PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE

JOHNSTOWN, PENNSYLVANIA

EIN NUMBER: 25-1721929

Single Audit Reporting Package

June 30, 2021 and 2020

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
JUNE 30, 2021 AND 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

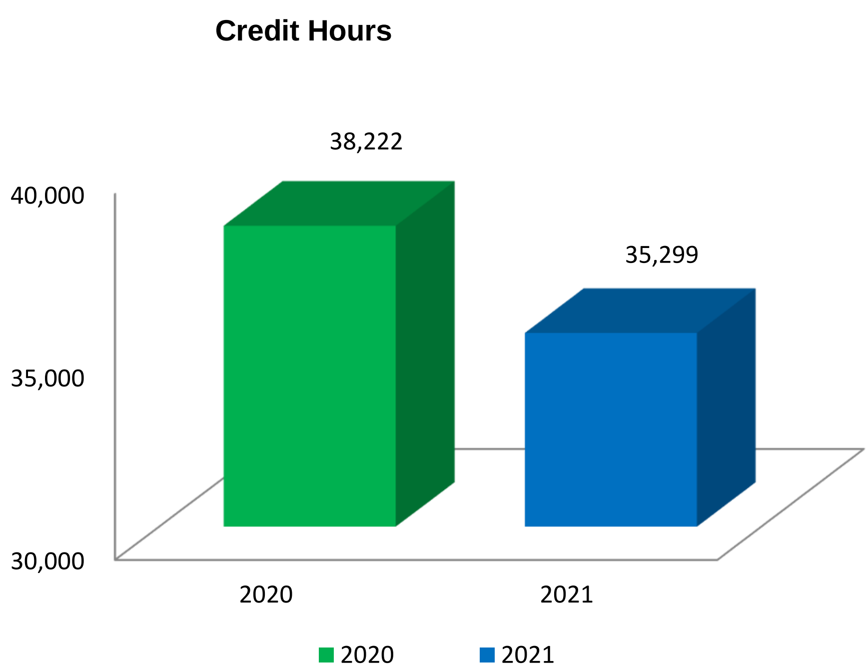
Management's Discussion and Analysis

This section of Pennsylvania Highlands Community College's Annual Financial Statements presents Management's Discussion and Analysis of the College's financial activity for the fiscal years June 30, 2021 and June 30, 2020. This analysis reflects current activities, resulting changes and currently known facts, and should be read in conjunction with the College's Financial Statements, including the notes. Responsibility for the completeness and fairness of this information rests with the College.

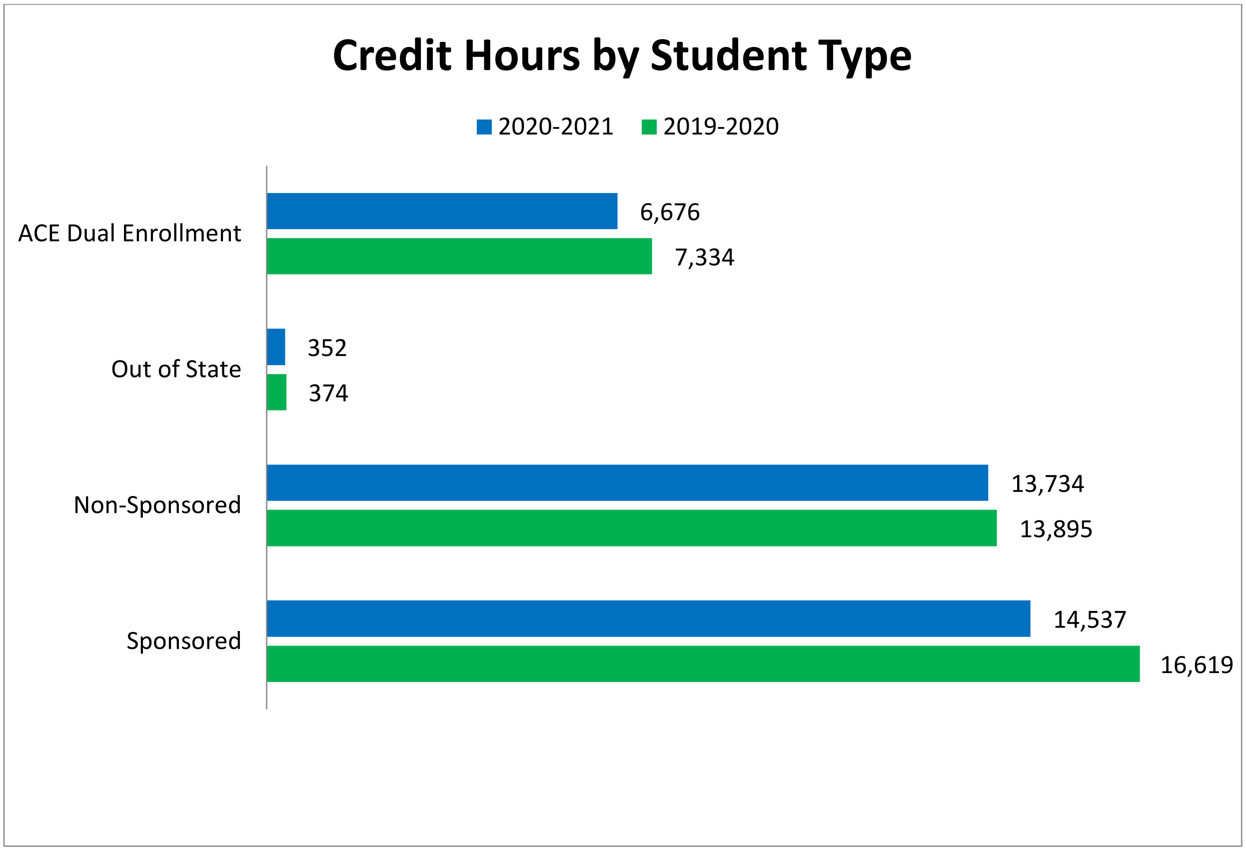
Using This Annual Report

The financial statement format focuses on the College as a whole. The annual report shows both the College's and the College's Foundation financial information. The College Financial Statements are designed to emulate corporate presentation models, whereby all College activities are consolidated. The Statement of Net Position is designed to be similar to bottom line results for the College. This Statement combines current financial resources with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focus on both the gross costs and the net costs of College activities which are supported mainly by State appropriations, County appropriations, and tuition and fees. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

Enrollment

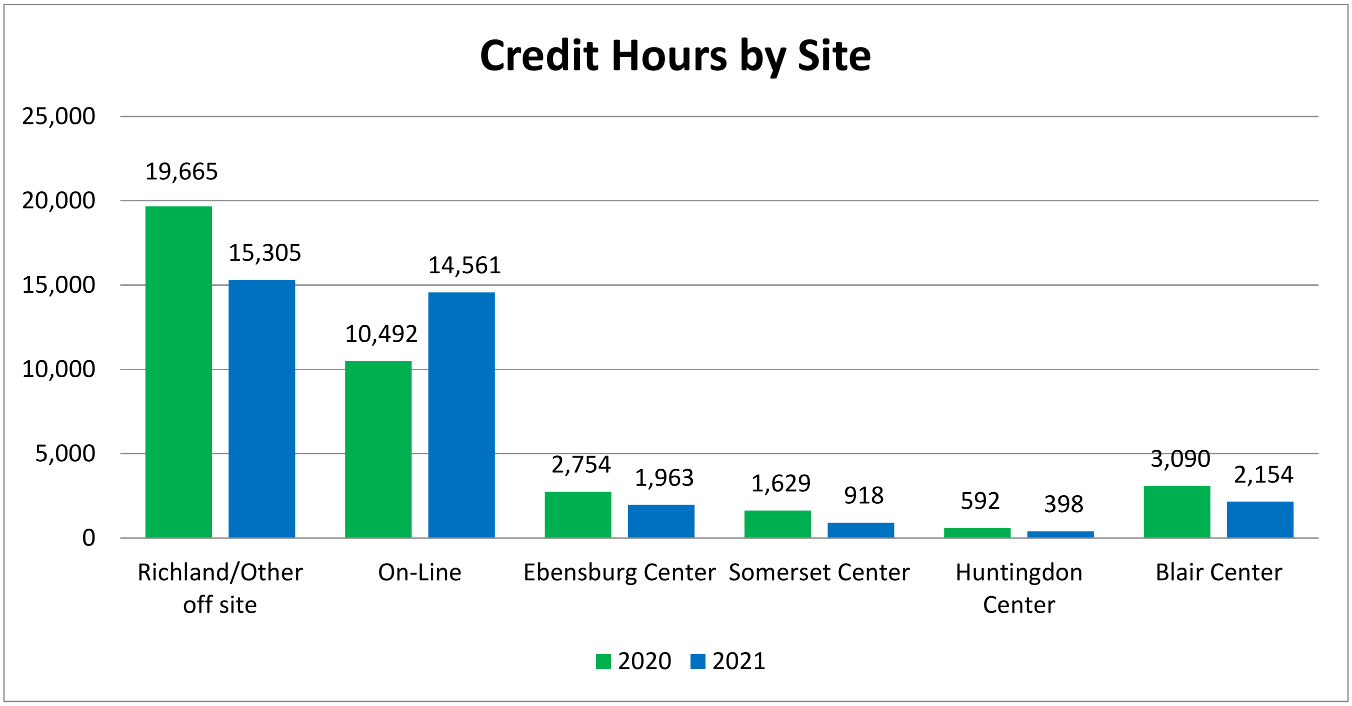


The overall enrollment and credit hours sold decreased 7.6% in the 2021 fiscal year. Total credit hours sold in 2021 was 35,299 compared to 38,222 in 2020. A further breakdown of the credit hours sold is provided below.



Sponsored credits continue to make up the largest portion of our enrollment with 14,537 credits sold in 2021 compared to 16,619 in 2020. This represents a decrease of 2,082 credits or a 12.5% decrease for the current fiscal year. Non-Sponsored credits decreased to 13,734 resulting in a decrease of 1.2% for the current fiscal year. Out of State credits sold decreased by 22 credits resulting in a decline of 5.9% for the current fiscal year. The ACE Dual Enrollment program posted a 658 credit decrease which is 9.0% below prior year totals.

The following chart breaks out the credits sold by site. Of the 35,299 total credits sold, 15,305 were at the main Richland Campus/Other off-site locations. Richland Campus credits include the ACE Dual Enrollment totals of 6,676 credit hours, and the total Richland Campus credits decreased by 4,360 credits. On-Line credits taught increased by 4,069 from 10,492 credits during 2020 to 14,561 credits in fiscal year 2021. Ebensburg Center, Somerset, Blair and Huntingdon credits decreased by 791, 711, 936 and 194 respectively. The total decrease in credits sold for 2021 is 2,923 or a 7.6% decline.



Statement of Net Position

The Statement of Net Position presents the financial position at the end of each year. The difference between assets and liabilities is net position, representing a measure of the current financial condition.

The major components of Pennsylvania Highlands Community College's assets, liabilities and net position, as of June 30, 2021 and 2020 are as follows (in thousands):

		2021	2020	$ Change	% Change
Assets					
	Cash and cash equivalents	$ 8,036	$ 5,772	$ 2,264	39.2%
	Accounts receivable, net	881	909	(28)	-3.1%
	Other assets	206	235	(29)	-12.3%
	Total Current Assets	9,123	6,916	2,207	31.9%
Noncurrent Assets					
	Capital Assets, net	14,004	8,765	5,239	59.8%
	Total Noncurrent Assets	14,004	8,765	5,239	59.8%
Deferred Outflows					
	Deferred SERS outflows	12	21	(9)	-42.9%
	Total Assets and Deferred Outflows	23,139	15,702	7,437	47.4%
Liabilities					
	Accounts payable	299	260	39	15.0%
	Accrued salaries and benefits	841	773	68	8.8%
	Lease payable	194	215	(21)	-9.8%
	Notes payable	8,997	1,774	7,223	407.2%
	SERS net pension liability	44	155	(111)	-71.6%
	Total Liabilities	10,375	3,177	7,198	226.6%
Deferred Inflows					
	Deferred SERS Inflows	189	156	33	21.2%
	Unearned Tuition and Fee Revenue	261	243	18	7.4%
	Total Deferred Inflows	450	399	51	12.8%
Net Position					
	Invested in Capital assets, Net of related debt	4,813	6,775	(1,962)	-29.0%
	Unrestricted	6,128	4,003	2,125	53.1%
	Restricted - Expendable	1,373	1,348	25	1.9%
	Total Net Position	12,314	12,126	188	1.6%
Total Liabilities, Deferred Inflows, and Net Position		$ 23,139	$ 15,702	$ 7,437	47.4%

Pennsylvania Highlands Community College's Assets and Deferred Outflows:

Cash and cash equivalents include checking accounts for operations and funds deposited in money market and repurchase agreement accounts.

The total receivable amount includes student receivables and various grant and other receivables which totaled $881 thousand in fiscal 2021. This is a decrease of $28 thousand over the same period last year. The decrease is the result of decreases in student receivables, social security tax reimbursements due the College from PDE (Pennsylvania Department of Education) and decreases in various grant receivables at year end.

Other Assets include prepaid expenses relating to the monthly rental payments for the Ebensburg, Somerset, Huntingdon, Blair and the Central Park centers, along with monthly health insurance related costs. Other assets decreased by $29 thousand over the same period last year. The decrease is the result of the purchase of the Richland Campus and lease payments for the main campus ceasing.

Capital Assets include buildings, furniture and equipment, computer software, leasehold improvements, construction interest and bond issue discount costs, purchases, and construction in progress. Capital assets, net, totaled $14.004 million at June 30, 2021 and increased by $5.239 million over the same period last year. The increase is the result of the purchase of the Main Campus building.

Deferred Outflows refer to the consumption of net assets that is applicable to a future reporting period. The Deferred SERS (State Employees' Retirement System) outflows, which total $12 thousand at June 30, 2021, represents the College's proportionate share of the total SERS pension plan deferred outflows.

Pennsylvania Highlands Community College's Liabilities and Deferred Inflows:

The College's Total Liabilities and Deferred Inflows increased by $7.249 million, or 202.7%, to $10.825 million at the end of fiscal year 2021.

Accounts payable increased by $39 thousand over fiscal year June 30, 2020. The increase is a result of the timing and pay down of ordinary current obligation for the 2021 fiscal year.

The Accrued salaries and benefits line are showing an increase of $68 thousand over last year's totals. This increase is a result of changes in staffing levels, salary rates as well as timing differences in the calculation of the year end accruals.

The Lease payable line shows a decrease of $21 thousand for the current year. This fiscal year-end balance of $194 thousand decreased due to the timing of lease terms as to when old leases are paid off and new replacement equipment leases are obtained.

The Notes payable amount of $8.997 million shows an increase of $7.223 million over last year's amount of $1.774 million. This line item includes the amounts due on the newly purchased Richland Main Campus and on the Blair construction project. The increase is due to the purchase of the Richland site. The loan payments for the Blair Project are funded 50% by the PDE and 50% by the College.

The State Employees' Retirement System (SERS) net pension liability is $44 thousand at June 30, 2021. This signifies the amount by which the College's total pension liability exceeds the pension plan's net assets and has decreased by $111 thousand in comparison to the prior year.

Deferred Inflows refer to the acquisition of net assets that are applicable to a future reporting period. The deferred SERS inflow balance of $189 thousand is the College's share of the State Employees' Retirement System (SERS) pension deferred inflows. The Unearned Tuition and Fee revenue totaling $261 thousand is advanced student payments for summer and fall session tuition.

Pennsylvania Highlands Community College Net Position:

Net position represents the residual interest in the College's total assets and deferred outflows after all liabilities and deferred liabilities are deducted. The College's net position totaled $12.126 million in 2020, and increased $188 thousand, or 1.6% to $12.314 million during the 2021 fiscal year.

The College's net position is reported in three major categories: Invested in Capital assets, Unrestricted and Restricted-Expendable.

The portion of Net Position Invested in Capital Assets, Net of related debt, indicates the College's equity in property, plant and equipment. This decreased $1.962 million from $6.775 million in 2020 to $4.813 million in 2021. This decrease is the result of the additional debt incurred with the Richland Campus purchase and depreciation costs net of any other asset additions during the year.

The portion of Net Position in Restricted-Expendable totaling $1.373 million consists of funds set aside by the Board of Trustees for future capital or operating needs.

The remaining portion of Net Position is classified as Unrestricted for financial statement purposes. The total at June 30, 2021 is $6.128 million, up $2.125 million over the prior year. The increase is due to the net of the increase in asset balances plus the decrease in liabilities at year end. The Unrestricted assets are typically used for continuing College operations.

Pennsylvania Highlands Community College Results of Operations

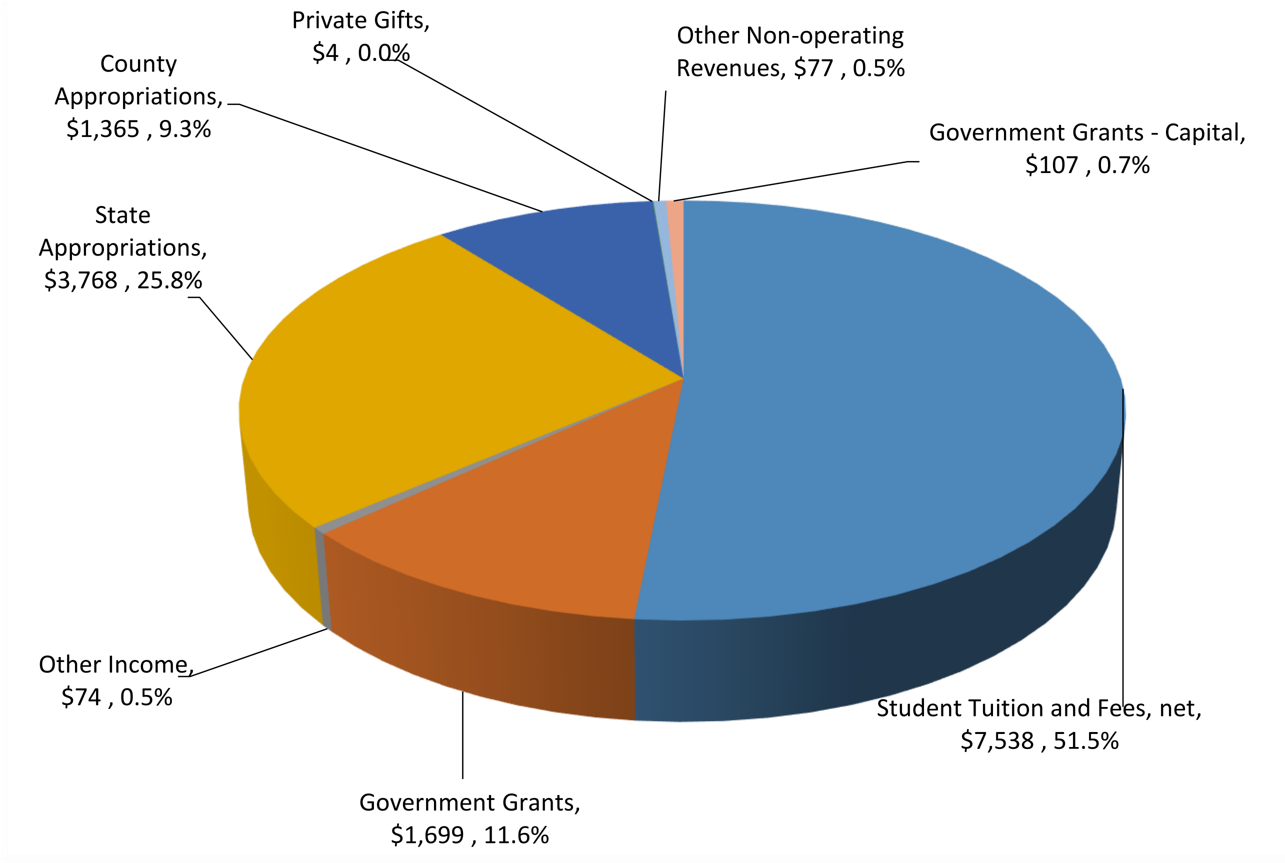
The Statement of Revenues, Expenses and Changes in Net Position is provided to show the results of operations of the year. It provides insight to the College's Operating costs and reflects where the College funds have been administered. As required by Governmental Accounting Standards Board (GASB), certain significant revenues, which are essential to support the operational needs of the College, are required to be recorded as Non-operating revenues. The Non-operating revenues include State appropriations, County appropriations, Student Financial Aid and private gifts.

The following schedule summarizes the operating results of Pennsylvania Highlands for 2021 and 2020 (in thousands):

	2021	2020	$ Change	% Change
Revenues				
Student tuition and fees, net	$ 7,538	$ 7,798	$ (260)	-3.3%
Government grants	1,699	669	1030	154.0%
Other income	74	71	3	4.2%
Total revenues	9,311	8,538	773	9.1%
Expenses				
Instruction	3,965	3,631	334	9.2%
Academic Support	2,336	2,279	57	2.5%
Student Services	2,658	2,430	228	9.4%
Institutional Support	2,464	2,294	170	7.4%
Facilities/Maintenance	1,787	1,842	(55)	-3.0%
Bad debt	71	37	34	91.9%
Depreciation	1,079	995	84	8.4%
Total operating expenses	14,360	13,508	852	6.3%
Non-operating revenues/(expenses)				
State appropriations	3,768	3,799	(31)	-0.8%
County appropriations	1,365	1,205	160	13.3%
Financial Aid Net	0	0	0	0.0%
Emergency Grants to Students, net	0	0	0	0.0%
Private gifts	4	2	2	100.0%
Interest	(85)	(60)	(25)	-41.7%
Other non-operating revenue	77	87	(10)	-11.5%
Total non-operating revenues(expenses)	5,129	5,033	96	1.9%
Government grants - Capital	107	54	53	98.1%
Total change in net position	$ 187	$ 117	$ 70	59.8%

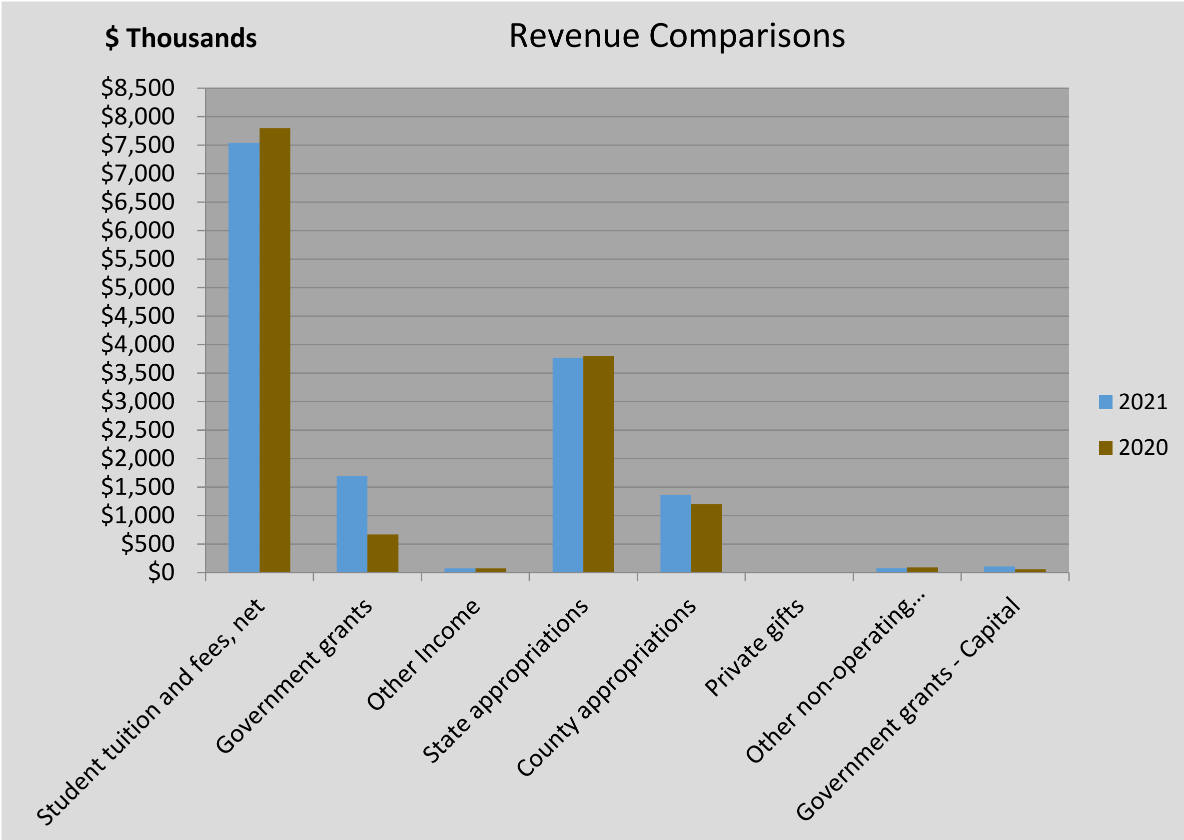
Pennsylvania Highlands Community College Revenues

Categories of both operating and non-operating revenues that support the College's activities in 2021 are as follows (in thousands):



Overall, operating revenues for Fiscal 2021, including Student Tuition and Fees, Other Income and Government Grants, totaled $9.311 million, an increase of $773 thousand over the same period in Fiscal 2020. Government Grants, which includes the HEERF funds, GEERS funds, Perkins Grant, the Keystone Education Yields Success (KEYS) Grant, and a PA Jobs Training grant provide resources such as, technology, tutoring, career services and other student service activities that aid in student learning and success. Non-operating revenues include State appropriations, County appropriations, Financial Aid (net of expense), the CARES Emergency Grant for Students (HEERF) (net of expense), along with private gifts and Other non-operating revenue/(expenses), totaled $5.129 million in 2021 compared to $5.033 million in 2020. Government Grants-Capital totaled $107 thousand in 2021 and provided funds for the upgrades of the wireless networking system at the main Richland Campus. The prior year amount of $54 thousand was used to develop the SHARE lab.

The following graph compares 2021 revenues against 2020 revenues (in thousands):



Student Tuition and fees, net of scholarship allowances, decreased $260 thousand or 3.3% in 2021 to $7.538 million. While overall credits sold decreased at a much larger rate, 12.5% as noted above, the dollar amount decrease is less due to increases in tuition rates for the current year.

Government grants include grant programs such as the Higher Education Emergency Relief Funds (HEERF)-Institutional, GEERS, Perkins, KEYS and the PA Jobs training grant. Total revenues from all the grant programs was $1.699 million in 2021 as compared to $669 thousand in 2020, with the increase attributed to HEERF and GEERS grant activity.

Other Income totaling $74 thousand**,** includes the commission received on bookstore sales from Follett which totaled just over $30 thousand in 2021. This category also includes other items such as specialized testing income, and job fair and college fair income.

State appropriations include operating and capital allocations from the Pennsylvania Department of Education. Overall, State Appropriations totaled $3.768 million in 2021, a decrease of $31 thousand over the 2020 amount of $3.799 million. The changes occurred because of decreases in capital funding due to the new lease agreement at Ebensburg. The State FICA reimbursement remained virtually unchanged from the prior year amounts.

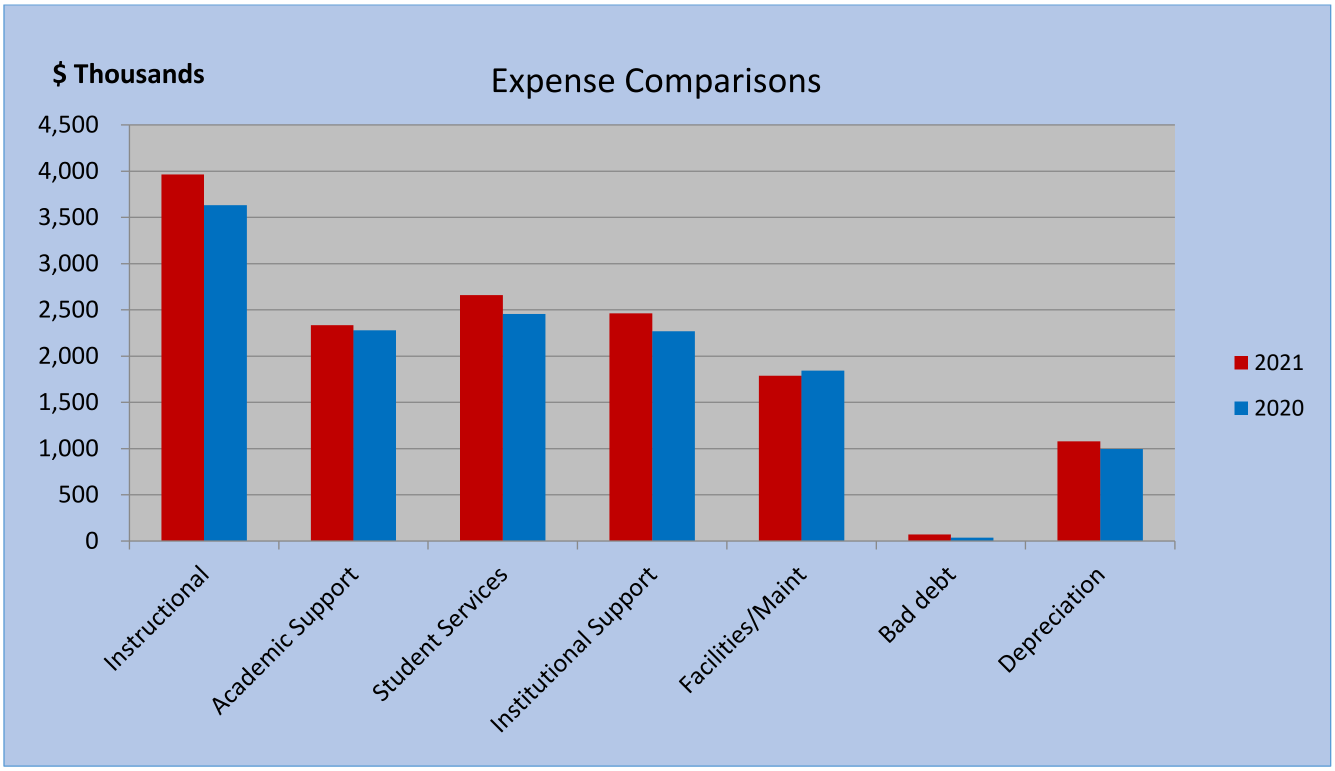
County appropriations for 2021 saw a moderate increase in County funding of $160 thousand resulting from a one-time correcting payment due to a County Audit adjustment. Total county revenue was $1.365 million in 2021 compared to $1.205 million in 2020. As indicated in the pie chart above, the County contributed 9.3% of the overall operating and non-operating revenues during the year.

Government grants – Capital Government Grant funds used to purchase capital equipment totaled $107 thousand in the 2021 fiscal year. The money came from the HEERF Institutional funds and it was used to upgrade and install new wireless networking systems at the main Richland Campus.

Pennsylvania Highlands Community College Expenses

Operating expenses for fiscal 2021 increased by only $852 thousand over the same period in fiscal 2020. Total operating expenses for 2021 was $14.360 million compared to $13.508 million in 2020. The expenses are classified by function (instructional, academic support, etc.). The majority of the expense increase over last year can be attributed to the COVID-19 pandemic related recovery and operating costs.

The following graph compares 2021 expense categories with 2020 expense categories by functional classification (in thousands):



Instructional expenditures increased over the prior year's amounts. The increase of $334 thousand is attributed mainly to pandemic related costs including updates to the Learning Management System, course development and instructional salaries and on-line teaching equipment.

Academic Support is showing an increase in costs over last year. The majority of the $57 thousand increase is from additional costs for on-line instructional equipment and instructional design efforts to enhance the delivery of on-line instruction due to the COVID19 pandemic

Student Services expense of $2.658 million in 2021 is a $228 thousand increase over the $2.430 million amount in 2020. This category includes the administrative costs from the Ebensburg, Somerset, Huntingdon and Blair centers. The costs associated with the athletic programs are included in this category. Again, the majority of the increase can be attributed to expenditures relating to the COVID19 pandemic response including technology upgrades, student activities expansion and café costs as well as other grant spending.

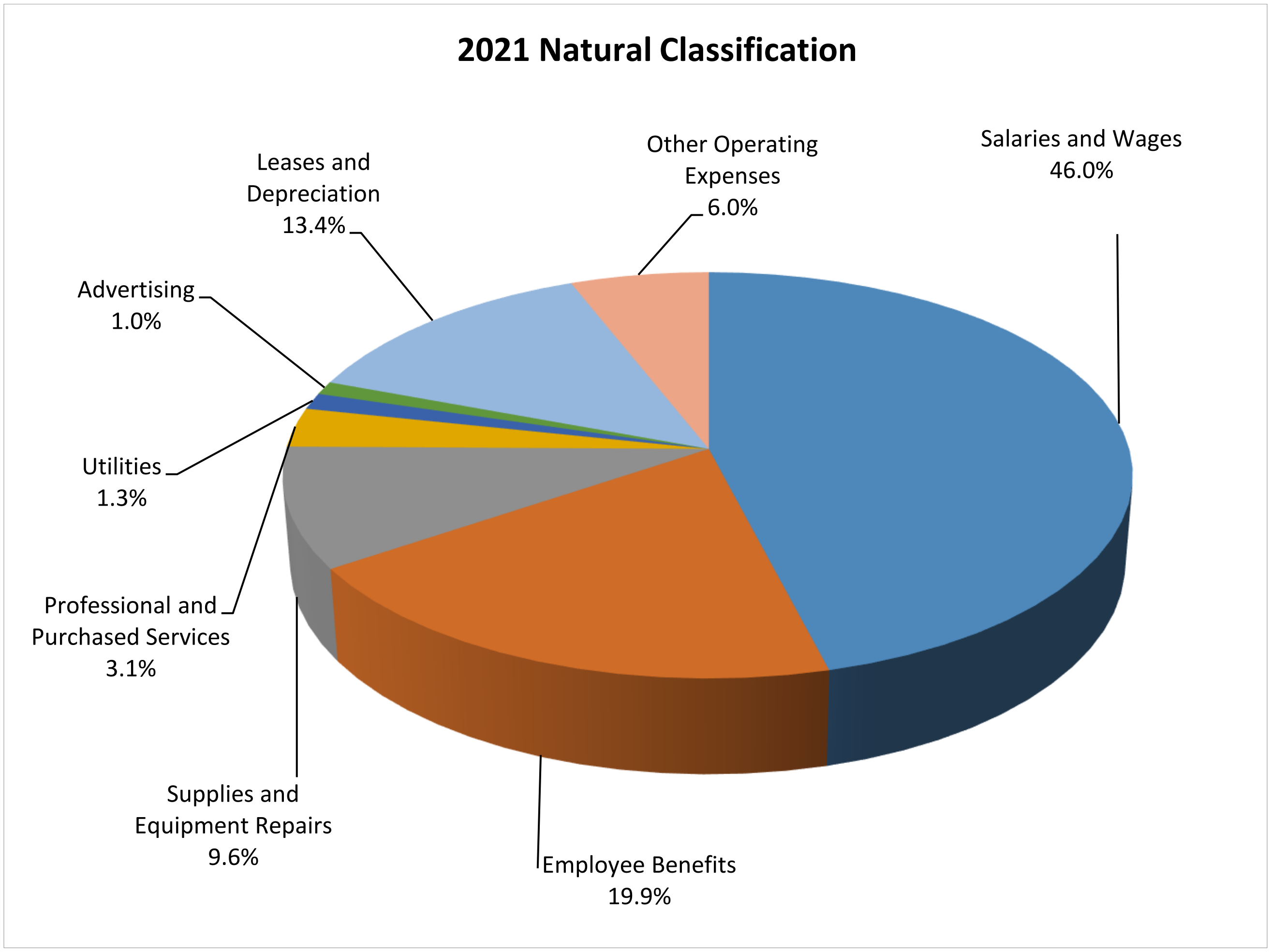
Institutional Support is showing an increase from last year of $170 thousand or a 7.4% increase. The increase is a result of the COVID-19 pandemic response and includes costs for robust networking upgrades to allow for remote access for Faculty, Staff and Students to maintain campus operations and remote learning.

Facilities/Maintenance costs decreased $55 thousand from $1.842 million in 2020 to $1.787 million in 2021. This represents a 3.0% decrease over the previous year. The decrease can be attributed to the re-negotiation of the Ebensburg site as well as the ending of the monthly lease payments to Richland due to the purchase of the site.

Bad debt expense consists of the estimated amount of the current student receivables that the College will not be able to collect. The estimate is based on a detailed review of the outstanding receivables at year end and actual historical amounts of accounts that were written off. The College's provision for uncollectible accounts (bad debt) increased $34 thousand from $37 thousand in 2020 to $71 thousand in 2021. Further analysis shows that the bad debt expense, as a percent of total tuition and fee revenue, increased marginally from .47% in 2020 to .93% in 2021.

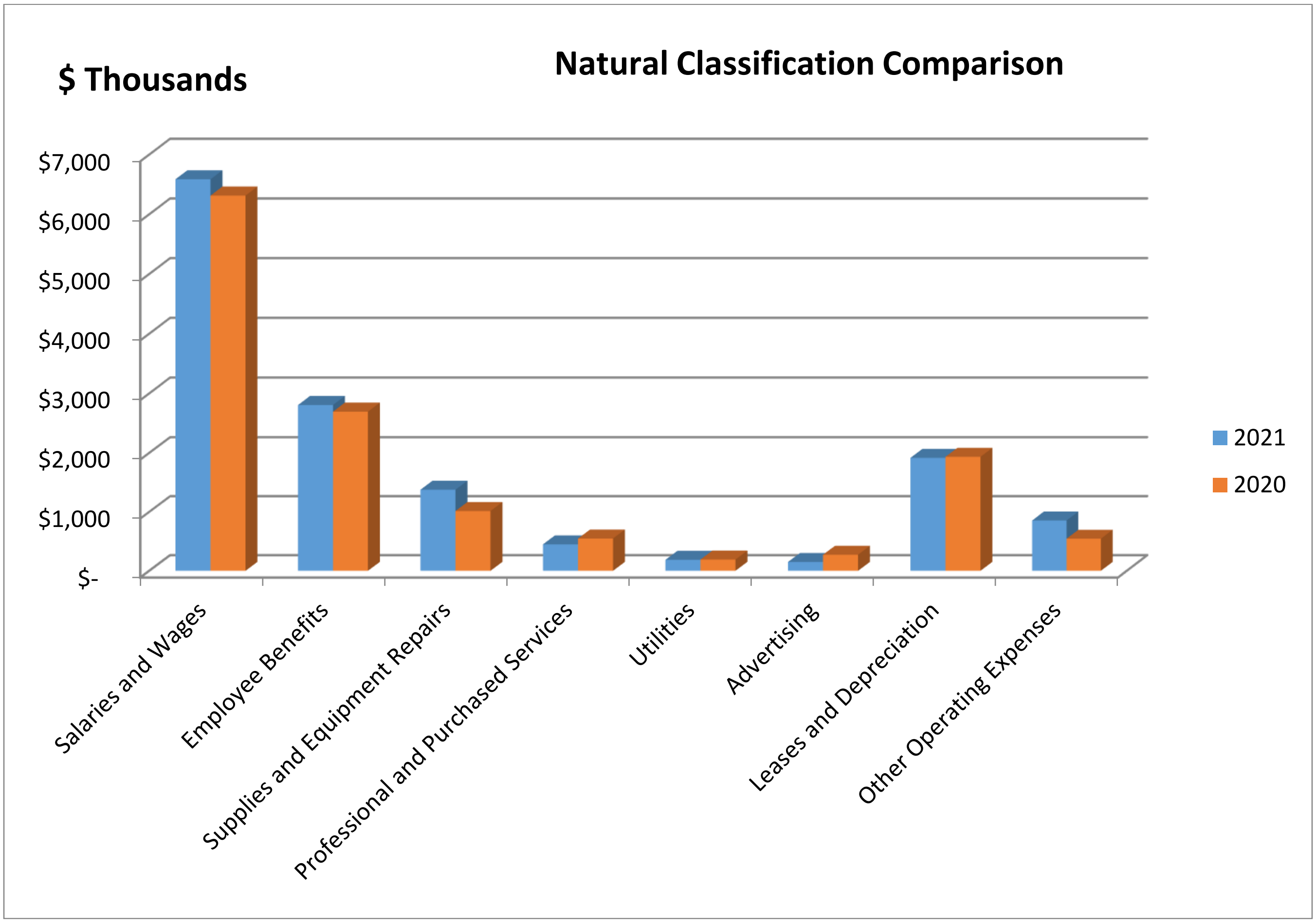
Depreciation expense is showing an increase in 2021 of $84 thousand or 8.4% above 2020 amounts. This increase is due to the completion of the purchase and depreciation of the Richland main campus building.

The following chart breaks down the College's 2021 operating expenses by natural classification including salaries, utilities, leasing costs and other operating costs. The graph shows the distribution percentage of each natural classification. This graph does not include the student financial aid activity.



Employee related expenses including salaries and wages and employee benefits made up a total of 65.9% of the overall operating expenses of the College for fiscal year 2021. The Leases and Depreciation classification, totaling 13.4% of the operating costs, is the next highest amount. This includes the annual building rental costs for all of our education sites. Supplies and Equipment Repairs totaled 9.6% of the operating costs and include departmental supplies and equipment and building maintenance costs. Professional and Purchased Services totaled 3.1% and Other Operating expenses totaled 6.0% of the overall operating expenses for fiscal 2021. The remaining classifications of Utilities and Advertising had combined expenditures totaling 2.3% of the College's operating costs.

The following graph further compares fiscal year 2021 and 2020 expenses by natural classification. The graph shows that overall expenses remained consistent during 2021 and 2020. There are slight increases in the Salaries and Wages as employee benefits also shows slight increases. Supplies and Equipment Repairs increased in 2021 while Professional and Purchased Services also show slight decreases. Utilities, Advertising, Depreciation and Other Operating Expenses each remained consistent with only slight variations over the previous year.



Pennsylvania Highlands Community College Cash Flows

The Statement of Cash Flows presents the significant sources and uses of cash (composed of operating checking accounts and money market accounts).

A summary comparison of cash flows for 2021 and 2020 is as follows (in thousands).

	2021	2020	$ Change
Cash Flows			
Cash received from operations	$ 9,259	$ 7,850	$ 1,409
Cash payments for operations	(13,120)	(12,590)	(530)
Net cash used by operations	(3,861)	(4,740)	879
Net cash provided by noncapital financing activities	4,604	4,474	130
Net cash provided by capital financing activities	1,521	664	857
Net increase/(decrease) in cash	2,264	398	1,866
Cash and cash equivalents, beginning of year	5,772	5,375	397
Cash and cash equivalents, end of year	$ 8,036	$ 5,773	$ 2,263

Cash and cash equivalents increased $2.263 million from $5.773 million in 2020 to $8.036 million in 2021. The increase is due to the acquisition of loan project funds from the Richland building purchase. These project funds will be used to complete various deferred maintenance projects across the main campus. The College used $3.861 million in operating activities which was offset by $4.604 million of cash provided by noncapital financing activities. Noncapital financing activities include State and County operating appropriations and cash received for other than capital purposes that are used to support operational activities.

Net cash used by capital financing activities include amounts received for capital purposes from PDE capital allocations, Cambria County capital allocations and net proceeds from lines of credit. This category also includes cash spent on the purchase of capital assets, interest expense on lines of credit and principal payments on capital leases.

Pennsylvania Highlands Community College Foundation

As required by GASB 61 regulations, the College has also included the financial information from the College's Foundation. The major components of Pennsylvania Highlands Community College Foundation's assets, liabilities and net assets, as of June 30, 2021 and 2020 are as follows:

	2021	2020	$ Change	% Change
Assets				
Cash and cash equivalents	$ 153,295	$ 123,978	$ 29,317	23.6%
Investments	1,183,589	939,651	243,938	26.0%
Promises to give	10,511	6,132	4,379	71.4%
Other Current Assets	250	250	-	0.0%
Total Current Assets	1,347,645	1,070,011	277,634	25.9%
Noncurrent Assets				
Long-term Investments-Restricted	418,386	332,584	85,802	25.8%
Total Noncurrent Assets	418,386	332,584	85,802	25.8%
Total Assets	1,766,031	1,402,595	363,436	25.9%
Liabilities				
Accounts payable	6,283	113	6,170	5,460.2%
Total Liabilities	6,283	113	6,170	5,460.2%
Net Assets				
Unrestricted	816,237	659,636	156,601	23.7%
Restricted - expendable	457,425	457,039	386	0.1%
Restricted - nonexpendable	486,086	285,807	200,279	70.1%
Total Net Assets	1,759,748	1,402,482	357,266	25.5%
Total Liabilites and Net Assets	$1,766,031	$ 1,402,595	$ 363,436	25.9%

The Foundation has experienced an increase in Total Assets of $363,436 or 25.9% over last year's total. The largest part of this increase is attributed to gains and increases in the Investments categories.

Total Liabilities were $6,283 at June 30, 2021 compared to $113 at June 30, 2020 and is attributable to amounts due to the College at year end.

Total Net Assets increased $357,266 during the 2021 fiscal year. Unrestricted assets increased $156,601 while Restricted – expendable assets increased $386, and Restricted- nonexpendable net assets increased $200,279 for the same period.

The following schedule summarizes the operating results of Pennsylvania Highlands Community College Foundation for 2021 and 2020.

	2021	2020	$ Change	% Change
Operating Revenues				
In-kind revenues	$ 76,394	$ 36,211	$ 40,183	111.0%
Contributions	74,573	57,894	16,679	28.8%
Fundraising	(247)	14,074	(14,321)	-101.8%
Total Operating Revenues	150,720	108,179	42,541	39.3%
Operating Expenses				
Institutional support	3,560	4,681	(1,121)	-23.9%
Scholarships and grants	34,012	31,975	2,037	6.4%
In-kind expenses	76,394	36,211	40,183	111.0%
Other operating expense	17,620	27,315	(9,695)	-35.5%
Total Operating Expenses	131,586	100,182	31,404	31.3%
Non-operating Revenue/(Expenses)				
Interest and dividends	36,512	9,004	27,508	305.5%
Unrealized gains and losses	301,620	44,355	257,265	580.0%
Total Non-operating Rev/(Exp)	338,132	53,359	284,773	533.7%
Total Change in Net Assets	$ 357,266	$ 61,356	$ 295,910	482.3%

Operating Revenues have increased $42,541 or 39.3% from last year. Fundraising to the Foundation posted a large decrease of $14,321. This is due to the COVID-19 restrictions on in-person gatherings which halted fundraising events. In-Kind revenues increased by 111.0% and Contribution revenues increased by 28.8% in comparison to the prior year.

Operating Expenses also increased over fiscal year 2020. Total operating expenses went from $100,182 in 2020, to $131,586 in 2021, an increase of $31,404. This was the result of higher scholarships and grants as well as higher in-kind support expenditures occurring in 2021.

Non-operating revenues/ (expenses) increased by $284,773 in 2021. The increase is attributed to higher investment earnings. In all, Net Assets increased $295,910 in fiscal year 2021 due to increased investment unrealized gain earnings during the year.

Other Fiscal 2021 Highlights

The Impact of COVID-19 Pandemic on Pennsylvania Highlands Community College can be focused on the disruption of normal services (in person instruction and employment) as well as added costs to maintain a safe and healthy environment for our students and staff. On March 19, 2020, Governor Wolf ordered all non-life sustaining businesses to close their businesses to slow the spread of COVID-19 in the Commonwealth of Pennsylvania. As a result, all classes were conducted online through the end of the spring semester. Additionally, all locations were closed and only essential staff were allowed at any facility.

Through the current fiscal year, the College has continued to offer both in person courses as well as on-line and virtual learning options. As noted in the credit section of this report, overall enrollment has shown a decrease in total credits of 7.6%. It is not determinable how much of this decline is directly related to the COVID-19 pandemic. The College will continue to closely monitor the everchanging landscape and make any necessary changes.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, a $2.2 trillion economic stimulus bill was signed into law a result of the economic fallout of the COVID-19 pandemic. Throughout the fiscal year, numerous revisions and additional funding was awarded under various updates to this relief act. The College ultimately was awarded $6,656,417 of Higher Education Emergency Relief Funding (HEERF) under the Education Stabilization Fund, of which $2,737,043 was required to be reserved to provide students with emergency financial aid grants to help cover expenses related to the disruption of campus operations due to coronavirus. The College has also been awarded $276,522 from the PA GEER I Funds (Governor's Emergency Education Relief Funds), and $167,656 of GEER II funds. These funds are to be used for the safe reopening of schools. To date (June 30, 2021), the College has provided $879,728 to students for emergency aid and has spent $1,333,980 in HEERF and GEER's funds for institutional assistance.

Our main goal throughout the pandemic has been to provide clean and safe facilities for our students, staff and visitors as well as to reduce the disruption of operations due to closures and social distancing guidelines. We are also focused on continually updating our on-line and distance education, remote learning and communication capabilities. The funding we received from these grants has been and will continue to be used for technical upgrades that will provide choices and options for students, faculty and staff to continue with education/Instruction and work responsibilities either in person or through remote processes. We are also using a portion of the Institutional grant funds to replace and upgrade the Air Handling units at our Main Campus to provide for safer, clean air circulation within the facility.

In April of 2021, the College completed the purchase of the Main Campus building in Richland. The cost of the purchase, including land, totaled $6,018,419. The College secured a low interest, 20-year loan which includes funding for a number of deferred maintenance upgrades to the building. PDE has agreed to continue to provide $165,000 per year to help pay the loan payments. The College has applied for additional PDE funding to cover the increased cost of the building purchase. We have not yet received notice if or when any additional PDE funding may be made available.

Christopher T. Pribulsky
Director of Finance & Administration

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Pennsylvania Highlands Community College
Johnstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Pennsylvania Highlands Community College, a component unit of Cambria County, 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

Pennsylvania Highlands Community College's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of those risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Pennsylvania Highlands Community College as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity 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, schedule of the College's proportionate share of net pension liability and schedule of College contributions, on pages I through XVII, 25 and 26 respectively, 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 response to our inquiries, the basic financial statements, and other knowledge 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 that collectively comprise Pennsylvania Highlands Community College's basic financial statements. The schedule of expenses by functional classification - primary institution, page 27, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, pages 28 and 29, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

The schedule of expenses by functional classification – primary institution and schedule of expenditures of federal awards 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 – primary institution and schedule of expenses of federal awards 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 7, 2021, on our consideration of the Pennsylvania Highlands Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennsylvania Highlands Community College's internal control over financial reporting and compliance.

Wessel & Company

WESSEL & COMPANY
Certified Public Accountants

October 7, 2021

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2021	2020	2021	2020
ASSETS				
Current Assets				
Cash and cash equivalents	$ 8,036,215	$ 5,772,078	$ 153,295	$ 123,978
Short-term investments	-	-	1,183,589	939,651
State appropriations receivable	54,896	66,881	-	-
Accounts receivable - other	23,815	17,337	-	-
Students receivable - net of allowance for doubtful accounts	313,270	375,630	-	-
Grants receivable	488,734	449,073	-	-
Promises to give	-	-	10,511	6,132
Prepaid expenses	205,749	234,949	-	-
Other current assets	-	-	250	250
Total Current Assets	9,122,679	6,915,948	1,347,645	1,070,011
Noncurrent Assets				
Long-term investments - restricted	-	-	418,386	332,584
Capital assets - net of accumulated depreciation	14,004,054	8,764,964	-	-
Total Noncurrent Assets	14,004,054	8,764,964	418,386	332,584
Deferred Outflows				
Deferred SERS outflows	12,408	21,515	-	-
Total Deferred Outflows	12,408	21,515	-	-
Total Assets and Deferred Outflows	$ 23,139,141	$ 15,702,427	$ 1,766,031	$ 1,402,595
LIABILITIES				
Current Liabilities				
Accounts payable	$ 168,080	$ 157,162	$ 6,283	$ 113
Accrued salaries	367,715	323,451	-	-
Accrued compensated absences	472,755	449,583	-	-
Other accrued liabilities	131,504	103,015	-	-
Current portion - long-term debt	564,046	257,881	-	-
Capital lease obligations - current portion	78,014	135,932	-	-
Total Current Liabilities	1,782,114	1,427,024	6,283	113
Noncurrent liabilities				
Capital lease obligations - long-term	116,284	79,335	-	-
SERS net pension liability	44,109	154,649	-	-
Long-term debt	8,433,034	1,516,417	-	-
Total Noncurrent Liabilities	8,593,427	1,750,401	-	-
Total Liabilities	10,375,541	3,177,425	6,283	113
Deferred Inflows:				
Deferred SERS inflows	189,163	155,723	-	-
Unearned tuition and fee revenue	260,782	242,822	-	-
Total Deferred Inflows	449,945	398,545	-	-
NET POSITION				
Net investment in capital assets	4,812,676	6,775,399	-	-
Unrestricted	6,127,585	4,002,735	816,237	659,636
Restricted - expendable	1,373,394	1,348,323	693,392	457,039
Restricted - nonexpendable	-	-	250,119	285,807
Total Net Position	12,313,655	12,126,457	1,759,748	1,402,482
Total Liabilities, Deferred Inflows and Net Position	$ 23,139,141	$ 15,702,427	$ 1,766,031	$ 1,402,595

See Independent Auditor's Report and
Accompanying Notes to Financial Statements

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2021	2020	2021	2020
REVENUES				
Operating Revenues:				
Student tuition and fees - net of scholarship allowances of $69,490 and $83,282, respectively	$ 7,537,626	$ 7,797,764	$ -	$ -
Other Income	74,188	70,780	-	-
Government grant revenue	1,699,143	669,281	-	-
In-kind revenues	-	-	76,394	36,211
Contributions	-	-	74,573	57,894
Fundraising	-	-	(247)	14,071
Total Operating Revenues	9,310,957	8,537,825	150,720	108,176
EXPENSES				
Operating Expenses:				
Instruction	3,965,393	3,631,126	-	-
Academic support	2,335,815	2,278,931	-	-
Student services	2,657,619	2,429,721	-	-
Institutional support	2,463,741	2,294,143	3,560	4,681
Operations and maintenance of facility	1,787,008	1,842,438	17,620	27,315
Provision for uncollectible accounts	71,171	37,462	-	-
Depreciation and amortization	1,078,880	994,492	-	-
Scholarships and grants	-	-	34,012	31,975
In-kind expenses	-	-	76,394	36,211
Total Operating Expenses	14,359,627	13,508,313	131,586	100,182
Operating (Loss)/Income	(5,048,670)	(4,970,488)	19,134	7,994
NONOPERATING REVENUES/(EXPENSES)				
State appropriations				
Operating	2,920,270	2,920,270	-	-
Capital	615,287	651,373	-	-
Other appropriations	233,047	227,739	-	-
Financial Aid revenue	6,200,211	6,800,364	-	-
Financial Aid (expenses)	(6,200,211)	(6,800,364)	-	-
Emergency grants to students revenue	654,099	225,629	-	-
Emergency grants to students (expenses)	(654,099)	(225,629)	-	-
County appropriations	1,365,050	1,205,000	-	-
Private gifts	3,560	1,760	-	-
Interest on capital assets - related debt	(84,687)	(60,472)	-	-
Interest and dividends	-	-	36,512	9,004
Unrealized gains and losses	-	-	301,620	44,355
Other nonoperating revenue	76,661	87,221	-	-
Net Nonoperating Revenues/(Expenses)	5,129,188	5,032,891	338,132	53,359
Income Before Other Revenues/(Expenses)	80,518	62,403	357,266	61,353
OTHER REVENUES:				
Government grants - capital	106,680	54,575	-	-
Total Other Revenues	106,680	54,575	-	-
Change in Net Position	187,198	116,978	357,266	61,353
Net Position - Beginning of year	12,126,457	12,009,479	1,402,482	1,341,129
Net Position - End of year	$ 12,313,655	$ 12,126,457	$ 1,759,748	$ 1,402,482

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Payment received from tuition and fees	$ 7,599,986	$ 7,558,810	$ -	$ -
Payment received from government grants	1,659,482	291,093	-	-
Payment received from contributions	-	-	78,705	73,745
Payments to suppliers	(6,537,714)	(6,190,961)	(15,010)	(55,521)
Payments to employees	(6,535,819)	(6,305,845)	-	-
Payments for scholarships	-	-	(34,012)	(31,975)
Payments from other expenses	(47,016)	(93,318)	-	-
Net Cash (Used In)/Provided By Operating Activities	(3,861,081)	(4,740,221)	29,683	(13,751)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	3,165,302	3,145,816	-	-
Local appropriations	1,365,050	1,205,000	-	-
Payments received from financial aid	6,160,550	6,422,176	-	-
Payments made for financial aid	(6,160,550)	(6,422,176)	-	-
Other receipts	73,781	122,781	-	-
Net Cash Provided By Financing Activities	4,604,133	4,473,597	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital grants	106,680	54,575	-	-
Purchases of capital assets	(6,318,008)	(198,042)	-	-
State Capital appropriations	615,287	651,373	-	-
Tenant construction allowance	-	489,300	-	-
Interest paid on capital debt	(84,687)	(60,472)	-	-
Principal incurred/(paid) on long-term debt	7,222,782	(250,124)	-	-
Principal paid on capital leases obligations	(20,969)	(22,993)	-	-
Net Cash Provided By Financing Activities	1,521,085	663,617	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investments, net	-	-	(366)	6,618
Net Cash (Used In)/Provided By Investing Activities	-	-	(366)	6,618
Net Increase/(Decrease) in Cash and Cash Equivalents	2,264,137	396,993	29,317	(7,133)
Cash and Cash Equivalents - Beginning of Year	5,772,078	5,375,085	123,978	131,111
Cash and Cash Equivalents - End of Year	$ 8,036,215	$ 5,772,078	$ 153,295	$ 123,978

See Independent Auditor's Report
and Accompanying Notes to Financial Statements

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2021	2020	2021	2020
Reconciliation of Operating (Loss)/Income to Change in Net Cash from Operating Activities:				
Operating (loss)/income	$ (5,048,670)	$ (4,970,488)	$ 19,134	$ 7,994
Adjustments to reconcile change in net position to change in net cash from operating activities:				
Depreciation expense	1,078,880	994,492	-	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Student receivables	62,360	(238,954)	-	-
Grants receivable	(39,661)	(378,188)	-	-
Promises to give, net	-	-	4,379	1,780
Prepaid expenses	29,200	(443)	-	-
Accounts payable	10,918	(67,512)	6,170	(23,525)
Accrued salaries	44,264	18,577	-	-
Compensated absences	23,172	19,168	-	-
Other accrued liabilities	28,489	9,763	-	-
Unearned tuition and fee revenue	(50,033)	(126,636)	-	-
Total Adjustments	1,187,589	230,267	10,549	(21,745)
Net Cash (Used In)/Provided By Operating Activities	$ (3,861,081)	$ (4,740,221)	$ 29,683	$ (13,751)

Supplemental Disclosures:

Accounting policies note

The Organization considers all highly liquid investments with a maturity of three (3) months or less when purchased to be "cash equivalents."

See Independent Auditor's Report
and Accompanying Notes to Financial Statements

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

Reporting Entity

The Pennsylvania Highlands Community College, the "College", was formed in 1993 pursuant to the Community College Act of 1963, as amended, with the County of Cambria as its local sponsor. The College provides post-secondary education to residents of Cambria County and surrounding areas, emphasizing technical training and job skills. The College operates using existing facilities, locations, and faculties to deliver services throughout the region, with locations in Johnstown, Richland, Ebensburg, Somerset, Huntingdon, and Blair. The College is governed by a sixteen (16) member Board. The Board is comprised of representatives from private, for-profit companies, education, and non-profit organizations. The Cambria County Commissioners appoint twelve (12) members to the Board of Trustees. In addition, the College established three (3) separate advisory committees to oversee the Somerset, Blair and Huntingdon county regions. The three (3) additional members are board-appointed, one from each of these locations. The Student Senate President also services as a voting member bringing the total board membership to sixteen (16) members.

As defined by GASB Statement No. 61, "The Financial Reporting Entity," the College is financially accountable to Cambria County. Based upon this criteria, the College is considered a component unit of Cambria County.

The criteria for including organizations as component units within the College's reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The College holds the corporate powers of the organization
- The College appoints a voting majority of the organization's board
- The College is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the College
- There is fiscal dependency by the organization on the College

Based on the aforementioned criteria, the following component unit is included within the College's reporting entity as a discretely presented component unit:

- The Pennsylvania Highlands Community College Foundation, which provides scholarships and funding to support the mission of the College.

The Pennsylvania Highlands Community College Foundation, "the Foundation", is a legally separate, tax exempt foundation. The Foundation was established for the purpose of providing scholarships to the College's students and providing funding for the benefit of the College. The Foundation is governed by a Board of Directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of the College. Certain disclosures about the Foundation are not included because the Foundation has been audited separately and a report has been issued under a separate cover. The audited financial statements are available at the College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The basic financial statements of the College have been prepared in conformity with generally accepted accounting principles (GAAP) as well as those prescribed by the Pennsylvania Department of Education. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the College's accounting policies are described below.

Measurement Focus, Basis of Accounting

For financial reporting, the College is considered a special-purpose government unit engaged only in business-type activities. Accordingly, the College's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when an obligation is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Net Position

Net position is classified into four (4) categories according to external donor restrictions or availability of assets for satisfaction of College obligations. The College reports its net position as follows:

- *Net investment in capital assets* – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are included as a component of invested in capital assets, net of related debt.

- *Unrestricted 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 College, and may be used at the discretion of the College to meet current expenses for any purpose.

- *Restricted net position*, expendable – This includes resources for which the College Board of Trustees has committed for a specific purpose and for which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. As of June 30, 2021 and 2020, this balance amounted to $1,373,394 and $1,348,323, respectively. This balance consists of the following:

  Operating Reserve: The target amount in this category is fifteen percent (15%) of budgeted expenses. The Operating Reserve may be used in the event of a financial emergency including an interruption of cash flow, unanticipated shortfalls in revenue, or unanticipated increases in expenditures. As of June 30, 2021 and 2020, this balance amounted to $1,072,072 and $1,052,501, respectively.

Emergency Capital Reserve: These funds may be used for unexpected significant repairs or replacement of major building systems. The Emergency Capital Reserve has a target balance of $250,000. As of June 30, 2021 and 2020, this balance amounted to $194,747 and $191,192, respectively.

Long-Term Capital Reserve: These funds are set aside for the future acquisition of a main campus for Cambria County students. The target amount for this reserve is undetermined. As of June 30, 2021 and 2020, this balance amounted to $106,575 and $104,630, respectively.

- *Restricted net position*, nonexpendable – This includes funds in which the donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be expended or added to principal.

Management's Use of Estimates

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

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided based on collection history and based on management's judgment. The allowance for doubtful accounts is evaluated annually and amounted to $129,986 and $134,479 for the years ending June 30, 2021 and 2020, respectively.

Capital Assets

Capital assets include leasehold improvements, equipment and computer software. Capital assets are defined by the College as assets with an initial unit cost of $5,000 or more and have an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as progress is made.

The College capital assets are depreciated using the straight-line method over the following useful lives (see Note 4 for further detail).

	Estimated Useful Life
Leasehold Improvements	Life of lease
Equipment	3-12 years
Signage	10 years
Computer software	4 years

In accordance with provisions of the Community College Act of 1964, as amended, title to capital assets rests with the College in trust for the County.

Investments

Investments are reported at fair value based on quoted market prices.

Compensated Absences

The College records a liability for employees' paid time off earned but not taken. These estimates are based on interpretation of current collective bargaining agreements. The College considers this liability current and due within one (1) year.

Students' Deposits and Unearned Revenue

Student tuition and fees are recognized in the fiscal year when twenty percent (20%) of the session or semester occurs, in accordance with requirements established by the Pennsylvania Department of Education. Deposits and advance payments received for tuition and fees related to the College's summer programs and tuition billed for the following academic year are deferred and recorded as revenues earned.

Classification of Revenues

- *Operating Revenues* - The statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues. For this purpose, operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values (1) such as 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 arise from exchange transactions not associated with the College's principal activities (such as investment income) and from all nonexchange transactions (such as state appropriations and financial aid). A majority of the College's funding is through an agreement with the Commonwealth of Pennsylvania (the State). The College receives funding from the State for operating and capital expenditures, which includes debt service and lease expenses. The operating expense funding is based on the reimbursement rate for each equivalent full-time student. The funding is received quarterly during the fiscal year based on submitted budgets. Amounts received in excess of allowable amounts are deferred and repaid to the State or are adjusted in the subsequent fiscal year's funding. In addition, further adjustments may occur as a result of the requirement for an audit by the Pennsylvania Department of Education.

- In addition, the College receives a County appropriation, which is determined annually by the County Commissioners.

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.

Federal Financial Assistance Programs

The College participates in various federally funded programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *OMB Compliance Supplement.*

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 PHCC Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Component Unit Accounting Policies

- *Financial Statement Presentation* - The discrete financial statement presentation of the Foundation follows the FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the Foundation is required to report information regarding its financial position and activities according to two (2) classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

- *Contributions* - Contributions are accounted for following FASB ASC 958-310, Accounting for Contributions Received and Contributions Made. In accordance with the FASB ASC 958-310, contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

- *Investments* - Investments are accounted for following FASB ASC 320-10 Accounting for Certain Investments Held by Not-for-Profit Organizations. Under FASB ASC 320-10, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net position in the Statement of Activities.

- *Support to College* - The Foundation provided scholarships and other support to the College of $37,572 and $43,802 in fiscal years 2021 and 2020, respectively.

Pension Plan

The College follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. For cost-sharing plans, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) – the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

Accounting Pronouncements Adopted

GASB Statement No. 84, *Fiduciary Activities,* is effective for periods beginning after December 15, 2019. The adoption of this statement no had effect on previously reported amounts.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statement No. 14 and No. 61,* is effective for periods beginning after December 15, 2019. The adoption of this statement no had effect on previously reported amounts.

Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, *Leases.* The College is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The College is required to adopt Statement No. 89 for its fiscal year 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The College is required to adopt Statement No. 91 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* The College is required to adopt Statement No. 92 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* The College is required to adopt Statement No. 93 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The College is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The College is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The College is required to adopt Statement No. 97 for its fiscal year 2022 financial statements.

The College has not completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 3 CASH, CASH EQUIVALENTS AND SHORT-TERM AND LONG-TERM INVESTMENTS

Cash and investments as of June 30, 2021 and 2020, are classified in the accompanying financial statements as follows:

	College		Foundation*	
	2021	2020	2021	2020
Statement of net position:				
Cash and investments	$ 8,036,215	$ 5,772,078	$ 801,095	$ 638,844
Restricted cash and investments	---	---	954,175	757,369
	$ 8,036,215	$ 5,772,078	$1,755,270	$1,396,213

Cash and investments as of June 30, 2021 and 2020**,** consist of the following:

	College		Foundation*	
	2021	2020	2021	2020
Statement of net position:				
Deposits with financial institutions	$ 8,036,215	$ 5,772,078	$ 153,295	$ 123,978
Investments	---	---	1,601,975	1,272,235
	$ 8,036,215	$ 5,772,078	$1,755,270	$1,396,213

Fair Value of Financial Instruments

The College Foundation applies GAAP to fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP established a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The College Foundation investments are presented in the financial statements at fair market value, which is determined based on “Quoted Prices in Active Markets for Identical Assets (Level 1).”

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity date of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Organization has no policy in regards to managing interest rate risk.

Concentration of Credit Risk

The Organization does not have a policy on the amount that can be invested in any one issuer. The College does not hold investments at June 30, 2021, in any one issuer that represent five percent (5%) or more of the College's total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Organization has no formal policy in regards to managing custodial credit risk.

Organization investments at June 30, 2021, by the following investment types were uncollateralized, which includes deposits collateralized by securities held by the pledging financial intuition or by its trust department or agent, but not in the Organization's name:

	College	Foundation
Deposits with financial institutions	$ 7,526,215	$ 1,601,975
US Treasury Obligation	---	---
	$ 7,526,215	$ 1,601,975

NOTE 4 CAPITAL ASSETS

The following is a summary of the capital asset categories for fiscal year 2021:

	Balance June 30, 2020	(Transfers)/ Additions	Retirements	Balance June 30, 2021
Equipment	$ 4,662,745	$ 6,284,350	$ (96,553)	$10,850,542
Computer software	240,166	---	---	240,166
Leasehold improvements	14,806,358	33,658	---	14,840,016
Total Cost	19,709,269	6,318,008	(96,553)	25,930,724
Less Accumulated Depreciation:				
Equipment	(4,044,036)	(283,249)	96,519	(4,230,766)
Computer software	(240,115)	---	---	(240,115)
Leasehold improvements	(6,660,154)	(795,635)	---	(7,455,789)
Total Accumulated Depreciation	(10,944,305)	(1,078,884)	96,519	(11,926,670)
Net Capital Assets	$ 8,764,964	$ 5,239,124	$ (34)	$14,004,054

NOTE 5 LEASE COMMITMENTS

Capital Leases

The College leases equipment under agreements classified as capital leases. The cost for such property amounted to $692,909 and $719,441 and the accumulated amortization amounted to $496,420 and $504,984 at June 30, 2021 and 2020, respectively. Amortization expense amount to $169,690 and $167,089 for fiscal years 2021 and 2020, respectfully.

Leases that expire for real property are anticipated to be renewed or replaced by other leases. During the term of the equipment lease, the College will evaluate the cost/benefit of continuing the lease versus exercising the purchase and other options contained therein.

The following is a summary of the capital leases as of June 30, 2021:

	Balance @ 6/30/20	Increase	Decrease	Balance @ 6/30/21	Amount Due In One (1) Year
Capital Lease Obligations	$ 215,267	$ 149,488	$ (170,457)	$ 194,298	$78,014

Future Minimum Capital Lease Payments

The following is a schedule of future minimum capital lease as of June 30, 2021:

Year Ending June 30:	Principal	Interest
2022	$ 78,014	$ 3,205
2023	76,108	1,695
2024	37,327	392
2025	2,849	22
Total Future Minimum Lease Payments	$ 194,298	$ 5,314

Interest rates on substantially all leases ranged from 1.50% to 6.88%.

Operating Leases

The College leases offices and classrooms under operating leases. The lease term for the Main Campus was for twenty (20) years with one five (5) year renewal term at the option of the College, and the annual rent for the main campus facility was $330,000. The College purchased the Main Campus on May 1, 2021. The lease term for the Ebensburg Education Center is for five (5) years. As of April 1, 2020, this lease entered into an option term with an annual rent of $244,577. The lease term for the Huntingdon site is for ten (10) years with one five (5) year renewal at the option of the College; the annual rent is $32,254. The lease term for the Somerset site is five (5) years with an annual rent of $49,152. The lease term for the Blair site is for ten (10) years with an annual rent of $206,424 for the first five (5) years and an annual rent of $225,192 for the last five (5) years. The lease term for the Central Park site is three (3) years with an annual rent of $30,000.

Total lease expense incurred under all operating leases for fiscal years ending June 30, 2021 and 2020 amounted to $837,909 and $938,476, respectively.

Future Minimum Operating Lease Payments

The following is a schedule of future minimum operating lease payments as of June 30, 2021:

Year Ending June 30:	Operating
2022	$ 573,292
2023	533,522
2024	261,445
2025	258,945
2026	247,694
Thereafter	835,090
Total Future Minimum Lease Payments	$ 2,709,988

NOTE 6 LONG-TERM OBLIGATIONS

The following is a description of the long-term obligations as reported in the financial statements at June 30, 2021 and 2020:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
General Oblig. Notes Series of 2017	$ 1,774,298	$ ---	$ (257,218)	$ 1,517,080	$ 265,046
College Revenue Bond Series of 2021	---	7,500,000	(20,000)	7,480,000	299,000
	$ 1,774,298	$ 7,500,000	$ (277,218)	$ 8,997,080	$ 564,046

General Obligations Note, Series of 2017

During fiscal year 2018, the State Public School Building Authority issued a loan to the College to a maximum amount of $2,500,000 to finance the Blair Center expansion project.

The College has an obligation to pay the required debt service on the Commonwealth of Pennsylvania State Public School Building Authority, Series of 2017, which is due quarterly through June 15, 2027, at an interest rate of 2.75%. The principal of the general obligation note is subject to prepayment at any time, in whole or part, plus accrued interest up to the date of the prepayment, at the option of the College.

College Revenue Bond, Series of 2021

During fiscal year 2021, the State Public School Building Authority issued a loan to the College in the amount of $7,500,000 to finance the purchase and improvement of the Main Campus that was previously leased.

The College has an obligation to pay the required debt service on the Commonwealth of Pennsylvania State Public School Building Authority College Revenue Bond, Series of 2021. Principal payments are due annually on June 15th and interest payments biannually on June 15th and December 15th through June 15, 2040, at an interest rate of 2.947%.
Debt Maturity

An analysis of debt service requirements to maturity on these obligations is as follows:

Debt Service Payment Dates	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2017 Series – General Obligation Notes			
Years Ending June 30:			
2022	$ 265,046	$ 38,330	$ 303,376
2023	272,411	30,965	303,376
2024	279,917	23,459	303,376
2025	162,759	12,431	175,190
2026	536,947	---	536,947
	$ 1,517,080	$ 105,185	$ 1,622,265
2021 Series – College Revenue Bond			
Years Ending June 30:			
2022	$ 299,000	$ 220,436	$ 519,436
2023	308,000	211,624	519,624
2024	317,000	202,547	519,547
2025	327,000	193,205	520,205
2026	336,000	183,569	519,569
Thereafter	5,893,000	1,384,324	7,227,324
	$ 7,480,000	$2,395,705	$ 9,875,705

NOTE 7 LINE OF CREDIT

The College maintains a $2,200,000 secured revolving line of credit agreement with a financial institution. The line is secured by the College's public funds and accounts receivable. There are no amounts outstanding on the line of credit at June 30, 2021. The line is due on demand and bears interest at the Wall Street Journal prime rate. The interest rate at June 30, 2021, was 3.25%. The current agreement expires on December 6, 2022.

NOTE 8 DEFINED CONTRIBUTION PENSION PLAN

The College has a qualified defined contribution pension plan available to all full time employees who are eligible. For June 30, 2021 and 2020, the College contributed ten percent (10%) for administrators and faculty and 8% for support staff of the employees' eligible wages. The College contributions to the plan amounted to $540,913 and $516,757 for fiscal years ending June 30, 2021 and 2020, respectively.

The College does not provide any other post-retirement benefit (OPEB) other than pension benefits; therefore GASB 45 does not apply.

NOTE 9 DEFINED BENEFIT PENSION PLAN – SERS

Summary of Significant Accounting Policies

Pensions

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 Pennsylvania State Employees' Retirement System (SERS) and additions to/deductions from SERS fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description

SERS is the administrator of a cost-sharing multi-employer defined benefit pension plan established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. Membership in SERS is mandatory for most state employees. Certain other employees are not required to become members, but are given the option to participate.

Benefits provided

SERS provides retirement, disability, and death benefits. Member retirement benefits are determined by taking years of credited service, multiplied by final average salary, multiplied by two percent (2%), multiplied by class of service multiplier.

Contributions

Section 5507 of the State Employees' Retirement Code (SERC), 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. However, Act 2010-120 imposes rate increase collars (limits on annual rate increases) on employer contributions. The collar was 4.5% and will remain at that rate until no longer needed.

The College's contractually required contribution rate for fiscal year ended June 30, 2021 and 2020, was 20.45% and 37.40%, respectively. Total contributions to the pension plan from the College were $4,090 and $20,707 for the years ended June 30, 2021 and 2020, respectively.

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

At June 30, 2021, the College reported a liability of $44,109 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The allocation percentage assigned to each employer was based on a projected contribution method. Additional details of the methodology can be found in SERS financial statements. At December 31, 2020, the College's proportion was 0.0003 percent, which was a 0.0006 percent decrease from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the College recognized pension gain of $(67,993). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 413	$ 49
Changes in assumptions	4,906	---
Net difference between projected and actual investment earnings	3,967	5,641
Changes in proportions	648	182,543
Difference between employer contributions and proportionate share of contributions	---	930
Contributions subsequent to the measurement date	2,474	---
	$ 12,408	$ 189,163

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:	
2021	$ (66,715)
2022	(45,526)
2023	(37,288)
2024	(25,474)
2025	(4,226)

Actuarial assumptions

The following methods and assumptions were used in the December 31, 2020 actuarial valuations. These methods and assumptions were applied to all periods included in the measurement:

- Actuarial cost method........... Entry Age
- Investment return .... 7.00%, net of manager fees including inflation
- Projected salary increases ... Average of 4.60%, with a range of 3.30%-6.95%

- Asset valuation method .... Fair Market Value
- Inflation 2.50%
- Mortality rates....................... Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement
- Cost of living adjustment ...... Ad hoc

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	14%	6.25%
Private Credit	4%	4.25%
Real Estate	8%	5.60%
U.S. Equity	25%	4.90%
International Developed Markets Equity	13%	4.75%
Emerging Markets Equity	4%	5.00%
Fixed Income – Core	22%	1.50%
Fixed Income – Opportunistic	4%	3.00%
Inflation Protection (TIPS)	4%	1.50%
Cash	2%	0.25%
	100%	

Discount rate

The discount rate used to measure the total pension liability was 7.00% in 2020 and 7.125% in 2019, 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 participating employers will be made at actuarially determined rates as set by statute. Based on those assumptions, SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The following presents the 2020 net pension liability for the College's proportionate share, 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 one percentage point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
2020	$ 58,569	$ 44,109	$ 31,885

The following presents the 2019 net pension liability for the College's proportionate share, calculated using the discount rate of 7.125%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.125%) or one percentage-point higher (8.125%) than the current rate:

	1% Decrease 6.125%	Current Discount Rate 7.125%	1% Increase 8.125%
2019	$ 196,507	$ 154,649	$ 118,814

The following presents the 2018, 2017 and 2016 net pension liability for the College's proportionate share, 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 one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
2018	$ 311,470	$ 253,657	$ 204,114
2017	313,776	247,202	190,173
2016	547,982	442,797	352,721

The following presents the 2015, 2014 and 2013 net pension liability for the College's proportionate share, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
2015	$ 494,577	$ 398,150	$ 315,469
2014	611,063	472,223	362,475
2013	563,650	439,035	323,060

Pension plan fiduciary net position

Detailed information about SERS' fiduciary net position is available in SERS separately issued financial statements which can be obtained from SERS management at *www.sers.pa.gov.*

NOTE 10 DEFINED BENEFIT PENSION PLAN – PSERS

PSERS is a governmental cost-sharing multiple-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 five hundred (500) hours of service in the school year, and part-time per diem public school employees who render at least eighty (80) days of service in the school year in any of the reporting entities in Pennsylvania.

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 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, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At December 31, 2020, the College's proportion was 0.0003 percent, which resulted in an insignificant net pension liability and is therefore not recorded in the College's financial statements.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Litigation

The nature of the educational industry is such that, in the normal course of operations, 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; and an occasional dispute or grievance. 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 educational system. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the College's financial position.

Collective Bargaining Agreements

The College entered into two (2) separate collective bargaining agreements with the Pennsylvania Highlands Community College PA Federation of Teachers with one (1) agreement covering Faculty and the other agreement covering Supporting Staff employees. These agreements outline wages, hours and other terms and conditions of employment for Faculty and Support Staff positions. In addition, these agreements detail the definition of seniority, grievance procedures as well as employee benefits such as medical, life and disability insurance, paid time off and retirement benefits.

The term of the Faculty agreement is five (5) years for the period July 1, 2017 through June 30, 2022. The term of the Support Staff agreement is four (4) years for the period July 1, 2019 through June 30, 2023.

Bookstore Management Agreement

The College contracted with a management service company to maintain inventory for the bookstore and facilitate the operations of the bookstore on a daily basis. Under the terms of the contract the College is to be paid an annual commission of no less than $40,000. The commissions are to be paid based on 8.25% of all gross revenues up to $1,000,000, then 8.75% of all gross revenues between $1,000,000 to $1,250,000, and then 9.25% of all gross revenues in over $1,250,000.

COVID-19

In January 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." On March 19, 2020, Governor Wolf ordered all non-life sustaining businesses to close their businesses to slow the spread of COVID-19 in the Commonwealth of Pennsylvania. As a result, all classes were conducted online through the end of the spring semester. Additionally, all locations were closed and only essential staff were allowed at any facility.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, a $2.2 trillion economic stimulus bill was signed into law a result of the economic fallout of the COVID-19 pandemic. The College was awarded $6,656,417 of Higher Education Emergency Relief Funds, of which $2,737,043 was required to be reserved to provide students with emergency financial aid grants to help cover expenses related to the disruption of campus operations due to coronavirus. The remaining portion is to be used for the expansion of remote learning programs and enhancement of technology to support remote learning programs. The College was also awarded $276,522 of Governor's Emergency Education Relief Funds, also known as GEER I Funds.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law and provided an additional $4.1 billion for the GEER Fund. The College was awarded $167,656 of GEER II Funds.

Given the uncertainty of the situation and related financial impact to the College's funding sources, the long-term impact on the Organization cannot be reasonably estimated at this time.

NOTE 12 SUBSEQUENT EVENTS

Capital Lease

The State Public Building Authority issued a revolving loan to the College to a maximum amount of $120,000 to finance the purchase of network and computer lab equipment upgrades on July 1, 2021.

Subsequent events have been evaluated for Pennsylvania Highlands Community College through October 7, 2021, and for Pennsylvania Highlands Community College Foundation through October 4, 2021, which is the date that financial statements were available to be issued. Other than noted above, Pennsylvania Highlands Community College is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SERS PENSION PLAN
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability (asset)	0.0003%	0.0009%	0.0012%	0.0014%	0.0023%	0.0022%	0.0032%	0.0032%
College's proportionate share of the net pension liability (asset)	$ 44,109	$ 154,649	$ 253,657	$ 247,202	$ 442,797	$ 398,150	$ 472,223	$ 439,035
College's covered-employee payroll	$ 20,000	$ 55,362	$ 70,753	$ 87,264	$ 131,416	$ 128,839	$ 182,226	$ 61,788
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	220.55%	279.34%	358.51%	283.28%	336.94%	309.03%	259.14%	710.55%
Plan fiduciary net position as a percentage of the total pension liability	67.00%	63.10%	56.40%	63.00%	57.80%	58.90%	64.80%	66.72%

Note: The net pension liability was determined by actuarial valuations as of December 31, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013. The years presented in this schedule are all of the years in which information is available.

See Independent Auditor's Report
and Accompanying Notes to Financial Statements

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
SERS PENSION PLAN
LAST 10 FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 4,090	$ 20,707	$ 24,572	$ 35,818	$ 35,257	$ 28,113	$ 18,994	$ 9,465
Contributions in relation to the contractually required contribution	(4,090)	(20,707)	(24,572)	(35,818)	(35,257)	(28,113)	(18,994)	(9,465)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 20,000	$ 55,362	$ 70,753	$ 87,264	$ 131,416	$ 128,839	$ 182,226	$ 61,788
Contributions as a percentage of covered-employee payroll	20.45%	37.40%	34.73%	41.05%	26.83%	21.82%	10.42%	15.32%

Note: The years presented in this schedule are all of the years in which information is available.

See Independent Auditor's Report
and Accompanying Notes to Financial Statements

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF EXPENSES BY FUNCTIONAL CLASSIFICATION - PRIMARY INSTITUTION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021

FUNCTIONAL CLASSIFICATION	Salaries and Wages	Fringe Benefits	Supplies, Equip, and Repairs	Professional & Purchased Services	Utilities	Advertising	Leases and Depreciation	Other Expense	Total
Instruction	$ 2,651,100	$ 939,347	$ 239,997	$ 13,571	$ -	$ -	$ -	$ 121,378	$ 3,965,393
Academic support	1,101,246	517,930	650,317	18,826	-	-	-	47,496	2,335,815
Student services	1,493,197	783,270	92,379	77,456	-	-	-	211,317	2,657,619
Institutional support	922,456	390,205	334,566	315,885	-	148,777	-	351,852	2,463,741
Operations and maintenance of facility	418,043	174,494	57,329	62,554	187,311	-	837,411	49,866	1,787,008
Provision for uncollectible accounts	-	-	-	-	-	-	-	71,171	71,171
Depreciation and amortization	-	-	-	-	-	-	1,078,880	-	1,078,880
Total Operating Expenses	$ 6,586,042	$ 2,805,246	$ 1,374,588	$ 488,292	$ 187,311	$ 148,777	$ 1,916,291	$ 853,080	$ 14,359,627

2020

FUNCTIONAL CLASSIFICATION	Salaries and Wages	Fringe Benefits	Supplies, Equip, and Repairs	Professional & Purchased Services	Utilities	Advertising	Leases and Depreciation	Other Expense	Total
Instruction	$ 2,641,990	$ 911,055	$ 58,836	$ 11,017	$ -	$ -	$ -	$ 8,228	$ 3,631,126
Academic support	956,646	468,955	752,708	37,300	-	-	-	63,322	2,278,931
Student services	1,409,072	726,355	41,603	143,311	-	-	-	109,380	2,429,721
Institutional support	915,519	422,857	79,923	319,213	-	272,069	-	284,562	2,294,143
Operations and maintenance of facility	390,140	164,410	81,104	36,261	191,222	-	938,478	40,823	1,842,438
Provision for uncollectible accounts	-	-	-	-	-	-	-	37,462	37,462
Depreciation and amortization	-	-	-	-	-	-	994,492	-	994,492
Total Operating Expenses	$ 6,313,367	$ 2,693,632	$ 1,014,174	$ 547,102	$ 191,222	$ 272,069	$ 1,932,970	$ 543,777	$ 13,508,313

See Independent Auditor's Report

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Page 1 of 2)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Period	Grant/Contract Number	Program or Award Amount	Total Received For the Year	Accrued or (Deferred) Revenue at 6/30/20	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/21
U.S. DEPARTMENT OF TREASURY									
Passed through the County of Blair:									
COVID-19 - Coronavirus Relief Funds	21.019	3/20-8/20		$ 1,030	$ 1,030	$ -	$ 1,030	$ 1,030	$ -
Total U.S. Department of Treasury					**1,030**	**-**	**1,030**	**1,030**	**-**
U.S. DEPARTMENT OF EDUCATION									
Student Financial Assistance Cluster:									
Federal Direct Student Loan	84.268	7/19-6/20	P268K204857	3,280,772	217,773	-	217,773	217,773	-
Federal Direct Student Loan	84.268	7/20-6/21	P268K214857	3,239,382	2,619,942	-	2,619,942	2,619,942	-
Federal Pell Grant (PELL)	84.063	7/19-6/20	P063P194857	2,489,296	193,898	-	193,898	193,898	-
Federal Pell Grant (PELL)	84.063	7/20-6/21	P063P204857	2,381,652	2,101,072		2,101,072	2,101,072	-
Federal Work Study (FWS)	84.033	7/19-6/20	P033A198511	31,644	17,212	-	17,212	17,212	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	7/19-6/20	P007S198511	70,000	13,872	-	13,872	13,872	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	7/20-6/21	P007S208511	63,605	62,678		62,678	62,678	-
Total Student Financial Assistance Cluster					5,226,447	-	5,226,447	5,226,447	-
Education Stabilization Funds:									
Passed through Pennsylvania Department of Education:									
COVID-19 - Governor's Emergency Education Relief Fund (GEER I)	84.425C	5/20-9/21	S425C200013	276,522	276,522	25,404	249,982	249,982	(1,136)
COVID-19 - Governor's Emergency Education Relief Fund (GEER II)	84.425C	3/20-9/23	257210012	167,656	-	-	105,894	105,894	105,894
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	5/20-5/22	P425E203380	2,737,043	652,776	-	654,099	654,099	1,323
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F	5/20-5/22	P425F204136	3,919,374	655,365	-	978,104	978,104	322,739
Total Education Stabilization Funds					1,584,663	25,404	1,988,079	1,988,079	428,820
Passed through Pennsylvania Department of Education:									
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	7/20-6/21	381-20-0005	154,296	140,680	12,100	154,296	154,296	25,716
Total U.S. Department of Education					**6,951,790**	**37,504**	**7,368,822**	**7,368,822**	**454,536**
VETERANS BENEFITS ADMINISTRATION									
Post 9/11 Veterans Educational Assistance	64.027	7/20-6/21			84,098	-	84,098	84,098	-
Total Veterans Benefits Administration					**84,098**	**-**	**84,098**	**84,098**	**-**
U.S. DEPARTMENT OF LABOR AND INDUSTRY									
Passed through Pennsylvania Department of Labor and Industry:									
Office of Vocational Rehabilitation	84.126A Letter of Understanding	7/20-6/21		17,345	12,985	-	12,985	12,985	-
Trade Adjustment	17.245	7/20-6/21		75,848	75,848	-	75,848	75,848	-
Total U.S. Department of Labor and Industry					**88,833**	**-**	**88,833**	**88,833**	**-**

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Page 2 of 2)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Period	Grant/Contract Number	Program or Award Amount	Total Received For the Year	Accrued or (Deferred) Revenue at 6/30/20	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/21
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE									
AmeriCorps	94.006	7/20-6/21			10,023	-	10,023	10,023	-
Total Corporation for National and Community Service					**10,023**	**-**	**10,023**	**10,023**	**-**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through the PA Department of Human Services KEYS Grant	93.558	7/20-6/21		66,427	78,235	24,153	66,427	66,427	12,345
Total U.S. Department of Health and Human Services					**78,235**	**24,153**	**66,427**	**66,427**	**12,345**
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the PA Department of Human Services KEYS Grant	10.561	7/20-6/21		41,686	40,134	6,195	41,686	41,686	7,747
Total U.S. Department of Agriculture					**40,134**	**6,195**	**41,686**	**41,686**	**7,747**
Total Expenditures of Federal Awards					**$ 7,254,143**	**$ 67,852**	**$ 7,660,919**	**$ 7,660,919**	**$ 474,628**

NOTE: Pennsylvania Highlands Community College did not provide federal funds to subrecipients during the year ended June 30, 2021.

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 GENERAL INFORMATION/BASIS OF ACCOUNTING

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

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pennsylvania Highlands Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 3 ADMINISTRATIVE EXPENSES

The expenditures in the accompanying Schedule of Expenditures of Federal Awards include an allocation of administrative expenses. Those allocations are based upon amounts permitted under each individual financial assistance program. For the year ended June 30, 2021, Pennsylvania Highlands Community College did not elect to use the ten percent (10%) de minimus indirect cost rate as allowed in the Uniform Guidance, section 414.

NOTE 4 AMOUNTS PASSED TO SUBRECIPIENTS

Pennsylvania Highlands Community College did not provide federal awards to subrecipients during the year ended June 30, 2021.

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

To the Board of Trustees
Pennsylvania Highlands Community College
Johnstown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Pennsylvania Highlands Community College as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pennsylvania Highlands Community College's basic financial statements, and have issued our report thereon dated October 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pennsylvania Highlands Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pennsylvania Highlands Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pennsylvania Highlands 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit 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.

Wessel & Company

WESSEL & COMPANY
Certified Public Accountants

October 7, 2021

WESSEL & COMPANY
ACCOUNTANTS & ADVISORS

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

To the Board of Trustees
Pennsylvania Highlands Community College
Johnstown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Pennsylvania Highlands 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 the Pennsylvania Highlands Community College's major federal programs for the year ended June 30, 2021. Pennsylvania Highlands 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 statues, 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 the Pennsylvania Highlands 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 Pennsylvania Highlands 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 on Pennsylvania Highlands Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Pennsylvania Highlands 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 major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Pennsylvania Highlands 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 Pennsylvania Highlands Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wessel & Company

WESSEL & COMPANY
Certified Public Accountants

October 7, 2021

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PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ Yes X No
• Significant deficiency(ies) identified?	____ Yes X None reported
Noncompliance material to financial statements noted?	____ Yes X No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	____ Yes X No
• Significant deficiency(ies) identified?	____ Yes X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes X No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.268	Student Financial Aid Cluster
84.425C	COVID-19 – Governor's Emergency Education Relief
84.425E	COVID-19 - Higher Education Emergency Relief Fund Student Aid Portion
84.425F	COVID-19 – Higher Education Emergency Relief Fund Institutional Portion

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ______ No

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2020

NONE

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE

CORRECTIVE ACTION PLAN

JUNE 30, 2021

NONE NECESSARY