

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE

JOHNSTOWN, PENNSYLVANIA

EIN NUMBER: 25-1721929



Single Audit Reporting Package

June 30, 2023 and 2022

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
JUNE 30, 2023 AND 2022

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PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

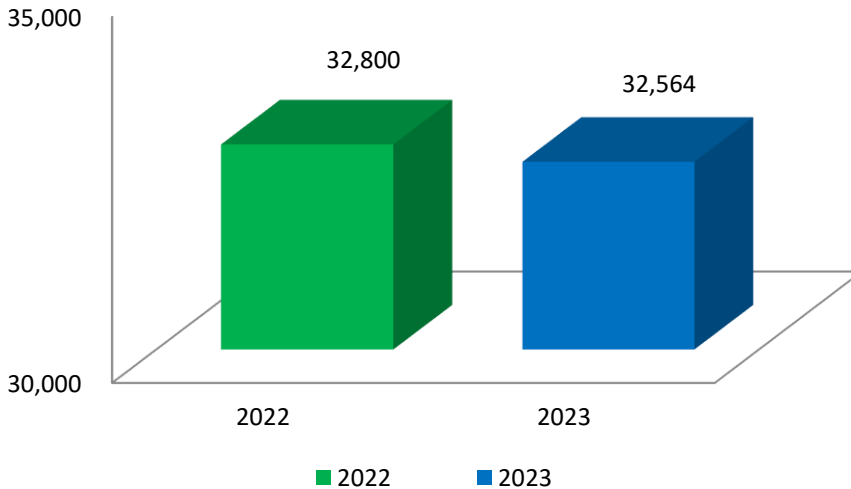
This section of Pennsylvania Highlands Community College's Annual Financial Statements presents Management's Discussion and Analysis of the College's financial activity for the fiscal years June 30, 2023 and June 30, 2022. This analysis reflects current activities, resulting changes and currently known 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

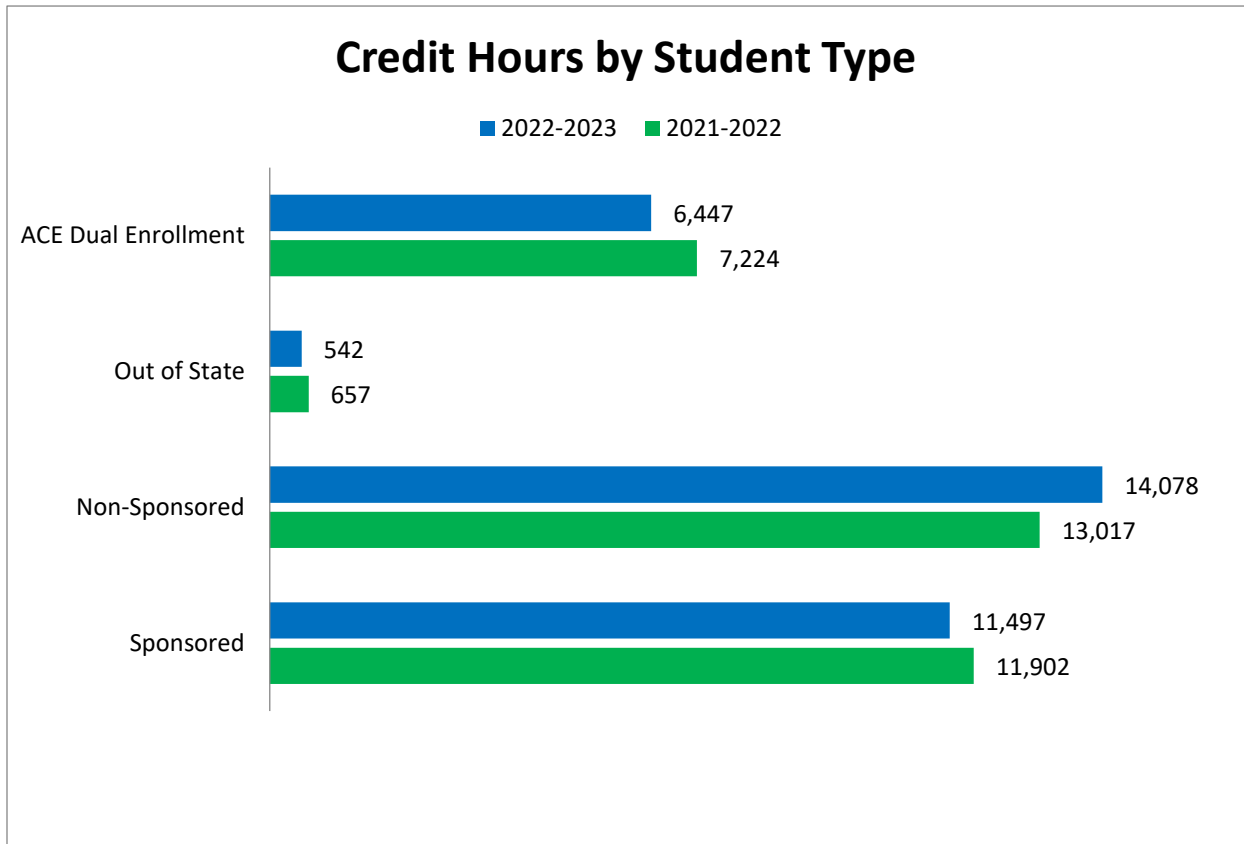
The financial statement format focuses on the College as a whole. The annual report shows both the College's and the College's Foundation financial information. The College Financial Statements are designed to emulate corporate presentation models, whereby all College activities are consolidated. The 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

Credit Hours



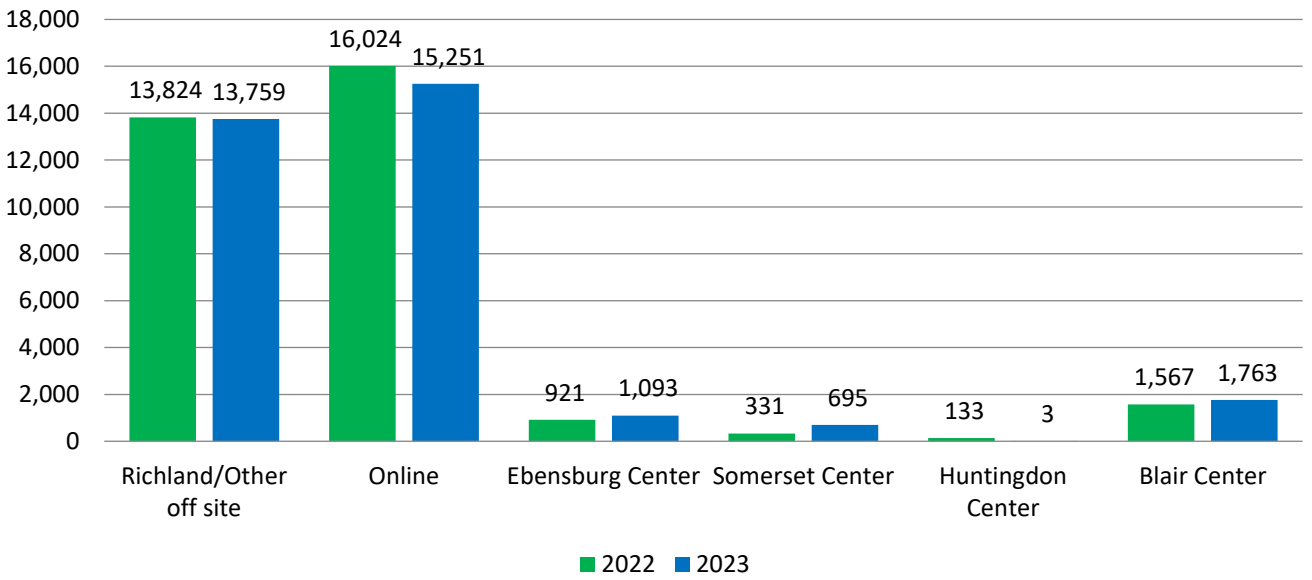
The overall enrollment and credit hours sold decreased 0.7% in the 2023 fiscal year. Total credit hours sold in 2023 was 32,564 compared to 32,800 in 2022. A further breakdown of the credit hours sold is provided below.



Sponsored credits continue to make up one of the largest portions of our enrollment with 11,497 credits sold in 2023 compared to 11,902 in 2022. This represents a decrease of 405 credits or a 3.4% decrease for the current fiscal year. Non-Sponsored credits increased to 14,078 resulting in an increase of 8.2% for the current fiscal year. Out of State credits sold decreased by 115 credits resulting in a decline of 17.5% for the current fiscal year. The ACE Dual Enrollment program posted a 777 credit decrease which is 10.8% below prior year totals.

The following chart breaks out the credits sold by site. Of the 32,564 total credits sold, 13,759 were at the main Richland Campus/Other off-site locations. Richland Campus credits include the ACE Dual Enrollment totals of 6,447 credit hours, and the total Richland Campus credits decreased by 65 credits. On-Line credits taught decreased by 773 from 16,024 credits during 2022 to 15,251 credits in fiscal year 2023. Ebensburg Center, Somerset, and Blair credits increased by 172, 364, and 196 while Huntingdon credits decreased by 130. The total decrease in credits sold for 2023 is 236 or a 0.7% decline.

Credit Hours by Site



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, 2023 and 2022, are as follows (in thousands):

	2023	2022	\$ Change	% Change
Assets				
Cash and cash equivalents	\$ 9,168	\$ 9,238	\$ (70)	-0.8%
Accounts receivable, net	778	823	(45)	-5.5%
Other assets	323	124	199	160.5%
Total Current Assets	10,269	10,185	84	0.8%
Noncurrent Assets				
Right to use lease, net	5,695	3,657	2,038	55.7%
Capital Assets, net	14,355	14,767	(412)	-2.8%
Total Noncurrent Assets	20,050	18,424	1,626	8.8%
Deferred Outflows				
Deferred SERS outflows	14	6	8	133.3%
Total Assets and Deferred Outflows	30,333	28,615	1,718	6.0%
Liabilities				
Accounts payable	232	176	56	31.8%
Accrued salaries and benefits	674	854	(180)	-21.1%
Lease payable	98	203	(105)	-51.7%
Right to use lease liability	5,695	3,657	2,038	55.7%
Notes payable	7,901	8,479	(578)	-6.8%
SERS net pension liability	55	35	20	57.1%
Total Liabilities	14,655	13,404	1,251	9.3%
Deferred Inflows				
Deferred SERS Inflows	72	127	(55)	-43.3%
Unearned Tuition and Fee Revenue	344	222	122	55.0%
Deferred grant revenue	305	559	(254)	-45.4%
Total Deferred Inflows	721	908	(187)	-20.6%
Net Position				
Invested in Capital assets, Net of related debt	6,356	6,084	272	4.5%
Unrestricted	5,685	4,943	742	15.0%
Restricted - Expendable	2,916	3,276	(360)	-11.0%
Total Net Position	14,957	14,303	654	4.6%
Total Liabilities, Deferred Inflows, and Net Position	\$ 30,333	\$ 28,615	\$ 1,718	6.0%

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 \$778 thousand in fiscal 2023. This is a decrease of \$45 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 and Blair centers, along with monthly health insurance related costs and prepaid portion of the CRM subscription. Other assets increased by \$199 thousand over the same period last year. The increase is the result of the July health insurance being prepaid at year-end while it was not prepaid in the prior year.

Right to use lease assets are reported this year as required by GASB Statement No 87, leases. The amount of \$5.695 million is the value of our facility leases at the Blair site, Ebensburg Education Center and Somerset site at June 30, 2023.

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 \$14.355 million at June 30, 2023, and decreased by \$412 thousand over the same period last year. The decrease is a result of annual depreciation costs for the period.

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 \$14 thousand at June 30, 2023, 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 \$1.064 million, or 7.4%, to \$15.376 million at the end of fiscal year 2023.

Accounts payable increased by \$56 thousand over fiscal year June 30, 2022. The increase is a result of the timing of payments at the end of the 2023 fiscal year.

The Accrued salaries and benefits line are showing a decrease of \$180 thousand over last year's totals. This decrease 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 \$105 thousand for the current year. This fiscal year-end balance of \$98 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 Right to use lease liability amount of \$5.695 million is an increase over last year's amount of \$3.657 due to a new lease term with Ebensburg Education Center and the addition of the Somerset site. This line item includes the following buildings held under right to use leases: Blair site, Ebensburg Education Center and Somerset Site as of June 30, 2023.

The Notes payable amount of \$7.901 million shows a decrease of \$578 thousand over last year's amount of \$8.479 million. This line item includes the amounts due on the Richland Main Campus and on the Blair construction project. The decrease is due to principal payments made on the loans. 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 \$55 thousand at June 30, 2023. This signifies the amount by which the College's total pension liability exceeds the pension plan's net assets and has increased by \$20 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 \$72 thousand is the College's share of the State Employees' Retirement System (SERS) pension deferred inflows. The Unearned Tuition and Fee revenue totaling \$344 thousand is advanced student payments for summer and fall session tuition. The Deferred Grant Revenue in the amount \$305 thousand represents funds received from the PA Jobs Grant that has not yet been expended as of June 30, 2023.

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 \$14.303 million in 2022, and increased \$654 thousand, or 4.6% to \$14.957 million during the 2023 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 increased \$272 thousand from \$6.084 million in 2022 to \$6.356 million in 2023. This increase is the result of building improvements on the Richland Campus net of depreciation and all other asset additions during the year.

The portion of Net Position in Restricted-Expendable totaling \$2.916 million consists of funds set aside by the Board of Trustees for future capital or operating needs as well as some residual unexpended loan funds that will be used for deferred maintenance projects in the near future.

The remaining portion of Net Position is classified as Unrestricted for financial statement purposes. The total at June 30, 2023 is \$5.685 million, up \$742 thousand 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

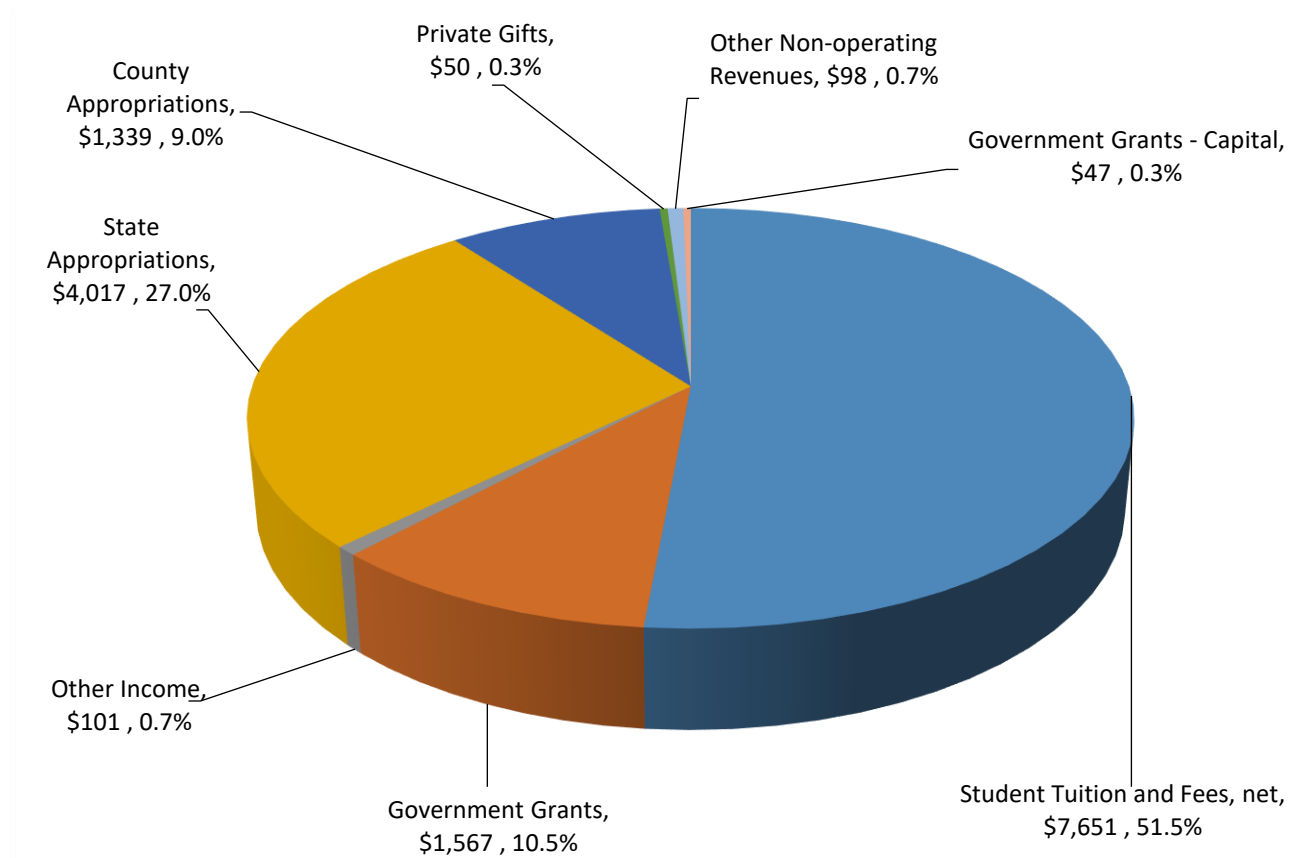
The Statement of Revenues, Expenses and Changes in Net Position is provided to show the results of operations of the year. It provides insight to the College's Operating costs and reflects where the College funds have been administered. As required by Governmental Accounting Standards Board (GASB), certain 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 2023 and 2022 (in thousands):

	2023	2022	\$ Change	% Change
Operating Revenues				
Student tuition and fees, net	\$ 7,651	\$ 7,165	\$ 486	6.8%
Government grants	1,567	1,698	(131)	-7.7%
Other income	101	57	44	77.2%
Total operating revenues	9,319	8,920	399	4.5%
Operating Expenses				
Instruction	4,239	3,800	439	11.6%
Academic Support	2,352	2,395	(43)	-1.8%
Student Services	2,540	2,605	(65)	-2.5%
Institutional Support	1,889	1,844	45	2.4%
Facilities/Maintenance	1,041	1,108	(67)	-6.0%
Bad debt	40	135	(95)	-70.4%
Depreciation	1,794	1,846	(52)	-2.8%
Total operating expenses	13,895	13,733	162	1.2%
Non-operating revenues/(expenses)				
State appropriations	4,017	3,773	244	6.5%
County appropriations	1,339	1,275	64	5.0%
Private gifts	50	25	25	100.0%
Interest	(320)	(334)	14	4.2%
Other non-operating revenue	98	57	41	71.9%
Total non-operating revenues(expenses)	5,184	4,796	388	8.1%
Government grants - Capital	47	2,006	(1,959)	-97.7%
Total change in net position	\$ 655	\$ 1,989	\$ (1,334)	-67.1%

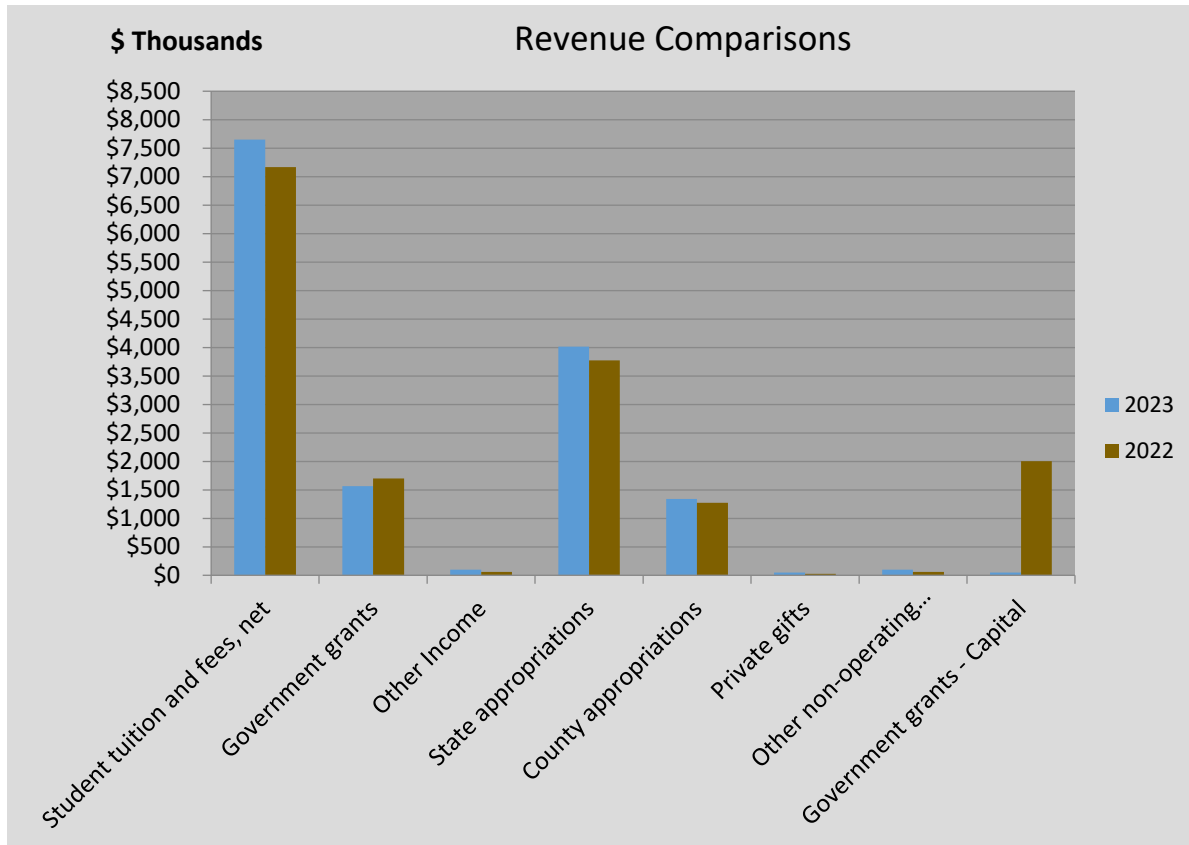
Pennsylvania Highlands Community College Revenues

Categories of both operating and non-operating revenues that support the College's activities in 2023 are as follows (in thousands):



Overall, operating revenues for Fiscal 2023, including Student Tuition and Fees, Other Income and Government Grants, totaled \$9.319 million, an increase of \$399 thousand over the same period in Fiscal 2022. Government Grants, which includes the HEERF 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 \$5.184 million in 2023 compared to \$4.796 million in 2022. Government Grants-Capital totaled \$47 thousand in 2023 and provided funds for the Animatronic Model. The prior year amount of \$2.006 million was used for upgrades of the HVAC system at the main Richland Campus.

The following graph compares 2023 revenues against 2022 revenues (in thousands):



Student Tuition and fees, net of scholarship allowances, increased \$486 thousand or 6.8% in 2023 to \$7.651 million. While overall credits sold decreased at a rate of 7.1% as noted above, the dollar amount increase is 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, Perkins, KEYS and the PA Jobs training grant. Total revenues from all the grant programs was \$1.567 million in 2023 as compared to \$1.698 million in 2022.

Other Income totaling \$101 thousand, includes the commission received on bookstore sales from Follett which totaled just over \$25 thousand as well as \$38 thousand received from JARI Guaranteed Enrollment Program in 2023. 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 \$4.017 million in 2023, an increase of \$244 thousand over the 2022 amount of \$3.773 million. The changes occurred because of increases in capital funding. The State FICA reimbursement remained virtually unchanged from the prior year amounts.

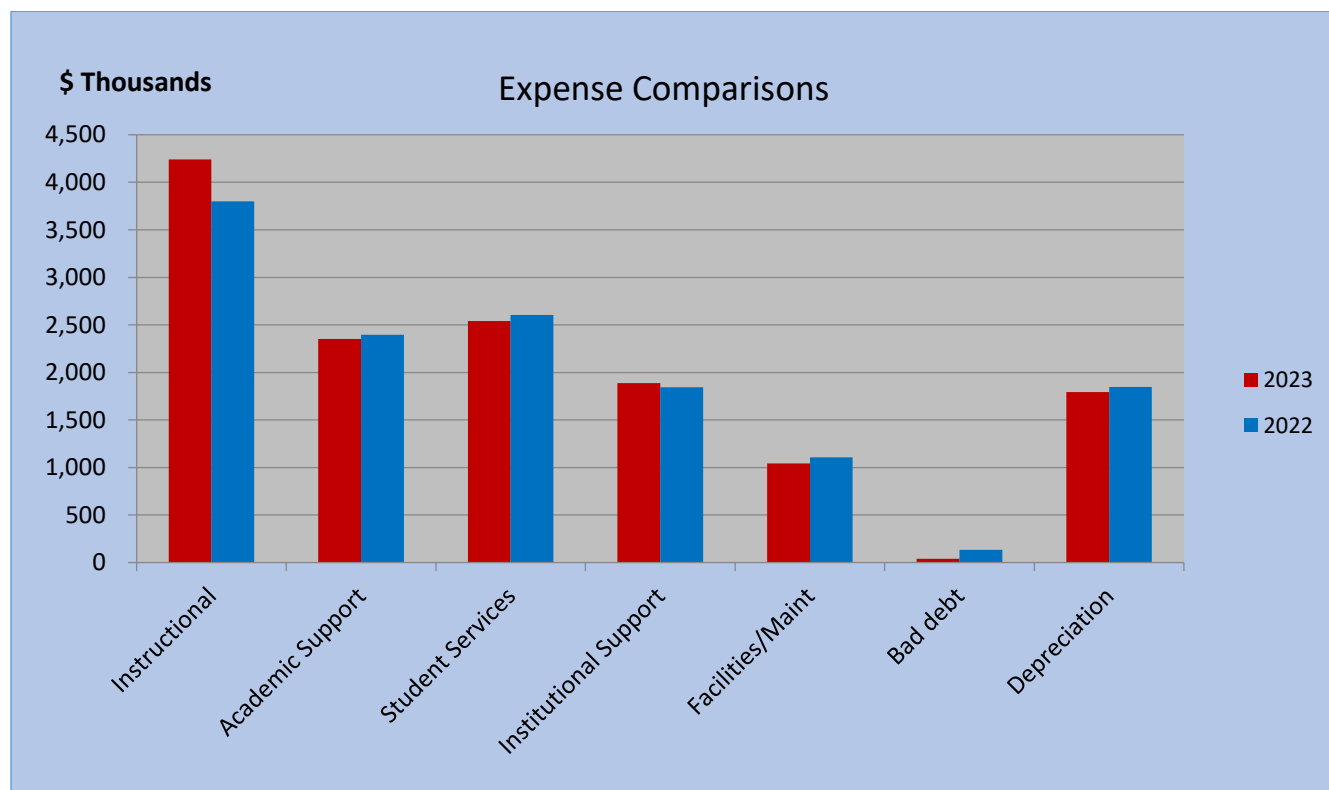
County appropriations for 2023 saw an increase in County funding of \$64. Total county revenue was \$1.339 million in 2023 compared to \$1.275 million in 2022. As indicated in the pie chart above, the County contributed 9.0% of the overall operating and non-operating revenues during the year.

Government grants – Capital Government Grant funds used to purchase capital equipment totaled \$47 thousand in the 2023 fiscal year which was a significant decrease, 97.7% from \$2.006 million purchased in fiscal year 2022. The prior year money came from the HEERF Institutional funds and it was used to replace the HVAC system at the main Richland Campus.

Pennsylvania Highlands Community College Expenses

Operating expenses for fiscal 2023 increased by \$162 thousand over the same period in fiscal 2022. Total operating expenses for 2023 was \$13.895 million compared to \$13.733 million in 2022. The expenses are classified by function (instructional, academic support, etc.). The majority of the expense increase over last year can be attributed instructional expenses that were incurred during 2023.

The following graph compares 2023 expense categories with 2022 expense categories by functional classification (in thousands):



Instructional expenditures increased over the prior year’s amounts. The increase of \$439 thousand is attributed to a number of reasons including the start-up costs and instructional costs for the Police Academy as well as costs relating to the PA Jobs training grants.

Academic Support is showing a decrease in costs over last year. The majority of the \$43 thousand decrease is primarily related to prior year additional expenses that were incurred for on-line instructional equipment and instructional design efforts to enhance the delivery of on-line instruction due to the COVID19 pandemic. These extra efforts for instructional design were no longer necessary during the current year.

Student Services expense of \$2.540 million in 2023 is a \$65 thousand decrease from the \$2.605 million amount in 2022. 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.

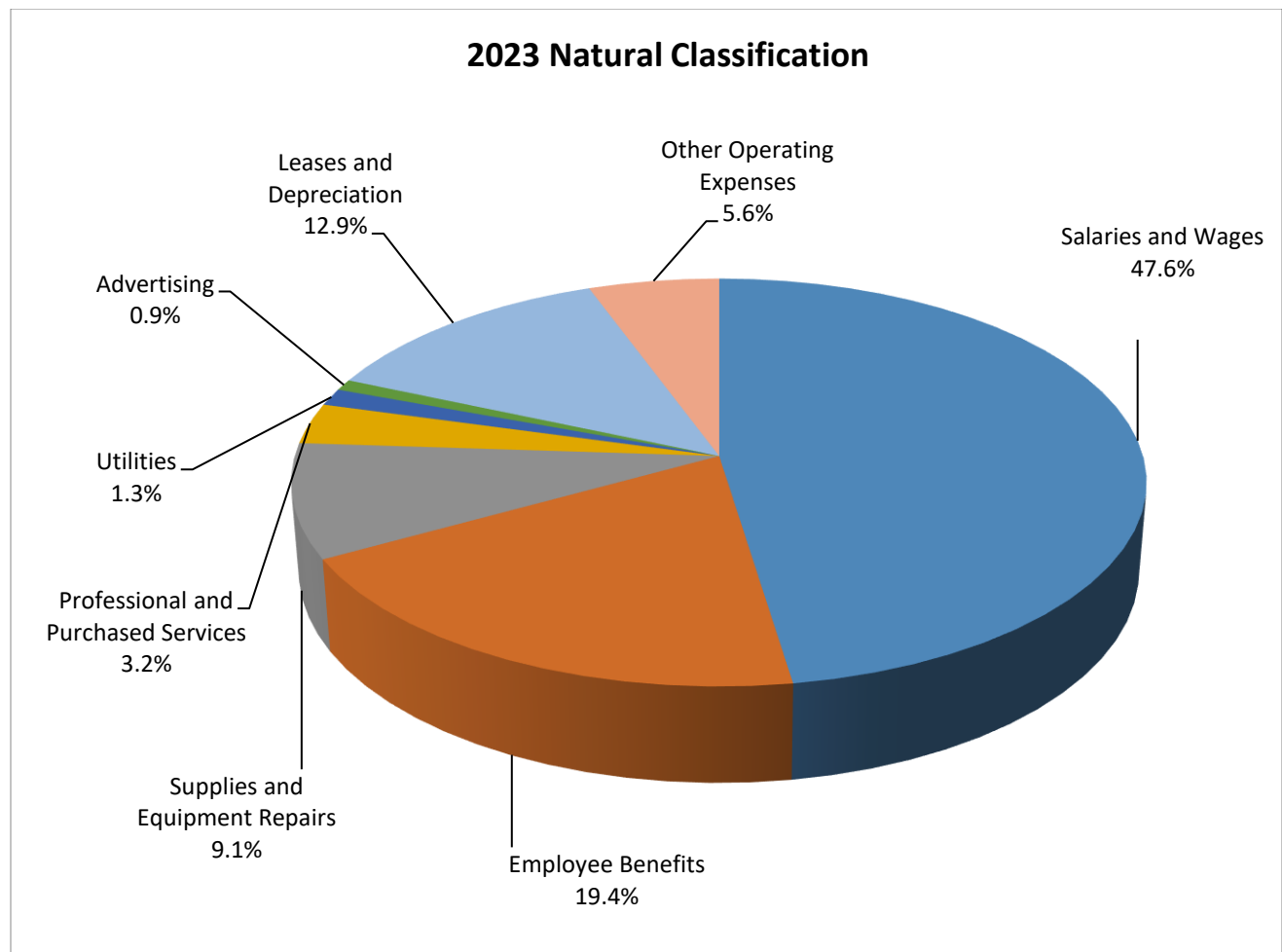
Institutional Support is showing an increase from last year of \$45 thousand or a 2.4% increase. The increase is primarily related to the year-end vacation accrual that can fluctuate from year to year based on the number of hours accrued and employee salaries.

Facilities/Maintenance costs decreased \$67 thousand from \$1.108 million in 2022 to \$1.041 million in 2023. This represents a 6.0% decrease over the previous year. The decrease can be attributed to no longer recognizing Somerset lease as an expense due to GASB Statement No. 87, leases.

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) decreased \$95 thousand from \$135 thousand in 2022 to \$40 thousand in 2023. Further analysis shows that the bad debt expense, as a percent of total tuition and fee revenue, decreased marginally from 1.88% in 2022 to .52% in 2023.

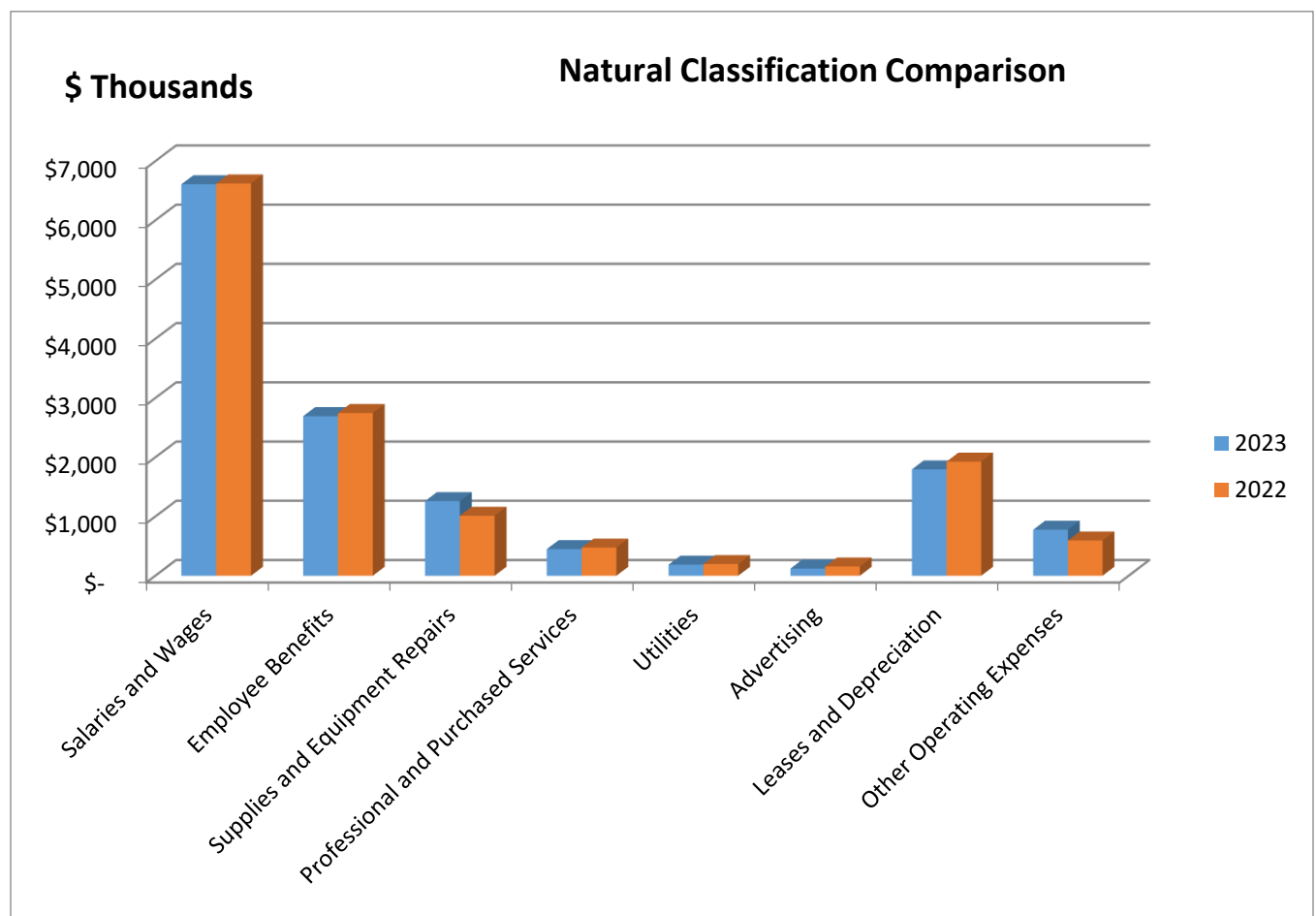
Depreciation expense is showing a decrease in 2023 of \$52 thousand or 2.8% below 2022 amounts. This decrease, which includes amortization right to use lease expense, decreased due to only recognizing one month of Central Park lease expense prior to terminating lease contract.

The following chart breaks down the College's 2023 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 67.0% of the overall operating expenses of the College for fiscal year 2023. The Leases and Depreciation classification, totaling 12.9% 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 9.1% of the operating costs and include departmental supplies and equipment and building maintenance costs. Professional and Purchased Services totaled 3.2% and Other Operating expenses totaled 5.6% of the overall operating expenses for fiscal 2023. The remaining classifications of Utilities and Advertising had combined expenditures totaling 2.2% of the College’s operating costs.

The following graph further compares fiscal year 2023 and 2022 expenses by natural classification. The graph shows that overall expenses remained consistent during 2023 and 2022. There are slight decreases in both the Salaries and Wages and Employee Benefits. Supplies and Equipment Repairs increased in 2023 while there was a decrease in Professional and Purchased Services. Utilities and Advertising each remained consistent with only slight variations over the previous year while Depreciation saw a decrease and Other Operating Expenses increased 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 2023 and 2022 is as follows (in thousands).

	2023	2022	\$ Change
Cash Flows			
Cash received from operations	\$ 9,330	\$ 8,922	\$ 408
Cash payments for operations	(12,936)	(11,813)	(1,123)
Net cash used by operations	(3,606)	(2,891)	(715)
Net cash provided by noncapital financing activities	4,681	4,499	182
Net cash provided by capital financing activities	(1,145)	(406)	(739)
Net increase/(decrease) in cash	(70)	1,202	(1,272)
Cash and cash equivalents, beginning of year	9,238	8,036	1,202
Cash and cash equivalents, end of year	\$ 9,168	\$ 9,238	\$ (70)

Cash and cash equivalents decreased \$70 thousand from \$9.238 million in 2022 to \$9.168 million in 2023. The College used \$3.606 million in operating activities which was offset by \$4.681 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, 2023 and 2022 are as follows:

	2023	2022	\$ Change	% Change
Assets				
Cash and cash equivalents	\$ 272,766	\$ 233,029	\$ 39,737	17.1%
Investments	\$1,132,281	1,048,879	83,402	8.0%
Promises to give	\$ 2,203	3,436	(1,233)	-35.9%
Other Current Assets	\$ 250	250	-	0.0%
Total Current Assets	1,407,500	1,285,594	121,906	9.5%
Noncurrent Assets				
Long-term Investments-Restricted	365,295	368,697	(3,402)	-0.9%
Total Noncurrent Assets	365,295	368,697	(3,402)	-0.9%
Total Assets	1,772,795	1,654,291	118,504	7.2%
Liabilities				
Accounts payable	50,000	21,827	28,173	129.1%
Total Liabilities	50,000	21,827	28,173	129.1%
Net Assets				
Unrestricted	786,101	766,937	19,164	2.5%
Restricted - expendable	936,694	865,527	71,167	8.2%
Restricted - nonexpendable	-	-	-	0.0%
Total Net Assets	1,722,795	1,632,464	90,331	5.5%
Total Liabilities and Net Assets	\$ 1,772,795	\$ 1,654,291	\$ 118,504	7.2%

The Foundation has experienced an increase in Total Assets of \$118,504 or 7.2% over last year's total. The largest part of this increase is attributed to gains and increases in the Investments categories.

Total Liabilities were \$50,000 at June 30, 2023 compared to \$21,827 at June 30, 2022 and is attributable to amounts due to the College at year end.

Total Net Assets increased by \$90,331 during the 2023 fiscal year. Unrestricted assets increased \$19,164 while Restricted – expendable assets increased by \$71,167 for the same period.

The following schedule summarizes the operating results of Pennsylvania Highlands Community College Foundation for 2023 and 2022.

	2023	2022	\$ Change	% Change
Operating Revenues				
In-kind revenues	\$ 58,524	\$ 78,514	\$ (19,990)	-25.5%
Contributions	\$ 98,490	128,310	(29,820)	-23.2%
Fundraising	\$ 8,830	17,607	(8,777)	-49.8%
Total Operating Revenues	165,844	224,431	(58,587)	-26.1%
Operating Expenses				
Institutional support	4,400	3,800	600	15.8%
Scholarships and grants	39,058	42,475	(3,417)	-8.0%
In-kind expenses	58,524	78,514	(19,990)	-25.5%
Other operating expense	88,529	57,272	31,257	54.6%
Total Operating Expenses	190,511	182,061	8,450	4.6%
Non-operating Revenue/(Expenses)				
Interest and dividends	37,901	(2,136)	40,037	-1874.4%
Unrealized gains and losses	77,097	(167,518)	244,615	-146.0%
Total Non-operating Rev/(Exp)	114,998	(169,654)	284,652	-167.8%
Total Change in Net Assets	\$ 90,331	\$ (127,284)	\$ 217,615	-171.0%

Operating Revenues have decreased \$58,587 or 26.1% from last year. Fundraising to the Foundation had a decrease of \$8,777. In-Kind revenues decreased by 25.5% and Contribution revenues decreased by 23.2% in comparison to the prior year.

Operating Expenses in contrast increased over fiscal year 2022. Total operating expenses went from \$182,061 in 2022, to \$190,511 in 2023, an increase of \$8,450. This was the result of higher other operating expenditures occurring in 2023.

Non-operating revenues/ (expenses) increased by \$284,652 in 2023. The increase is attributed to investment gains that were incurred during the current year. In all, Net Assets increased by \$217,615 in fiscal year 2023 due to investment gains during the year.

Other Fiscal 2023 Highlights

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, 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 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. Over the course of the last three years, 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 and \$306,129 in Supplemental Support American Rescue Plan (SSARP). These funds were used for the safe reopening of schools as well as to improve technology to provide safe learning opportunities for students. To date (June 30, 2023), the College has provided \$2,892,160 to students for emergency aid and has spent \$4,512,433 in HEERF, SSARP 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.

In December of 2021, the Johnstown Regional Police Academy was approved for transfer from the Greater Johnstown CTC to Pennsylvania Highlands Community College by the Municipal Police Officers Education and Training Commission (MPOETC). The Academy is responsible for teaching a mandated curriculum developed by MPOETC in support of providing certified police officers for our local police departments in a 4-5 county service region. Our first class began in September 2022 and 11 cadets graduated from the program in September 2023.

The College began couple of renovation projects in 2023. First, we are renovating eight main public restrooms and two small family restrooms in our Richland building. The cost of the restroom renovation project is estimated to be \$946,000. The project is expected to be completed in the Fall of 2023. The other main project is signage replacement at our main campus. We are replacing the logo signs on the front and rear entrances to the building. We are also installing a banner sign on one of the large walls facing the main parking areas. A third free standing road sign will be placed at the rear entrance to our parking areas. The total cost of the signage project is estimated to be \$36,600 and it is also scheduled to be completed in the Fall of 2023. The loan funds from the Richland building purchase is funding these projects.

Christopher T. Pribulsky
Associate Vice President of Finance

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Pennsylvania Highlands Community College as of June 30, 2023 and 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pennsylvania Highlands Community College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pennsylvania Highlands Community College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pennsylvania Highlands Community College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsylvania Highlands Community College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 XVI, 25 and 26 respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 12, 2023, 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
Certified Public Accountants

October 12, 2023

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2023	2022	2023	2022
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 9,167,732	\$ 9,238,071	\$ 272,766	\$ 233,029
Short-term investments	-	-	1,132,281	1,048,879
State appropriations receivable	61,109	48,292	-	-
Accounts receivable - other	86,523	32,614	-	-
Students receivable - net of allowance for doubtful accounts	477,630	274,111	-	-
Grants receivable	152,595	467,855	-	-
Promises to give	-	-	2,203	3,436
Prepaid expenses	323,187	124,252	-	-
Other current assets	215	-	250	250
Total Current Assets	<u>10,268,991</u>	<u>10,185,195</u>	<u>1,407,500</u>	<u>1,285,594</u>
Noncurrent Assets				
Long-term investments - restricted	-	-	365,295	368,697
Right to use lease - net of accumulated amortization	5,695,455	3,657,304	-	-
Capital assets - net of accumulated depreciation	14,354,542	14,767,011	-	-
Total Noncurrent Assets	<u>20,049,997</u>	<u>18,424,315</u>	<u>365,295</u>	<u>368,697</u>
Deferred Outflows				
Deferred SERS outflows	13,816	6,155	-	-
Total Deferred Outflows	<u>13,816</u>	<u>6,155</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 30,332,804</u>	<u>\$ 28,615,665</u>	<u>\$ 1,772,795</u>	<u>\$ 1,654,291</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 203,635	\$ 125,476	\$ 50,000	\$ 21,827
Accrued salaries	214,296	408,581	-	-
Accrued compensated absences	460,042	444,702	-	-
Other accrued liabilities	28,024	50,468	-	-
Current portion - long-term debt	594,881	578,435	-	-
Capital lease obligations - current portion	67,585	105,920	-	-
Total Current Liabilities	<u>1,568,463</u>	<u>1,713,582</u>	<u>50,000</u>	<u>21,827</u>
Noncurrent liabilities				
Capital lease obligations - long-term	29,547	97,132	-	-
SERS net pension liability	55,076	35,177	-	-
Right to use - lease liability	5,695,456	3,657,303	-	-
Long-term debt	7,306,296	7,901,178	-	-
Total Noncurrent Liabilities	<u>13,086,375</u>	<u>11,690,790</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>14,654,838</u>	<u>13,404,372</u>	<u>50,000</u>	<u>21,827</u>
Deferred Inflows:				
Deferred SERS inflows	71,852	127,256	-	-
Unearned tuition and fee revenue	344,235	222,178	-	-
Deferred grant revenue	304,463	559,058	-	-
Total Deferred Inflows	<u>720,550</u>	<u>908,492</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	6,356,233	6,084,346	-	-
Unrestricted	5,685,380	4,942,693	786,101	766,937
Restricted - expendable	2,915,803	3,275,762	936,694	865,527
Restricted - nonexpendable	-	-	-	-
Total Net Position	<u>14,957,416</u>	<u>14,302,801</u>	<u>1,722,795</u>	<u>1,632,464</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 30,332,804</u>	<u>\$ 28,615,665</u>	<u>\$ 1,772,795</u>	<u>\$ 1,654,291</u>

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2023	2022	2023	2022
REVENUES				
Operating Revenues:				
Student tuition and fees - net of scholarship allowances of \$69,020 and \$56,877 respectively	\$ 7,650,681	\$ 7,165,046	\$ -	\$ -
Other Income	100,889	57,387	-	-
Government grant revenue	1,567,494	1,697,533	-	-
In-kind revenues	-	-	58,524	78,514
Contributions	-	-	98,490	128,310
Fundraising	-	-	8,830	17,607
Total Operating Revenues	9,319,064	8,919,966	165,844	224,431
EXPENSES				
Operating Expenses:				
Instruction	4,239,099	3,800,006	-	-
Academic support	2,352,231	2,395,264	-	-
Student services	2,539,599	2,605,459	-	-
Institutional support	1,889,373	1,843,905	4,400	3,800
Operations and maintenance of facility	1,040,643	1,107,906	88,529	57,272
Provision for uncollectible accounts	39,912	135,100	-	-
Depreciation and amortization	1,794,152	1,845,677	-	-
Scholarships and grants	-	-	39,058	42,475
In-kind expenses	-	-	58,524	78,514
Total Operating Expenses	13,895,009	13,733,317	190,511	182,061
Operating (Loss)/Income	(4,575,945)	(4,813,351)	(24,667)	42,370
NONOPERATING REVENUES/(EXPENSES)				
State appropriations				
Operating	3,078,846	2,920,270	-	-
Capital	703,808	620,663	-	-
Other appropriations	234,043	231,925	-	-
Financial Aid revenue	5,888,657	5,893,182	-	-
Financial Aid (expenses)	(5,888,657)	(5,893,182)	-	-
Emergency grants to students revenue	159,201	1,857,154	-	-
Emergency grants to students (expenses)	(159,201)	(1,857,154)	-	-
County appropriations	1,339,469	1,274,922	-	-
Private gifts	50,329	25,667	-	-
Interest on capital assets - related debt	(247,270)	(263,483)	-	-
Lease interest (expense)	(73,451)	(70,762)	-	-
Interest and dividends	-	-	37,901	(2,136)
Unrealized gains and (losses)	-	-	77,097	(167,518)
Other nonoperating revenue	98,112	56,919	-	-
Net Nonoperating Revenues/(Expenses)	5,183,886	4,796,121	114,998	(169,654)
Income/(Loss) Before Other Revenues/(Expenses)	607,941	(17,230)	90,331	(127,284)
OTHER REVENUES:				
Government grants - capital	46,674	2,006,376	-	-
Total Other Revenues	46,674	2,006,376	-	-
Change in Net Position	654,615	1,989,146	90,331	(127,284)
Net Position - Beginning of year	14,302,801	12,313,655	1,632,464	1,759,748
Net Position - End of year	\$ 14,957,416	\$ 14,302,801	\$ 1,722,795	\$ 1,632,464

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:				
Payment received from tuition and fees	\$ 7,447,162	\$ 7,204,205	\$ -	\$ -
Payment received from government grants	1,882,754	1,718,412	-	-
Payment received from contributions	-	-	108,553	152,992
Payments to suppliers	(5,578,056)	(5,145,709)	(64,757)	(45,529)
Payments to employees	(6,805,054)	(6,636,161)	-	-
Payments for scholarships	-	-	(39,058)	(42,475)
Payments from other expenses	(553,531)	(32,086)	-	-
Net Cash (Used In)/Provided By Operating Activities	<u>(3,606,725)</u>	<u>(2,891,339)</u>	<u>4,738</u>	<u>64,988</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	3,300,072	3,158,799	-	-
Local appropriations	1,339,469	1,274,922	-	-
Payments received from financial aid	6,203,917	5,914,061	-	-
Payments made for financial aid	(6,203,917)	(5,914,061)	-	-
Other receipts	41,782	65,539	-	-
Net Cash Provided By Financing Activities	<u>4,681,323</u>	<u>4,499,260</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Capital grants	46,674	2,006,376	-	-
Purchases of capital assets	(953,444)	(2,229,650)	-	-
State Capital appropriations	703,808	620,663	-	-
Loss on disposal of capital assets	(10,349)	(31,257)	-	-
Interest paid on capital debt	(247,270)	(263,483)	-	-
Principal (paid)/incurred on long-term debt	(578,436)	(517,468)	-	-
Principal incurred/(paid) on capital leases obligations	(105,920)	8,754	-	-
Net Cash (Used In)/Provided By Financing Activities	<u>(1,144,937)</u>	<u>(406,065)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investments, net	-	-	34,999	14,746
Net Cash Provided By/(Used In) Investing Activities	<u>-</u>	<u>-</u>	<u>34,999</u>	<u>14,746</u>
Net Increase in Cash and Cash Equivalents	(70,339)	1,201,856	39,737	79,734
Cash and Cash Equivalents - Beginning of Year	<u>9,238,071</u>	<u>8,036,215</u>	<u>233,029</u>	<u>153,295</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,167,732</u>	<u>\$ 9,238,071</u>	<u>\$ 272,766</u>	<u>\$ 233,029</u>

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, 2023 AND 2022

	PRIMARY INSTITUTION		COMPONENT UNIT FOUNDATION	
	2023	2022	2023	2022
Reconciliation of Operating (Loss)/Income to Change in Net Cash from Operating Activities:				
Operating (loss)/income	\$ (4,575,945)	\$ (4,813,351)	\$ (24,667)	\$ 42,370
Adjustments to reconcile change in net position to change in net cash from operating activities:				
Depreciation expense	1,355,563	1,435,436	-	-
Changes in assets, deferred outflows, liabilities and deferred inflows:				
Student receivables	(203,519)	39,159	-	-
Grants receivable	315,260	20,879	-	-
Promises to give, net	-	-	1,233	7,075
Prepaid expenses	(198,935)	81,497	-	-
Other assets	(215)	-	-	-
Accounts payable	78,159	(42,604)	28,172	15,543
Accrued salaries	(194,285)	40,866	-	-
Compensated absences	15,340	(28,053)	-	-
Other accrued liabilities	(22,444)	(81,036)	-	-
Unearned tuition and fee revenue	(175,704)	455,868	-	-
Total Adjustments	969,220	1,922,012	29,405	22,618
Net Cash (Used In)/Provided By Operating Activities	<u>\$ (3,606,725)</u>	<u>\$ (2,891,339)</u>	<u>\$ 4,738</u>	<u>\$ 64,988</u>

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."

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022, this balance amounted to \$2,915,803 and \$3,275,762, 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, 2023 and 2022, this balance amounted to \$1,181,352 and \$1,077,562, 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, 2023 and 2022, this balance amounted to \$194,773 and \$194,773, 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, 2023 and 2022, this balance amounted to \$506,589 and \$106,589, respectively.

Project Funds: These funds set aside for Richland campus upgrades and improvements.

- *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 \$124,411 and \$119,349 for the years ending June 30, 2023 and 2022, 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 \$105,376 and \$61,742 in fiscal years 2023 and 2022, 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. 91, *Conduit Debt Obligations*, is effective for periods beginning after December 15, 2021. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for periods beginning after June 15, 2022. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for periods beginning after June 15, 2022. The adoption of this Statement had no effect on previously reported amounts.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for periods beginning after December 15, 2021. The adoption of this Statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

In June 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The College is required to adopt Statement No. 99 for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The College is required to adopt Statement No. 100 for its fiscal year 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The College is required to adopt Statement No. 101 for its fiscal year 2024 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, 2023 and 2022, are classified in the accompanying financial statements as follows:

	College		Foundation	
	2023	2022	2023	2022
Statement of net position:				
Cash and investments	\$ 9,167,732	\$ 9,238,071	\$ 901,553	\$ 812,892
Restricted cash and investments	---	---	868,789	837,713
	<u>\$ 9,167,732</u>	<u>\$ 9,238,071</u>	<u>\$1,770,342</u>	<u>\$1,650,605</u>

Cash and investments as of June 30, 2023 and 2022, consist of the following:

	College		Foundation	
	2023	2022	2023	2022
Statement of net position:				
Deposits with financial institutions	\$ 9,167,732	\$ 9,238,071	\$ 272,766	\$ 233,029
Investments	---	---	1,497,576	1,417,576
	<u>\$ 9,167,732</u>	<u>\$ 9,238,071</u>	<u>\$1,770,342</u>	<u>\$1,650,605</u>

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, 2023, 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, 2023, by the following investment types were uncollateralized, which includes deposits collateralized by securities held by the pledging financial institution or by its trust department or agent, but not in the Organization's name:

	<u>College</u>	<u>Foundation</u>
Deposits with financial institutions	\$ 8,729,263	\$ 1,497,576
US Treasury Obligation	<u>---</u>	<u>---</u>
	<u>\$ 8,729,263</u>	<u>\$ 1,497,576</u>

NOTE 4 CAPITAL ASSETS

The following is a summary of the capital asset categories for fiscal year 2023:

	<u>Balance June 30, 2022</u>	<u>(Transfers)/ Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
Equipment	\$ 10,522,789	\$ 52,794	\$ (78,265)	\$10,497,318
Computer software	240,166	---	---	240,166
Autos & trucks	---	43,985	---	43,985
Building improvements	16,287,415	454,886	(60,459)	16,681,842
Construction-in-progress	<u>---</u>	<u>401,779</u>	<u>---</u>	<u>401,779</u>
Total Cost	<u>27,050,370</u>	<u>953,444</u>	<u>(138,724)</u>	<u>27,865,090</u>
Less Accumulated Depreciation:				
Equipment	(4,302,836)	(496,862)	75,473	(4,724,225)
Computer software	(240,115)	---	---	(240,115)
Auto & trucks	---	(2,199)	---	(2,199)
Building improvements	<u>(7,740,408)</u>	<u>(856,503)</u>	<u>52,902</u>	<u>(8,544,009)</u>
Total Accumulated Depreciation	<u>(12,283,359)</u>	<u>(1,355,564)</u>	<u>128,375</u>	<u>(13,510,548)</u>
Net Capital Assets	<u>\$ 14,767,011</u>	<u>\$ (402,120)</u>	<u>\$ (10,349)</u>	<u>\$14,354,542</u>

NOTE 5 LEASE COMMITMENTS

Capital Leases

The College leases equipment under agreements classified as capital leases. The cost for such property amounted to \$415,485 and \$794,985 and the accumulated amortization amounted to \$344,636 and \$590,996 at June 30, 2023 and 2022, respectively. Amortization expense amount to \$103,871 and \$109,576 for fiscal years 2023 and 2022, 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 equipment leases as of June 30, 2023:

	Balance <u>@ 6/30/22</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>@ 6/30/23</u>	Amount Due In <u>One (1) Year</u>
Capital Lease Obligations	\$ <u>203,052</u>	\$ <u>---</u>	\$ <u>(105,920)</u>	\$ <u>97,132</u>	\$ <u>67,585</u>

Future Minimum Capital Lease Payments

The following is a schedule of future minimum capital equipment lease payments as of June 30, 2023:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2024	\$ 67,585	\$ 1,076
2025	<u>29,547</u>	<u>250</u>
Total Future Minimum Lease Payments	<u>\$ 97,132</u>	<u>\$ 1,326</u>

Interest rates on substantially all leases are 1.50%.

The College also leases various campus locations that are classified as right to use leases in the current year under GASB Statement No. 87. The following is a summary of buildings held under right to use leases at June 30, 2023:

Blair Site	\$ 2,366,338
Ebensburg Education Center	3,478,204
Central Park Site	32,178
Somerset Site	234,085
Less: Accumulated Amortization	<u>(415,350)</u>
Total Right to Use Leases	<u>\$ 5,695,455</u>

The following is a schedule of future minimum right to use lease payments as of June 30, 2023:

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2024	\$ 414,651	\$ 104,272
2025	417,117	101,806
2026	425,536	93,387
2027	434,125	84,798
2028	402,703	76,449
Thereafter	<u>3,601,324</u>	<u>321,353</u>
Total Future Minimum Lease Payments	<u>\$ 5,695,456</u>	<u>\$ 782,065</u>

Operating Leases

The College also leases offices and classrooms under operating leases. 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 Huntingdon lease ended as of June 30, 2022.

Total lease expense incurred under all operating leases for fiscal years ending June 30, 2023 and 2022 amounted to \$1,159 and \$81,406, respectively.

NOTE 6 LONG-TERM OBLIGATIONS

The following is a description of the long-term obligations as reported in the financial statements at June 30, 2023 and 2022:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2022</u>			<u>June 30, 2023</u>	<u>Due Within</u>
					<u>One Year</u>
General Oblig. Notes					
Series of 2017	\$ 1,298,612	\$ ---	\$ (270,435)	\$ 1,028,177	\$ 277,881
College Revenue Bond					
Series of 2021	<u>7,181,000</u>	<u>---</u>	<u>(308,000)</u>	<u>6,873,000</u>	<u>317,000</u>
	<u>\$ 8,479,612</u>	<u>\$ ---</u>	<u>\$ (578,435)</u>	<u>\$ 7,901,177</u>	<u>\$ 594,881</u>

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:

<u>Debt Service Payment Dates</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
<u>2017 Series – General Obligation Notes Years Ending June 30:</u>			
2024	\$ 277,881	\$ 25,495	\$ 303,376
2025	285,670	17,707	303,377
2026	293,607	9,770	303,377
2027	171,019	1,990	173,009
	<u>\$ 1,028,177</u>	<u>\$ 54,962</u>	<u>\$ 1,083,139</u>
<u>2021 Series – College Revenue Bond Years Ending June 30:</u>			
2024	\$ 317,000	\$ 202,547	\$ 519,547
2025	327,000	193,205	520,205
2026	336,000	183,569	519,569
2027	345,000	173,667	518,667
2028	357,000	163,500	520,500
Thereafter	5,191,000	1,047,158	6,238,158
	<u>\$ 6,873,000</u>	<u>\$ 1,963,646</u>	<u>\$ 8,836,646</u>

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, 2023. The line is due on demand and bears interest at the Wall Street Journal prime rate. The interest rate at June 30, 2023, was 8.25%. The current agreement expires on December 6, 2024.

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, 2023 and 2022, the College contributed ten percent (10%) for administrators and faculty and eight percent (8%) for support staff of the employees' eligible wages. The College contributions to the plan amounted to \$553,483 and \$551,815 for fiscal years ending June 30, 2023 and 2022, 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, 2023 and 2022 was 10.96% and 8.71%, respectively. Total contributions to the pension plan from the College were \$2,192 and \$1,741 for the years ended June 30, 2023 and 2022, respectively.

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

At June 30, 2023, the College reported a liability of \$55,076 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, 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, 2022 and 2021, the College's proportion was 0.0003 percent.

For the year ended June 30, 2023, the College recognized pension gain of \$(40,532). At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 798	\$ 152
Changes in assumptions	3,714	---
Net difference between projected and actual investment earnings	7,482	---
Changes in proportions	39	66,612
Difference between employer contributions and proportionate share of contributions	727	5,088
Contributions subsequent to the measurement date	<u>1,056</u>	<u>---</u>
	<u>\$ 13,816</u>	<u>\$ 71,852</u>

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:

2023	\$ (35,862)
2024	(24,048)
2025	(2,799)
2026	3,632
2027	(15)

Actuarial assumptions

The following methods and assumptions were used in the December 31, 2022, actuarial valuations. These methods and assumptions were applied to all periods included in the measurement:

- Actuarial cost method..... Entry Age
- Investment return 6.875%, net of manager fees including inflation

- Projected salary increases ... Average of 4.55%, 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16%	5.75%
Real Estate	7%	5.12%
U.S. Equity	31%	4.35%
International Developed Markets Equity	14%	4.25%
Emerging Markets Equity	5%	4.65%
Fixed Income	22%	(0.50%)
Inflation Protection (TIPS)	3%	(1.00%)
Cash	2%	(1.05%)
	100%	

Discount rate

The discount rate used to measure the total pension liability was 6.875% and 7.00% in 2022 and 2021, 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 2022 net pension liability for the College's proportionate share, calculated using the discount rate of 6.875%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.875%) or one percentage-point higher (7.875%) than the current rate:

	1% Decrease 5.875%	Current Discount Rate 6.875%	1% Increase 7.875%
2022	<u>\$ 70,599</u>	<u>\$ 55,076</u>	<u>\$ 41,966</u>

The following presents the 2021 and 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%
2021	<u>\$ 50,950</u>	<u>\$ 35,177</u>	<u>\$ 21,842</u>
2020	<u>\$ 58,569</u>	<u>\$ 44,109</u>	<u>\$ 31,885</u>

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	<u>\$ 196,507</u>	<u>\$ 154,649</u>	<u>\$ 118,814</u>

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	<u>\$ 311,470</u>	<u>\$ 253,657</u>	<u>\$ 204,114</u>
2017	<u>313,776</u>	<u>247,202</u>	<u>190,173</u>
2016	<u>547,982</u>	<u>442,797</u>	<u>352,721</u>

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, 2022, 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 four (4) years for the period July 1, 2022 through June 30, 2026. 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 \$6,962,546 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

Collective Bargaining Agreement

The College entered into a new collective bargaining Support Staff agreement with the Pennsylvania Highlands Community College PA Federation of Teachers for a four (4) year period of July 1, 2023 through June 30, 2027.

Subsequent events have been evaluated for Pennsylvania Highlands Community College through October 12, 2023, and for Pennsylvania Highlands Community College Foundation through October 12, 2023, 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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability (asset)	0.0003%	0.0003%	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)	\$ 55,076	\$ 35,177	\$ 44,109	\$ 154,649	\$ 253,657	\$ 247,202	\$ 442,797	\$ 398,150	\$ 472,223	\$ 439,035
College's covered-employee payroll	\$ 20,000	\$ 20,000	\$ 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	275.38%	175.89%	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	61.50%	67.00%	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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,192	\$ 1,741	\$ 4,090	\$ 20,707	\$ 24,572	\$ 35,818	\$ 35,257	\$ 28,113	\$ 18,994	\$ 9,465
Contributions in relation to the contractually required contribution	<u>(2,192)</u>	<u>(1,741)</u>	<u>(4,090)</u>	<u>(20,707)</u>	<u>(24,572)</u>	<u>(35,818)</u>	<u>(35,257)</u>	<u>(28,113)</u>	<u>(18,994)</u>	<u>(9,465)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 20,000	\$ 20,000	\$ 20,000	\$ 55,362	\$ 70,753	\$ 87,264	\$ 131,416	\$ 128,839	\$ 182,226	\$ 61,788
Contributions as a percentage of covered-employee payroll	10.96%	8.71%	20.45%	37.40%	34.73%	41.05%	26.83%	21.82%	10.42%	15.32%

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, 2023 AND 2022

2023									
FUNCTIONAL CLASSIFICATION	NATURAL CLASSIFICATION								
	Salaries and Wages	Fringe Benefits	Supplies, Equip, and Repairs	Professional & Purchased Services	Utilities	Advertising	Leases and Depreciation	Other Expense	Total
Instruction	\$ 2,715,736	\$ 925,899	\$ 300,036	\$ 38,043	\$ -	\$ -	\$ -	\$ 259,385	\$ 4,239,099
Academic support	1,077,459	446,002	758,405	1,959	-	-	-	68,406	2,352,231
Student services	1,467,454	782,438	105,786	54,445	-	-	-	129,476	2,539,599
Institutional support	862,864	351,394	19,888	300,110	-	121,184	-	233,933	1,889,373
Operations and maintenance of facility	486,736	189,377	76,200	55,289	186,411	-	1,159	45,471	1,040,643
Provision for uncollectible accounts	-	-	-	-	-	-	-	39,912	39,912
Depreciation and amortization	-	-	-	-	-	-	1,794,152	-	1,794,152
Total Operating Expenses	\$ 6,610,249	\$ 2,695,110	\$ 1,260,315	\$ 449,846	\$ 186,411	\$ 121,184	\$ 1,795,311	\$ 776,583	\$ 13,895,009

2022									
FUNCTIONAL CLASSIFICATION	NATURAL CLASSIFICATION								
	Salaries and Wages	Fringe Benefits	Supplies, Equip, and Repairs	Professional & Purchased Services	Utilities	Advertising	Leases and Depreciation	Other Expense	Total
Instruction	\$ 2,655,746	\$ 945,785	\$ 134,023	\$ 57,346	\$ -	\$ -	\$ -	\$ 7,106	\$ 3,800,006
Academic support	1,166,503	509,658	648,333	9,245	-	-	-	61,525	2,395,264
Student services	1,474,255	800,146	126,774	77,551	-	-	-	126,733	2,605,459
Institutional support	870,728	291,486	27,810	275,819	-	155,644	-	222,418	1,843,905
Operations and maintenance of facility	455,615	201,304	75,247	54,900	197,157	-	81,408	42,275	1,107,906
Provision for uncollectible accounts	-	-	-	-	-	-	-	135,100	135,100
Depreciation and amortization	-	-	-	-	-	-	1,845,677	-	1,845,677
Total Operating Expenses	\$ 6,622,847	\$ 2,748,379	\$ 1,012,187	\$ 474,861	\$ 197,157	\$ 155,644	\$ 1,927,085	\$ 595,157	\$ 13,733,317

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023
(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 6/30/22	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/23
U.S. DEPARTMENT OF EDUCATION									
<i>Student Financial Assistance Cluster:</i>									
Federal Direct Student Loan	84.268	7/21-6/22	P268K214857	2,337,372	\$ 173,786	\$ -	\$ 173,786	\$ 173,786	\$ -
Federal Direct Student Loan	84.268	7/22-6/23	P268K224857	2,337,372	2,160,441	-	2,160,441	2,160,441	-
Federal Pell Grant (PELL)	84.063	7/21-6/22	P268K214857	2,225,083	183,884	-	183,884	183,884	-
Federal Pell Grant (PELL)	84.063	7/22-6/23	P268K224857	2,346,145	2,124,975	-	2,124,975	2,124,975	-
Federal Work Study (FWS)	84.033	7/21-6/22	P033A208511	26,441	7,217	-	7,217	7,217	-
Federal Work Study (FWS)	84.033	7/22-6/23	P033A218511	29,771	8,499	-	8,891	8,891	392
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	7/21-6/22	P007A218511	67,768	6,641	-	6,641	6,641	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	7/22-6/23	P007A228511	64,021	68,117	-	68,117	68,117	-
Total Student Financial Assistance Cluster					4,733,560	-	4,733,952	4,733,952	392
<i>Education Stabilization Funds:</i>									
Passed through Pennsylvania Department of Education:									
Higher Education Emergency Relief Funds (HEERF) Supplemental Support under American Rescue Plan (SSARP)	84.425T	7/22-7/23	P425T220160	306,129	306,129	-	306,129	306,129	-
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	5/20-6/23	P425E203380	2,737,043	25,082	23,548	1,534	1,534	-
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F	5/20-6/23	P425F204136	3,919,374	452,578	392,427	60,151	60,151	-
Total Education Stabilization Funds					783,789	415,975	367,814	367,814	-
Passed through Pennsylvania Department of Education:									
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	7/22-6/23	381-23-0021	206,589	206,589	-	206,589	206,589	-
Total U.S. Department of Education					5,723,938	415,975	5,308,355	5,308,355	392
VETERANS BENEFITS ADMINISTRATION									
Vocational Rehabilitation for Disabled Veterans	64.116	7/22-6/23			55,111	-	55,111	55,111	-
Total Veterans Benefits Administration					55,111	-	55,111	55,111	-
U.S. DEPARTMENT OF LABOR AND INDUSTRY									
Passed through Pennsylvania Department of Labor and Industry:									
Office of Vocational Rehabilitation	84.126A	7/22-6/23		81,817	81,817	-	81,817	81,817	-
Letter of Understanding									
Trade Adjustment	17.245	7/22-6/23		63,713	63,713	-	63,713	63,713	-
Total U.S. Department of Labor and Industry					145,530	-	145,530	145,530	-

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023
(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 6/30/22	Revenue Recognized	Federal Expenditures	Accrued or (Deferred) Revenue at 6/30/23
<u>U.S. DEPARTMENT OF DEFENSE</u>									
Passed through IUP Research Institute: National Defense Education Program	12.006	9/22-8/23	HQ00342220009	194,492	74,812	-	161,022	161,022	86,210
Total U.S. Department of Defense					74,812	-	161,022	161,022	86,210
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Passed through the PA Department of Human Services KEYS Grant	93.558	7/22-6/23		89,635	75,114	8,762	89,635	89,635	23,283
Total U.S. Department of Health and Human Services					75,114	8,762	89,635	89,635	23,283
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed through the PA Department of Human Services KEYS Grant - SNAP	10.561	7/22-6/23		66,687	70,694	22,691	66,887	66,887	18,884
KEYS Grant - SNAP ARPA	10.561	7/22-6/23		112,119	102,768	-	112,119	112,119	9,351
Total U.S. Department of Agriculture					173,462	22,691	179,006	179,006	28,235
Total Expenditures of Federal Awards					\$ 6,247,967	\$ 447,428	\$ 5,938,659	\$ 5,938,659	\$ 138,120

NOTE: Pennsylvania Highlands Community College did not provide federal funds to subrecipients during the year ended June 30, 2023.

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

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, 2023, 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, 2023.

**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 (*Government Auditing Standards*), 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, 2023, 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 12, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on 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 12, 2023

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

Opinion on Each Major Federal Program

We have audited Pennsylvania Highlands Community College's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, Pennsylvania Highlands Community College complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pennsylvania Highlands Community College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pennsylvania Highlands Community College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pennsylvania Highlands Community College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pennsylvania Highlands Community College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pennsylvania Highlands Community College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pennsylvania Highlands Community College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pennsylvania Highlands Community College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pennsylvania Highlands Community College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 12, 2023

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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
84.425E

Student Financial Aid Cluster
COVID-19 – Higher Education Emergency Relief Fund Student Aid Portion

84.425F

COVID-19 - Higher Education Emergency Relief Fund Institutional Portion

84.425T

Higher Education Emergency Relief Funds Supplemental Support Under American Rescue Plan (SSARP) Program

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, 2022

NONE

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE

CORRECTIVE ACTION PLAN

JUNE 30, 2023

NONE NECESSARY