*Statement of Cause:* The College did not initially have an adequate internal control process in place to review the underlying data utilized in the calculation of lost revenue for the years ended June 30, 2020 and June 30, 2021.

*Possible Asserted Effect:* The grant award may have been charged too early during the grant award period and quarterly and annual reports do not accurately reflect the actual lost revenue calculation through June 30, 2021.

*Questioned Costs:* None noted.

*Context:* The lost revenue calculation for the period of March 13, 2020 through June 30, 2021 was tested as part of the audit process.

*Repeat Finding:* This is not a repeat finding.

## Section III – Federal Findings and Questioned Costs (Continued)

| | |
|---|---|
| *Recommendation:* | The College should review its internal control processes related to the calculation of lost revenue for the HEERF award and ensure adequate review processes are in place prior to the grant award being charged and expenditures being reported on the required quarterly and annual reports. |
| *Views of Responsible Officials and Planned Corrective Actions:* | Management agrees with the recommendation and has reviewed internal control processes to ensure adequate review going forward. |

## Summary Schedule of Prior Audit Findings
## Year Ended June 30, 2020

### Findings related to Financial Statements:

None

### Findings related to Federal Awards:

Finding 2020-001

Condition: In some cases, the College's internal controls were not operating effectively to ensure that students enrolled in distance education were attending the courses they were enrolled in.

Status: Corrective action was taken.

Finding 2020-002

Condition: The College had an excess cash balance of approximately $ 2,300,000, which exceeded the excess cash tolerance threshold, and was not eliminated or returned to the Department of Education (ED) within seven calendar days. The excess cash was returned after 31 calendar days.

Status: Corrective action was taken.