



GREENFIELD COMMUNITY COLLEGE

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

GREENFIELD COMMUNITY COLLEGE

Financial Statements
June 30, 2015 and 2014

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GREENFIELD COMMUNITY COLLEGE

Management's Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

The following discussion and analysis provides management's view of the financial position of Greenfield Community College (the College) as of June 30, 2015, 2014 and 2013, and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto which are also presented in this document.

Greenfield Community College is a public institution of higher education serving approximately 4,840 students in credit and noncredit programs, with 179 full time faculty and staff and approximately 207 part-time employees. The Campus is located in Greenfield, Massachusetts. In addition, the College offers programs in two off site locations throughout the greater Hampshire/Franklin counties. The College offers two Associate of Arts degree programs (with 19 Liberal Arts options) and 13 Associates of Science degree programs as well as 21 certificate programs.

Financial Highlight

At June 30, 2015, 2014 and 2013, the College's assets and deferred outflows were \$44,868,536, \$46,269,144 and \$48,022,257, and its liabilities and deferred inflows were \$8,598,081, \$4,962,237, and \$4,595,737, respectively. These resulting net assets are summarized into the following categories:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------------------|----------------------|--------------------|--------------------|
| Investment in capital assets | \$ 41,782,789 | 43,887,602 | 46,054,855 |
| Restricted, expendable | 981 | 1,692 | 2,499 |
| Unrestricted net position | <u>(5,513,315)</u> | <u>(2,582,387)</u> | <u>(2,630,835)</u> |
| Total net position | <u>\$ 36,270,455</u> | <u>41,306,907</u> | <u>43,426,519</u> |

The College's Trustees may use the unrestricted portion of the net position to meet the College's ongoing obligations. Additionally, the restricted, expendable net position may also be expended, but only for the purposes for which the donor or grantor intended.

- The College implemented GASB 68 – *Accounting and Financial Reporting for Pensions* during 2015 resulting in a restatement of the College's Net Position at the end of 2014.
- The College's total net position decreased by \$5,036,452 in the current fiscal year, including the GASB 68 restatement from the prior year.

Overview of the Financial Statements

Greenfield Community College's financial statements comprise of two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities.

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Greenfield Community College Foundation, Inc. (the Foundation) is a legally separate tax-exempt component unit of Greenfield Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Management's Discussion and Analysis is required to focus on the College, not its component unit.

The Financial Statements – The financial statements are designed to provide readers with a broad overview of Greenfield Community College's finances and are comprised of three basic statements.

The *Statement of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the payment for the accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services.) The Governmental Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used. In accordance with GASB 39, the Foundation is not required to present the statement of cash flows.

The financial statements can be found on pages 16 to 18 of this report.

The College reports its activity as a business-type activity using the economic resources measurement focus and full accrual basis of accounting. The College is a part of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found beginning on page 19 of this report.

GREENFIELD COMMUNITY COLLEGE

Management's Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of the College, assets and deferred outflows exceeded liabilities and deferred inflows as of June 30, 2015, 2014, and 2013 by \$36,270,455, \$41,306,907 and \$43,426,519, respectively.

Condensed Schedule of Net Position

| | June 30 | | |
|--|----------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 |
| Current assets | \$ 2,656,439 | 2,331,456 | 1,897,512 |
| Noncurrent assets | 42,007,296 | 43,937,688 | 46,124,745 |
| Deferred outflows | 204,801 | — | — |
| Total assets and deferred outflows | <u>\$ 44,868,536</u> | <u>46,269,144</u> | <u>48,022,257</u> |
| Current liabilities | \$ 4,162,035 | 4,086,866 | 3,783,495 |
| Noncurrent liabilities | 3,177,377 | 875,371 | 812,242 |
| Deferred inflows | 1,258,669 | — | — |
| Total liabilities and deferred inflows | <u>\$ 8,598,081</u> | <u>4,962,237</u> | <u>4,595,737</u> |
| Net assets: | | | |
| Investment in capital assets | \$ 41,782,789 | 43,887,602 | 46,054,855 |
| Restricted, expendable | 981 | 1,692 | 2,499 |
| Unrestricted | <u>(5,513,315)</u> | <u>(2,582,387)</u> | <u>(2,630,835)</u> |
| Total net position | <u>\$ 36,270,455</u> | <u>41,306,907</u> | <u>43,426,519</u> |

By far the largest portion of the College's net position (\$41,782,789 or 115% as of June 30, 2015, \$43,887,602 or 106% as of June 30, 2014, \$46,054,855 or 106% as of June 30, 2013) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment). The College uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. The Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements.

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Management's Discussion and Analysis

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(Unaudited)

A portion of the College's net position (\$981 or 0.002% as of June 30, 2015, \$1,692 or 0.004% as of June 30, 2014, \$2,499 or 0.005% as of June 30, 2013) represents resources that are subject to external restrictions on how they must be used. The remaining balance of net position represents the unrestricted deficit. The College's Trustees and/or Administration have determined that certain of these funds be designated for Student Life Activities.

Condensed Schedule of Revenues, Expenses and Changes in Net Position

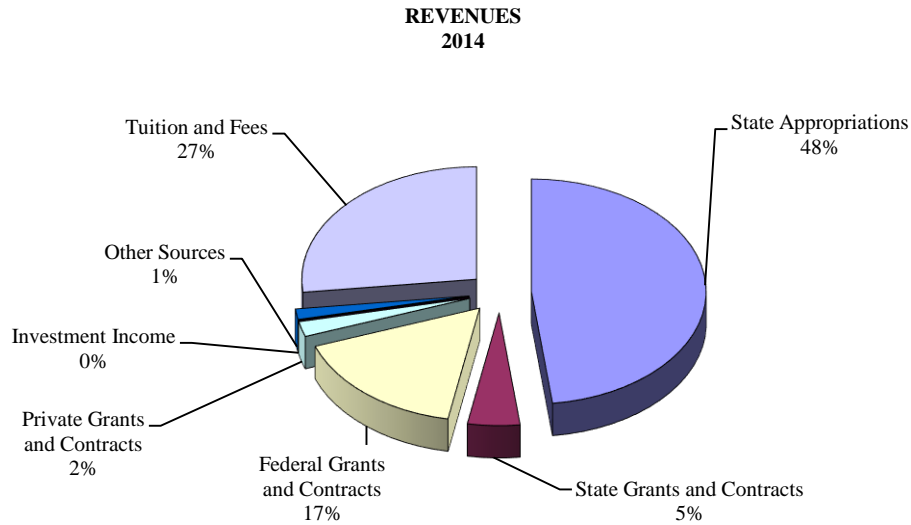
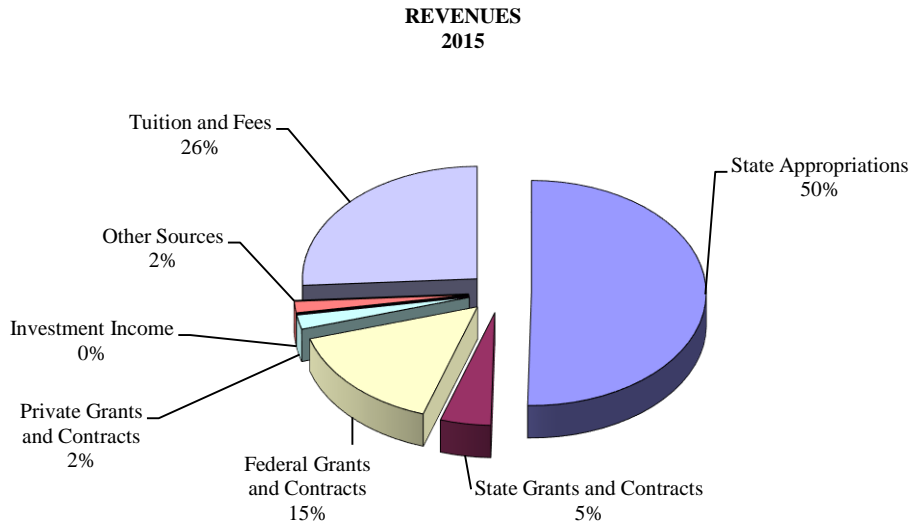
| | June 30 | | |
|--|----------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 |
| Operating revenues: | | | |
| Tuition and fees, net of scholarships | \$ 6,506,203 | 6,694,376 | 7,087,690 |
| Grants and contracts | 5,544,264 | 5,879,144 | 6,190,537 |
| Auxiliary enterprises | — | — | 450,951 |
| Other sources | 370,444 | 304,413 | 367,314 |
| Total operating revenues | <u>12,420,911</u> | <u>12,877,933</u> | <u>14,096,492</u> |
| Operating expenses | <u>26,705,842</u> | <u>27,086,072</u> | <u>26,493,779</u> |
| Operating loss | <u>(14,284,931)</u> | <u>(14,208,139)</u> | <u>(12,397,287)</u> |
| Nonoperating revenues: | | | |
| State appropriation – unrestricted | 12,635,982 | 11,988,169 | 10,008,579 |
| Other nonoperating revenue – net | 38,719 | 72,895 | 82,267 |
| Net nonoperating revenues | <u>12,674,701</u> | <u>12,061,064</u> | <u>10,090,846</u> |
| Change in net position before capital appropriation | (1,610,230) | (2,147,075) | (2,306,441) |
| Capital contributions | <u>95,369</u> | <u>27,463</u> | <u>221,400</u> |
| Change in net position | <u>(1,514,861)</u> | <u>(2,119,612)</u> | <u>(2,085,041)</u> |
| Net assets: | | | |
| Net position at beginning of year | 41,306,907 | 43,426,519 | 45,511,560 |
| Restatement of net position | <u>(3,521,591)</u> | <u>—</u> | <u>—</u> |
| Net position at end of year | <u>\$ 36,270,455</u> | <u>41,306,907</u> | <u>43,426,519</u> |

GREENFIELD COMMUNITY COLLEGE

Management's Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)



An analysis of fiscal year 2015 revenues revealed the following highlights of operating revenue activity for the year:

- A decrease of 2.8% in tuition and fees which was attributed to a 2.4% decline in credit enrollment and a \$5 fee increases in FY2015
- An increase of 5% in the State appropriation in FY 2015. This increase was attributable to a \$300K increase in the formula funding model, collective bargaining increases of \$76K, an increase in the amount of fringe benefits paid by the Commonwealth offset by a \$146K 9C cut administered February 2, 2015.
- Grants and Contract revenue decreased by \$334,880 or 6%.

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(Unaudited)

- Of the total revenues for fiscal year 2015, 50% relates to the State appropriation as compared to 48% for years 2014 and 41% in 2013.
- Tuition and fees for fiscal year 2015 is 26% of total revenues, 27% of the total revenues in fiscal year 2014 and 29% in 2013.

Major grants and contracts administered by Greenfield Community College Development Office in fiscal year 2015 included the following:

- Continued involvement with the K-12 public schools and partner community colleges to develop pathways to higher education and ensure successful transitions to college:

| | | |
|--|----|--------|
| 1. MA Board of Higher Ed – Commonwealth Dual Enrollment Program (CDEP) | \$ | 28,000 |
| 2. MA Dept of Elementary & Secondary Ed – Career/Vocational Tech Ed | | 89,158 |
| 3. MA Dept of Elementary & Secondary Ed – College Access Partnership | | 34,998 |

- Support for the development of the Franklin Hampshire workforce:

| | | |
|--|----|---------|
| 1. US Department of Labor – GPS STEM Pathways to Success | \$ | 525,000 |
|--|----|---------|

- Multiple funder support for the further development of sustainability programs at the college:

| | | |
|---|----|---------|
| 1. National Science Foundation – S-STEM Scholarships | \$ | 632,455 |
| 2. Women’s Fund of Western Massachusetts – 2nd Round GARDEN Program | | 60,000 |

FY15 saw the final year of the five-year statewide consortium Round 1 grant from the US Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant Program, for which GCC received \$949,761 overall and the first year of the DOL TAACCT Round 4 GPS-STEM, mentioned above. Additional MA state-funded continuation grants were received for several ongoing programs, including Educator professional support from the MA Department of Early Education & Care (2 grants totaling \$56,000). Additionally, funding was received from the Mary Stuart Rogers Foundation for the Women in Transition program (\$15,000) as was a \$12,000 grant from the MA Executive Office of Elder Affairs PCA/Home Health Aide training.

This was the second fiscal year that no Auxiliary operations occurred. Prior Auxiliary Revenue included the operation of the student bookstore and food service program. Both of these services are now provided by contractors on campus and commission revenue is included as part of “other sources”.

In October of 2012, the College entered into an Operating Agreement with Follett Educational Group, Inc., whereby the management and operation of the College’s bookstore will be performed by Follett through June 30, 2019 with renewal options through June 30, 2021.

GREENFIELD COMMUNITY COLLEGE

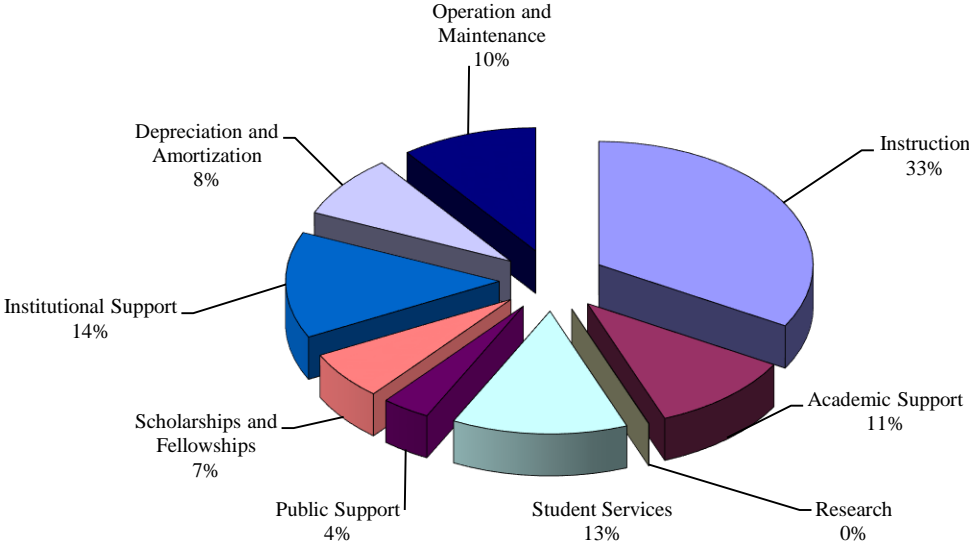
Management’s Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

The College received \$30,000 at the beginning of the Agreement and will receive \$20,000 in fiscal 2019 should the Agreement be renewed. A pro-rata share of these contributions is refundable if the Agreement is terminated during the initial or renewal periods. The College is also eligible to receive commissions of between 13% and 15% of gross sales based on total store sales amounts.

**EXPENDITURES
2015**



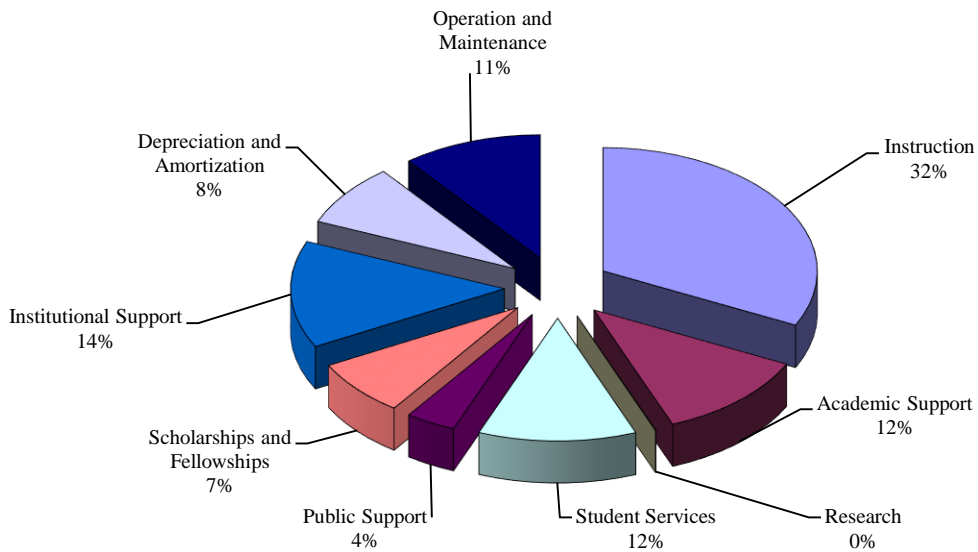
GREENFIELD COMMUNITY COLLEGE

Management's Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

EXPENDITURES 2014



Highlights of operating expense activity include:

- Of the total operating expenses of \$26,705,842 for fiscal year 2015, 64% relates to instruction, academic support, student services expenses, and scholarships and fellowships as compared to 63% and 63% for fiscal years 2014 and 2013, respectively.
- Salaries and benefits account for 69% of the operating expenses.
- Supplies and services, including capital and technology expenses, account for 17% of operating expenses.

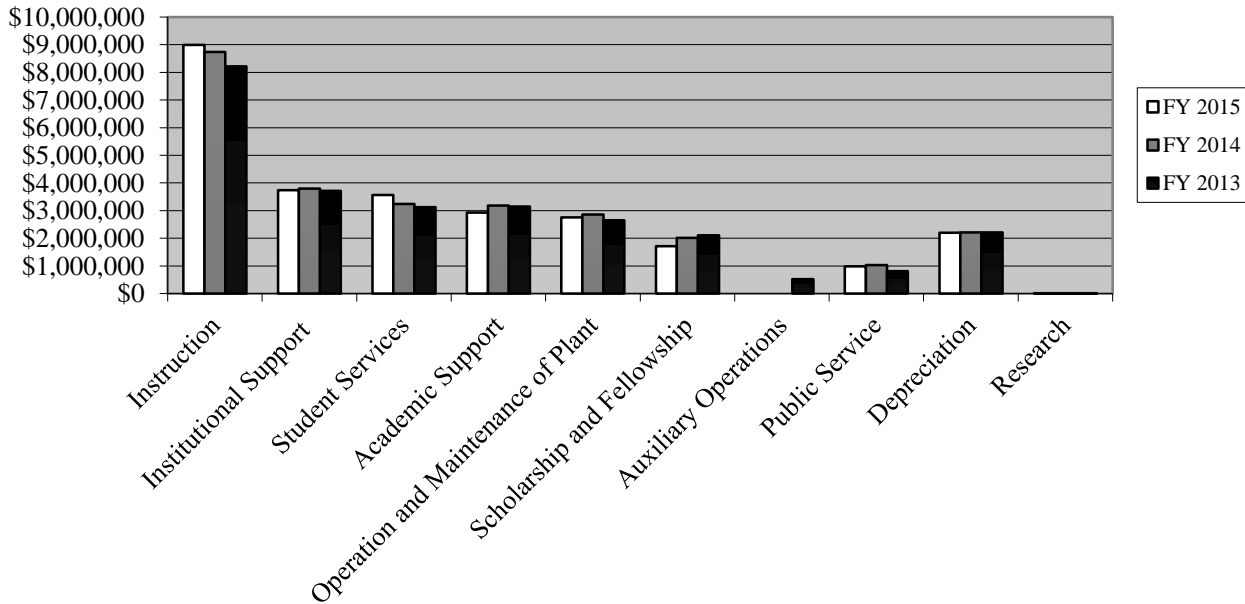
GREENFIELD COMMUNITY COLLEGE

Management’s Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

3 YEAR EXPENSE COMPARISON



Nonoperating Revenues and Expenses

For nonoperating revenues and expenses, the Commonwealth’s direct appropriation increased in fiscal year 2015 by \$371,294, increased in fiscal year 2014 by \$1,564,246, and increased in fiscal year 2013 by \$88,381. The Commonwealth’s fringe benefits provided for employees on the Commonwealth’s payroll increased due to a small increase in the benefit rate as well as an increase in payroll costs covered by the state appropriation. The College does not retain tuition collected on day classes supported by the Commonwealth. Day class tuition in the amount of \$46,300 was remitted to the Commonwealth this fiscal year, \$94,578 in 2014 and \$105,455 in fiscal year 2013. Starting in 2012, the Commonwealth allowed the community colleges to retain tuition for out of state students which reduced the amount being remitted by approximately 50% annually.

Investment income continues to be down due to lower investment balances and lower rates of return during the year.

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(Unaudited)

The following schedule presents the College's nonoperating revenues and expenses for fiscal years ended June 30, 2015, 2014 and 2013:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|------------------------------|---------------------------|---------------------------|
| Operating loss | \$ (14,284,931) | (14,208,139) | (12,397,287) |
| Nonoperating: | | | |
| State appropriation | 12,635,982 | 11,988,169 | 10,008,579 |
| Net other nonoperating | <u>38,719</u> | <u>72,895</u> | <u>82,267</u> |
| Loss before capital appropriation, gifts and grants | \$ <u><u>(1,610,230)</u></u> | <u><u>(2,147,075)</u></u> | <u><u>(2,306,441)</u></u> |

Loss from Operations

The following schedule presents the College's incurred losses from operations for the fiscal years ended June 30, 2015, 2014 and 2013:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-----------------------------|-------------------------------|----------------------------|----------------------------|
| Tuition and fee revenue | \$ 9,400,814 | 9,395,057 | 10,047,425 |
| Less scholarship allowances | <u>(2,894,611)</u> | <u>(2,700,681)</u> | <u>(2,959,735)</u> |
| Net student fees | 6,506,203 | 6,694,376 | 7,087,690 |
| Grants and contracts | 5,544,264 | 5,879,144 | 6,190,537 |
| Other revenue | 370,444 | 304,413 | 818,265 |
| Operating expenses | <u>(26,705,842)</u> | <u>(27,086,072)</u> | <u>(26,493,779)</u> |
| Operating loss | \$ <u><u>(14,284,931)</u></u> | <u><u>(14,208,139)</u></u> | <u><u>(12,397,287)</u></u> |

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Department of Higher Education presets tuition. The College sets fees and other charges. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after the Commonwealth appropriation is taken into consideration.

Capital Assets and Debts of the College

Capital Assets. The College's investment in capital assets as of June 30, 2015, 2014 and 2013 amounts to \$41,782,789, \$43,887,602, and \$46,054,855, respectively, net of accumulated depreciation and net of related debt. This investment in capital assets includes land, buildings (including improvements), furnishings and equipment (including the cost of capital leases) and books. During 2015 the college finished working on the north end roof overhang and invested \$184K in a new IT network switch upgrade. The state also disbursed \$49K in construction in progress expenses for the Child Care Center study and design and another \$8K towards an energy and water upgrade study.

GREENFIELD COMMUNITY COLLEGE

Management’s Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

Increases in capital assets during the fiscal year included:

| | | |
|----------------------------------|----|-------------|
| Energy Water Upgrade study (CIP) | \$ | 8,289 |
| Child Care Center (CIP) | | 49,286 |
| IT Network switch | | 183,664 |
| North wing roof overhang | | 37,793 |
| | | <hr/> |
| | \$ | 279,032 |
| | | <hr/> <hr/> |

All capital asset purchases are included in the College’s capital spending plan submitted to the Department of Higher Education and the Commonwealth’s fiscal affairs division.

Long-Term Liabilities. The College carries, at June 30, 2015, accruals for compensated absences, workers compensation, net pension liabilities, and grants refundable. The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the College’s payroll.

In June 2010, the College issued \$160,259 of Series 2010A-6 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable semi-annually commencing on November 1, 2010 through May 1, 2027 and bears interest at 3.5% per annum. The debt partially funded a project for a 77.28 kilowatt solar photovoltaic installation near the East Building.

GASB 68, Pension Reporting Implementation

In June 2012, GASB (Government Accounting Standards Board) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* effective for FY 2015 audits.

The College implemented GASB 68 in these financial statements.

The College transmits pension contributions to the State Employees Retirement System – SERS – (through a fringe benefit charge) for benefited employees paid from nonappropriated funds and those contributions are recorded as an expense on our financial statements. Pension contributions for employees paid from appropriated funds (the State Appropriation) are paid by the Commonwealth not the College. The Commonwealth still has the obligation to administer and fund pensions of all state retirees including those of the College. GASB 68 presents to the reader of the financial statements the portion of the Commonwealth’s overall net pension liability that is attributed to employees of the college paid for with nonappropriated funds.

The 2015 financial statements include an amount for “net pension liability” which represents the long-term obligation to provide pension benefits that exceed the value of the assets available in the plan to pay those benefits.

Additional footnotes have been incorporated into the notes to the financial statements to disclose the details related to the pension plan.

This change does not affect cash or the College’s budgeting process; it’s strictly a bookkeeping entry. Recording this Net Pension Liability will increase the negative unrestricted net position on the College’s financial statements.

GREENFIELD COMMUNITY COLLEGE

Management's Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

However, this negative position should not affect the opinion that is received on the College's audited financial statement from its auditors.

Economic Factors, Next Year's Appropriation, Tuition and Student Fee Rates, Enrollment

The College depends on state appropriations for a significant portion of its unrestricted funding. The state appropriation for FY 2015 of \$9,948,694 is more than the FY 2014 appropriation of \$9,577,400 by \$371,339. The initial state appropriation for FY 2015, signed by the Governor, was \$10,020,794. When collective bargaining contracts were signed by the Governor an additional \$73,555 was allocated to the College to cover the collective bargaining costs associated with FY 2015. The College's state appropriation was then cut by the Governor in the amount of \$145,610 in February. Changes in state legislation for FY 2012 allowed all community colleges to retain out of state tuition of \$89,238 in FY2015 funding. The uncertainty in the state's economy translates into uncertainty in the College's budget. State appropriations in recent years required the College to exercise prudence in its fiscal affairs which will continue into the future.

For FY 2016 the state appropriation will be \$10,197,457 which includes \$248,718 additional support to community college from the Governor and Legislature to continue their efforts in increased support for higher education. The \$248,718 is the College's share of \$9 million distributed to the Community College System. Unlike two years ago, there were no provisions made between the Presidents of the community colleges and the Board of Higher Education regarding fee increases. The College plans to raise fees in FY 2016 by \$10.50 a credit hour to balance the budget. The FY 2016 budget will be developed based on a 6% decline in FY 2015 enrollment levels. Funding of collective bargaining increases for FY2016 is unknown at this time.

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts within which the College primarily draws students declined from 5.5% in June 2014 to 4.7% in June 2015, according to the US Bureau of Labor Statistics. The trend is that unemployment is expected to decline. Historically, in times of economic improvement, public colleges have experienced decreases in their enrollments as unemployed and underemployed workers return to the workforce.

As a result of this economic climate, demand for workforce training programs has increased slightly. The percentage of students attending the College from our service area is higher than the average at many community colleges. Therefore, the potential for significant increases in enrollment, even in higher unemployment times, is small. The College's credit enrollment for fiscal year 2015 was 2.4% lower than in the previous fiscal year. As of the date of this report, enrollment figures for the fall 2015 semester indicate a credit enrollment decrease of approximately 3.6% compared to fall 2014.

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(Unaudited)

The College is budgeting for reduced enrollments, increased fees and increased state funding in this current environment and will have to make the necessary adjustments to maintain a balanced budget during the next fiscal year.

With the uncertainty of the future cost of energy, the College entered into a twelve month (Dec 2014-Dec 2015) contract to purchase electricity at a fixed price to provide stability in the College's budget planning. With prices being low now, the College is currently obtaining prices from various Companies to buy electricity for 12, 18 and 24 month periods beginning in Jan 2016. The College also instituted many energy saving initiatives over the past year and continues to pursue additional measures. The College is also replacing all existing florescent bulbs with LED lighting in FY2016.

College management is determined to maintain the proper balance between spending reductions and revenue increases to ensure that the College does not sacrifice the quality of its academic programs nor limit access to students as a result of increases in cost of attendance.

The College has in place a budget plan that includes a number of critical assumptions. Among these are reduced enrollments, increased support from the Commonwealth in its annual appropriations, a \$10.50 per credit hour annual increases in student fees and increases in operating costs.

Requests for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Greenfield Community College, Chief Fiscal Officer, 1 College Drive, Greenfield, Massachusetts, 01301.



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Greenfield Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of Greenfield Community College (the College) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, based on our audit and the report of the other auditors, the 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 College as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

The financial statements of the College are intended to present the financial position, the changes in financial position and cash flows that are attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in notes 1 and 14 to the financial statements, in 2015, the College adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 1 – 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

November 12, 2015

GREENFIELD COMMUNITY COLLEGE

Statements of Net Position

June 30, 2015 and 2014

| | <u>2015 Greenfield Community College</u> | <u>2014 Greenfield Community College</u> | <u>2015 Greenfield Community College Foundation</u> | <u>2014 Greenfield Community College Foundation</u> |
|--|--|--|---|---|
| Assets and Deferred Overflows | | | | |
| Current assets: | | | | |
| Cash and cash equivalents (note 2) | \$ 955,988 | 1,298,810 | 383,710 | 304,472 |
| Cash held by State Treasurer (note 3) | 1,079,934 | 371,306 | — | — |
| Accounts receivable, net (note 4) | 617,599 | 654,976 | 211,908 | 321,406 |
| Prepaid expense | 2,918 | 6,364 | 21,154 | 19,321 |
| Total current assets | <u>2,656,439</u> | <u>2,331,456</u> | <u>616,772</u> | <u>645,199</u> |
| Noncurrent assets: | | | | |
| Long-term investments (note 2) | 10,000 | 10,000 | 4,366,331 | 4,148,317 |
| Loans receivable, net (note 5) | 8,719 | 14,917 | — | — |
| Capital assets, net of accumulated depreciation (note 6) | 41,988,577 | 43,912,771 | 841,050 | 878,463 |
| Total noncurrent assets | <u>42,007,296</u> | <u>43,937,688</u> | <u>5,207,381</u> | <u>5,026,780</u> |
| Total assets | <u>44,663,735</u> | <u>46,269,144</u> | <u>5,824,153</u> | <u>5,671,979</u> |
| Deferred outflows of resources related to pensions (note 14) | 204,801 | — | — | — |
| Total assets an deferred outflows | <u>\$ 44,868,536</u> | <u>46,269,144</u> | <u>5,824,153</u> | <u>5,671,979</u> |
| Liabilities and Deferred Inflows | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities (note 3) | \$ 583,980 | 675,165 | 97,666 | 123,507 |
| Accrued payroll (note 3) | 1,772,200 | 1,663,795 | — | — |
| Compensated absences and other liabilities (note 7) | 1,194,273 | 1,151,208 | — | — |
| Students' deposits | 302,775 | 256,664 | — | — |
| Unearned revenues | 239,797 | 330,607 | — | — |
| Current portion of capital lease obligation (note 7) | 59,583 | — | — | — |
| Current portion of bond payable (note 7) | 9,427 | 9,427 | — | — |
| Total current liabilities | <u>4,162,035</u> | <u>4,086,866</u> | <u>97,666</u> | <u>123,507</u> |
| Noncurrent liabilities: | | | | |
| Loan payable | — | — | 78,917 | 115,125 |
| Compensated absences and other liabilities (note 7) | 721,255 | 747,557 | — | — |
| Net pension liability (note 14) | 2,281,879 | — | — | — |
| Capital lease obligation (note 7) | 62,008 | — | — | — |
| Bond payable (note 7) | 103,697 | 113,124 | — | — |
| Grant refundable (note 8) | 8,538 | 14,690 | — | — |
| Total noncurrent liabilities | <u>3,177,377</u> | <u>875,371</u> | <u>78,917</u> | <u>115,125</u> |
| Total liabilities | <u>7,339,412</u> | <u>4,962,237</u> | <u>176,583</u> | <u>238,632</u> |
| Deferred inflows of resources related to pensions (note 14) | 1,258,669 | — | — | — |
| Total liabilities and deferred inflows | <u>\$ 8,598,081</u> | <u>4,962,237</u> | <u>176,583</u> | <u>238,632</u> |
| Net Position | | | | |
| Investment in capital assets | \$ 41,782,789 | 43,887,602 | 841,050 | 878,463 |
| Restricted (note 9): | | | | |
| Nonexpendable | — | — | 3,140,293 | 2,825,694 |
| Expendable | 981 | 1,692 | 654,201 | 743,022 |
| Unrestricted (note 10) | (5,513,315) | (2,582,387) | 1,012,026 | 986,168 |
| Contingencies (note 11) | | | | |
| Total net position | <u>\$ 36,270,455</u> | <u>41,306,907</u> | <u>5,647,570</u> | <u>5,433,347</u> |

See accompanying notes to financial statements.

GREENFIELD COMMUNITY COLLEGE

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2015 and 2014

| | 2015 Greenfield Community College | 2014 Greenfield Community College | 2015 Greenfield Community College Foundation | 2014 Greenfield Community College Foundation |
|---|--|--|---|---|
| Operating revenues: | | | | |
| Tuition and fees | \$ 9,400,814 | 9,395,057 | — | — |
| Less scholarship allowances | (2,894,611) | (2,700,681) | — | — |
| Net student fees | 6,506,203 | 6,694,376 | — | — |
| Grants and contracts | 5,544,264 | 5,879,144 | — | — |
| Other sources | 370,444 | 304,413 | 9,974 | 9,636 |
| Total operating revenues | <u>12,420,911</u> | <u>12,877,933</u> | <u>9,974</u> | <u>9,636</u> |
| Operating expenses (note 12): | | | | |
| Instruction | 8,875,279 | 8,732,701 | — | — |
| Research | 6,199 | 11,077 | — | — |
| Academic support | 2,910,164 | 3,186,794 | — | — |
| Student services | 3,548,612 | 3,236,701 | — | — |
| Scholarships and fellowships | 1,716,284 | 2,014,856 | 618,204 | 592,107 |
| Public service | 978,397 | 1,029,123 | — | — |
| Operation and maintenance of plant | 2,746,859 | 2,862,682 | 123,579 | 110,500 |
| Institutional support | 3,720,822 | 3,797,735 | 246,656 | 251,603 |
| Depreciation and amortization | 2,203,226 | 2,214,403 | 42,873 | 46,639 |
| Total operating expenses | <u>26,705,842</u> | <u>27,086,072</u> | <u>1,031,312</u> | <u>1,000,849</u> |
| Operating loss | <u>(14,284,931)</u> | <u>(14,208,139)</u> | <u>(1,021,338)</u> | <u>(991,213)</u> |
| Nonoperating revenues (expenses): | | | | |
| State appropriations – unrestricted (note 13) | 12,635,982 | 11,988,169 | — | — |
| Net investment income | 1,664 | 1,642 | 86,314 | 544,361 |
| Gifts and contributions | — | — | 1,186,302 | 1,010,921 |
| Payments between the College and the Foundation | 37,055 | 71,253 | (37,055) | (71,253) |
| Net nonoperating revenues | <u>12,674,701</u> | <u>12,061,064</u> | <u>1,235,561</u> | <u>1,484,029</u> |
| Change in net position before capital appropriation | <u>(1,610,230)</u> | <u>(2,147,075)</u> | <u>214,223</u> | <u>492,816</u> |
| Capital appropriation – State (note 13) | 95,369 | 27,463 | — | — |
| Change in net position | <u>(1,514,861)</u> | <u>(2,119,612)</u> | <u>214,223</u> | <u>492,816</u> |
| Net position, beginning of year | 41,306,907 | 43,426,519 | 5,433,347 | 4,940,531 |
| Restatement of net position (note 14) | (3,521,591) | — | — | — |
| Net position, end of year | <u>\$ 36,270,455</u> | <u>41,306,907</u> | <u>5,647,570</u> | <u>5,433,347</u> |

See accompanying notes to financial statements.

GREENFIELD COMMUNITY COLLEGE

Statements of Cash Flows – College Only

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|-----------------------|--------------------|
| | Greenfield | Greenfield |
| | Community | Community |
| | College | College |
| | <u> </u> | <u> </u> |
| Cash flows from operating activities: | | |
| Tuition and fees | \$ 6,589,693 | 6,829,492 |
| Grants and contracts | 5,544,264 | 5,879,144 |
| Payments to suppliers | (4,552,626) | (4,370,587) |
| Payments to employees | (15,526,944) | (15,773,358) |
| Payments to students | (1,716,284) | (2,014,856) |
| Collection of loans to students | 6,198 | 7,072 |
| Other cash receipts | 279,634 | 465,943 |
| | <u> </u> | <u> </u> |
| Net cash used in operating activities | <u>(9,376,065)</u> | <u>(8,977,150)</u> |
| Cash flows from noncapital financing activities: | | |
| State appropriations | 9,902,394 | 9,482,822 |
| Grants and contracts | 30,903 | 64,247 |
| | <u> </u> | <u> </u> |
| Net cash flows provided by noncapital financing activities | <u>9,933,297</u> | <u>9,547,069</u> |
| Cash flows from capital and related financing activities: | | |
| Purchases of capital assets | (183,663) | (6,955) |
| Principal paid on bonds payable | (9,427) | (9,427) |
| | <u> </u> | <u> </u> |
| Net cash used in capital financing activities | <u>(193,090)</u> | <u>(16,382)</u> |
| Cash flows from investing activities: | | |
| Interest on investments | 1,664 | 1,642 |
| | <u> </u> | <u> </u> |
| Net cash provided by investing activities | <u>1,664</u> | <u>1,642</u> |
| Net increase in cash and cash equivalents (including cash held by State Treasurer) | 365,806 | 555,179 |
| Cash and cash equivalents (including cash held by State Treasurer), beginning of year | <u>1,670,116</u> | <u>1,114,937</u> |
| Cash and cash equivalents (including cash held by State Treasurer), end of year | <u>\$ 2,035,922</u> | <u>1,670,116</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (14,284,931) | (14,208,139) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation and amortization | 2,203,226 | 2,214,403 |
| Fringe benefits provided by the State | 2,733,588 | 2,505,347 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 37,377 | 127,599 |
| Prepaid expenses | 3,446 | (6,364) |
| Loans receivable | 6,198 | 7,072 |
| Pension obligations | (185,844) | — |
| Accounts payable and accrued liabilities | 30,406 | 14,618 |
| Accrued payroll and compensated absences | 125,168 | 199,266 |
| Students' deposits and unearned revenues | 46,111 | 7,519 |
| Unearned revenue | (90,810) | 161,529 |
| | <u> </u> | <u> </u> |
| Net cash used in operating activities | <u>\$ (9,376,065)</u> | <u>(8,977,150)</u> |
| Noncash transactions: | | |
| Fringe benefits provided by the State | \$ 2,733,588 | 2,505,347 |
| Capital assets contributed by the State | 95,369 | 27,463 |

See accompanying notes to financial statements.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

(a) Organization

Greenfield Community College (the College) is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences as well as one-year certificate programs. With its primary campus located in Greenfield, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies and business fields of study. The College also offers, through the Division of Community Education, credit and noncredit courses as well as community education programs. The College is accredited by the New England Association of Schools and Colleges.

(b) Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The College's policy for defining operating activities in the statement of revenues, expenses, and changes in net assets are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

During 2014, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which did not result in a material change to the accompanying financial statements.

During 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which resulted in the recognition of a net pension liability of \$2,281,879 at June 30, 2015 and adjustment of net position of \$3,521,591 as of June 30, 2014.

Greenfield Community College Foundation, Inc. (the Foundation) is a legally separate tax-exempt organization. The Foundation was established to promote and support the furtherance of the educational and cultural mission of Greenfield Community College (the College). The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2015 and 2014, the close of its most recent fiscal year, and is therefore discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from Greenfield Community College Foundation, Inc. at 278 Main Street, Suite 203, Greenfield, MA 01301.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(c) **Net Position**

Resources are classified for accounting purposes into the following four net asset categories:

Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted – nonexpendable: Net position subject to externally imposed conditions that the College must maintain them in perpetuity.

Restricted – expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the College's board of trustees.

The College has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

(d) **Cash Equivalents**

The College considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

(e) **Investments**

Investments in marketable securities are stated at fair value.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

- (i) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) as increases in restricted – expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College has relied upon the Massachusetts Attorney General's interpretation of state law that unappropriated endowment gains should generally be classified as restricted – expendable; and
- (iii) as increases in unrestricted net position in all other cases.

The College is currently authorized by its board of trustees and the statutes of the Commonwealth of Massachusetts to invest in secured securities.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(f) Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years.

The College does not hold collections of historical treasures, works of art or other items not requiring capitalization or depreciation.

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.

(g) Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation and certain post-retirement benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College.

(h) 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 Massachusetts State Employees Retirement System (SERS) and additions to/deductions from SERS's 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. Investment of assets in the SERS is with the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The Prim Board seeks to maximize the total return on investments within acceptable levels of risk for public pension funds. Investments are reported at fair value as described in the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Massachusetts.

(i) Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through year-end. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2015 and 2014. Upon retirement, these employees are entitled to receive payment for this accrued balance.

(j) Workers' Compensation

The Commonwealth provides workers' compensation coverage to its employers on a self-insured basis. The College records its portion of the workers' compensation in its records. Worker's compensation costs are actuarially determined based on the College's actual experience.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(k) *Students' Deposits and Unearned Revenue*

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and are recorded as revenues as earned.

(l) *Student Fees*

Student tuition and fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as expenses.

(m) *Tax Status*

The College is a governmental component unit of the Commonwealth of Massachusetts and is therefore exempt from income taxes under Section 115 of the Internal Revenue Code.

(n) *Use of Estimates*

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

(2) *Cash and Investments*

(a) *Overall Deposits and Investments Descriptions*

Deposits and investments consist of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|------------------|
| Deposits and investments: | | |
| Cash on deposit | \$ 893,662 | 1,236,817 |
| Massachusetts Municipal Depository Trust Fund (MMDT) | 25,673 | 25,622 |
| TD Bank – money market funds | 36,653 | 36,371 |
| Certificate of deposit | 10,000 | 10,000 |
| Total deposits and investments | <u>\$ 965,988</u> | <u>1,308,810</u> |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(b) Concentration of Credit Risk

There are no individual items representing more than 5% of the College's investments at June 30, 2015 or 2014.

(c) Custodial Credit Risk

Deposits and investments in excess of the insured amount are uninsured and uncollateralized. Deposits and investments at June 30, 2015 and 2014 amounted to \$2,123,287 and \$1,799,397, respectively, of which \$25,673 and \$25,622, respectively, was exposed to custodial credit risk as uninsured and uncollateralized. The College does not have a written policy to mitigate custodial credit risk.

(d) Investment Policy

The College is currently authorized by its board of trustees and the statutes of the Commonwealth of Massachusetts to invest based on the following: given the four objectives of safety, return on investment, liquidity, and diversification of risk, the board of trustees will support the investments of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding any or all of the above. The board of trustees may, from time to time, establish investment fund ceilings and broad asset allocation guidelines, but hereby delegates to the President or his designee, the authority to determine exact dollar amounts to be invested within those established time limits and guidelines.

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust (MMDT), a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. MMDT operates as a Rule 2a-7-like pool and the value of the College's investment in the MMDT represents its value of the pool's shares.

(e) Interest Rate Risk

All investments at June 30, 2015 and 2014 mature in one year or less except for a certificate of deposit that matures in December 20, 2024.

(f) Disclosure of Credit Risk of Debt Securities

All debt securities held by the College were unrated at June 30, 2015 and 2014.

(g) Investments of the Foundation

The Foundation's investments consist of the following at June 30:

| | Fair value | |
|--------------------|---------------------|------------------|
| | 2015 | 2014 |
| Mutual funds | \$ 3,566,128 | 3,465,614 |
| Money market funds | 63,035 | 16,576 |
| Equity securities | 737,168 | 666,127 |
| Total | <u>\$ 4,366,331</u> | <u>4,148,317</u> |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(3) Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from state appropriated funds totaled \$1,079,934 and \$371,306 at June 30, 2015 and 2014, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

(4) Accounts Receivable

Accounts receivable include the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------------|------------------|
| Student accounts receivable | \$ 636,371 | 649,321 |
| Grants receivable | 154,142 | 216,664 |
| Other receivables | 48,772 | 15,422 |
| | <u>839,285</u> | <u>881,407</u> |
| Less allowance for doubtful accounts | <u>(221,686)</u> | <u>(226,431)</u> |
| | <u>\$ 617,599</u> | <u>654,976</u> |

The College anticipates that all of its net accounts receivable will be collected within a one year time frame.

(5) Loans Receivable

Loans receivable include the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-----------------|----------------|
| Nursing loans receivable | \$ 9,178 | 18,009 |
| Less allowance for doubtful accounts | <u>(459)</u> | <u>(3,092)</u> |
| | <u>\$ 8,719</u> | <u>14,917</u> |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(6) Capital Assets

Capital assets of the College consist of the following at June 30, 2015 and 2014:

| | | 2015 | | | | |
|---|----------------------------------|----------------------|-------------|-------------|-------------------|-------------------|
| | Estimated lives (in years) | Beginning balance | Additions | Retirements | Reclassifications | Ending balance |
| Capital assets not being depreciated: | | | | | | |
| Construction in progress | | \$ 6,955 | 95,368 | — | — | 102,323 |
| Land | | 119,448 | — | — | — | 119,448 |
| Total not being depreciated | | 126,403 | 95,368 | — | — | 221,771 |
| Capital assets being depreciated: | | | | | | |
| Building including improvements | 20-40 | 69,410,269 | — | — | — | 69,410,269 |
| Land improvements | 40 | 945,046 | — | — | — | 945,046 |
| Furnishing and equipment (including cost of capital leases) | 5-10 | 694,905 | 183,664 | 14,981 | — | 863,588 |
| Books | 5 | 646,484 | — | — | — | 646,484 |
| Total being depreciated | | 71,696,704 | 183,664 | 14,981 | — | 71,865,387 |
| Less accumulated depreciation: | | | | | | |
| Building including improvements | | 26,429,077 | 2,169,183 | — | — | 28,598,260 |
| Land improvements | | 165,909 | 23,627 | — | — | 189,536 |
| Furnishing and equipment | | 668,866 | 10,416 | 14,981 | — | 664,301 |
| Books | | 646,484 | — | — | — | 646,484 |
| Total accumulated depreciation | | 27,910,336 | 2,203,226 | 14,981 | — | 30,098,581 |
| Capital assets, net | | \$ 43,912,771 | (1,924,194) | — | — | 41,988,577 |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

| 2014 | | | | | | |
|--|----------------------------------|----------------------|-------------|-------------|-------------------|-------------------|
| | Estimated lives (in years) | Beginning balance | Additions | Retirements | Reclassifications | Ending balance |
| Capital assets not being depreciated: | | | | | | |
| Construction in progress | | \$ — | 6,955 | — | — | 6,955 |
| Land | | 119,448 | — | — | — | 119,448 |
| Total not being depreciated | | 119,448 | 6,955 | — | — | 126,403 |
| Capital assets being depreciated: | | | | | | |
| Building including improvements | 20-40 | 69,382,806 | 27,463 | — | — | 69,410,269 |
| Land improvements | 40 | 945,046 | — | — | — | 945,046 |
| Furnishing and equipment (including cost of capital leases) | 5-10 | 694,905 | — | — | — | 694,905 |
| Books | 5 | 646,484 | — | — | — | 646,484 |
| Total being depreciated | | 71,669,241 | 27,463 | — | — | 71,696,704 |
| Less accumulated depreciation: | | | | | | |
| Building including improvements | | 24,259,894 | 2,169,183 | — | — | 26,429,077 |
| Land improvements | | 142,283 | 23,626 | — | — | 165,909 |
| Furnishing and equipment | | 647,272 | 21,594 | — | — | 668,866 |
| Books | | 646,484 | — | — | — | 646,484 |
| Total accumulated depreciation | | 25,695,933 | 2,214,403 | — | — | 27,910,336 |
| Capital assets, net | | \$ 46,092,756 | (2,179,985) | — | — | 43,912,771 |

(7) Long-Term Liabilities

Long-term liabilities at June 30, 2015 and 2014, consist of:

| 2015 | | | | | | |
|---------------------------|----------------------|--------------|------------|-------------------|--------------------|----------------------|
| | Beginning balance | Additions | Reductions | Ending balance | Current portion | Long-term portion |
| Bonds payable: | | | | | | |
| CREB bond payable | \$ 122,551 | — | 9,427 | 113,124 | 9,427 | 103,697 |
| Lease obligation | — | 183,664 | 62,073 | 121,591 | 59,583 | 62,008 |
| Other liabilities: | | | | | | |
| Net pension liability | — | 3,702,388 | 1,420,509 | 2,281,879 | — | 2,281,879 |
| Accrued sick and vacation | 1,725,269 | 28,208 | — | 1,753,477 | 1,154,895 | 598,582 |
| Workers' compensation | 173,496 | — | 11,445 | 162,051 | 39,378 | 122,673 |
| Total other liabilities | | 1,898,765 | 3,730,596 | 1,431,954 | 1,194,273 | 3,003,134 |
| Total liabilities | | \$ 2,021,316 | 3,914,260 | 1,503,454 | 1,263,283 | 3,168,839 |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

| | 2014 | | | | | |
|--|------------------------------|------------------|-------------------|---------------------------|----------------------------|------------------------------|
| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Current portion</u> | <u>Long-term portion</u> |
| Bonds payable: | | | | | | |
| CREB bond payable | \$ 131,978 | — | 9,427 | 122,551 | 9,427 | 113,124 |
| Compensated absences and other liabilities: | | | | | | |
| Accrued sick and vacation | 1,726,146 | — | 877 | 1,725,269 | 1,117,897 | 607,372 |
| Workers' compensation | 119,041 | 54,455 | — | 173,496 | 33,311 | 140,185 |
| Total compensated absences and other liabilities | <u>1,845,187</u> | <u>54,455</u> | <u>877</u> | <u>1,898,765</u> | <u>1,151,208</u> | <u>747,557</u> |
| Total liabilities | <u>\$ 1,977,165</u> | <u>54,455</u> | <u>10,304</u> | <u>2,021,316</u> | <u>1,160,635</u> | <u>860,681</u> |

In June 2010, the College issued \$160,259 of Series 2010A-6 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable semi-annually commencing on November 1, 2010 through May 1, 2027. The Bond is designated a “clean renewable energy bond” pursuant to Section 54 of the Code and bears interest at 3.5% per annum.

In March of 2015, the College signed a 3 year capital lease with Key Government Finance, Inc. for an IT Network switch. The principal is due annually with first payment made during FY2015 and subsequent payments due June 2016 and June 2017.

As of June 30, 2015, principal and interest due on bonds payable for the next five years and in subsequent five-year periods are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|----------------------|-------------------|-----------------|
| Year ending June 30: | | |
| 2016 | \$ 9,427 | 4,025 |
| 2017 | 9,427 | 3,680 |
| 2018 | 9,427 | 3,345 |
| 2019 | 9,427 | 3,011 |
| 2020 | 9,427 | 2,684 |
| 2021–2025 | 47,135 | 8,367 |
| 2026–2027 | 18,854 | 1,003 |
| | <u>\$ 113,124</u> | <u>26,115</u> |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

As of June 30, 2015, principal and interest due on capital lease obligations for the next two-year period are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|----------------------|--------------------------|---------------------|
| Year ending June 30: | | |
| 2016 | \$ 59,583 | 4,947 |
| 2017 | <u>62,008</u> | <u>2,523</u> |
| | \$ <u><u>121,591</u></u> | <u><u>7,470</u></u> |

The following schedule summarizes future minimum payments due under noncancelable operating leases as of June 30, 2015:

| | |
|----------------------|-------------------------|
| Year ending June 30: | |
| 2016 | \$ 45,752 |
| 2017 | 15,401 |
| 2018 | 5,024 |
| 2019 | 5,024 |
| 2020 | <u>1,256</u> |
| | \$ <u><u>72,457</u></u> |

Rental expense for operating leases was \$119,311 and \$183,463 for the years ended June 30, 2015 and 2014, respectively.

(8) Grants Refundable

The College participates in the Nursing Loan Program. This program is funded through a combination of federal and institutional resources. The portion of this program that has been funded with federal funds is ultimately refundable back to the U.S. government upon the termination of the College's participation in the program. The College has elected to withdraw from this federal program and started the process in FY 2010. The College currently participates in the Federal direct loan program which will be used to provide loans to its students.

(9) Restricted Net Position

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are composed of the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--------------------------|----------------------|---------------------|
| Restricted – expendable: | | |
| Nursing Loan Programs | \$ 981 | <u>1,692</u> |
| | \$ <u><u>981</u></u> | <u><u>1,692</u></u> |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(10) Unrestricted Net Deficit

The College's unrestricted net deficit at June 30, 2015 and 2014, is composed of the following:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|--------------------|
| Net position designated by the College's board of trustees for the following purposes: | | |
| Student life activities | \$ 122,738 | 190,300 |
| Total designated net position | 122,738 | 190,300 |
| Undesignated net position | <u>(5,636,053)</u> | <u>(2,772,687)</u> |
| Total unrestricted net deficit | <u>\$ (5,513,315)</u> | <u>(2,582,387)</u> |

Management has always expected that the deficit in unrestricted net position would be eliminated through future operating and nonoperating revenues, however, with the implementation of GASB 68 in FY2015, the pension liability added \$3,521,591 to the deficit. College management will continue to work on reducing the deficit through sound financial practices.

(11) Contingencies

Various lawsuits are pending or threatened against the College that arose from the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened, which would materially affect the College's financial position.

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the College. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the Program). Individuals pay into the Program in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept from the Program as payment of tuition the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of this program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(12) Operating Expenses

The College's operating expenses, on a natural classification basis, are composed of the following for the years ended June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|----------------------|-------------------|
| Compensation and benefits | \$ 18,385,700 | 18,477,971 |
| Supplies and services | 4,400,634 | 4,378,842 |
| Depreciation and amortization | 2,203,224 | 2,214,403 |
| Scholarships and fellowships | 1,716,284 | 2,014,856 |
| | <u>\$ 26,705,842</u> | <u>27,086,072</u> |

(13) State Appropriation

The College's state appropriation is composed of the following for the years ended June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|-------------------|
| Direct unrestricted appropriations | \$ 9,948,694 | 9,577,400 |
| Add fringe benefits for benefited employees on the state payroll | 2,733,588 | 2,505,347 |
| Less day school tuition remitted to the state and included in tuition and fee revenue | (46,300) | (94,578) |
| Total unrestricted appropriations | 12,635,982 | 11,988,169 |
| Capital appropriations | 95,369 | 27,463 |
| Total appropriations | <u>\$ 12,731,351</u> | <u>12,015,632</u> |

The College classified the 9C Cut paid to the Commonwealth of \$145,610 as a reduction of the State appropriation.

(14) Fringe Benefit Programs

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and postemployment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance for active employees and retirees is paid through a fringe benefit rate charged to the College by the Commonwealth and currently the liability is borne by the Commonwealth.

(a) Retirement Plan

Plan description

All eligible employees of the College are provided with pension benefits through the Massachusetts State Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts State Retirement Board. SERS does not issue a stand-alone publicly available financial report, but its activities are included as a pension trust fund in

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Massachusetts that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>

Benefits provided

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes the benefit and contribution requirements for SERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years of consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at the age of 65; for certain hazardous duty and public safety positions, normal retirement is at the age of 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60. The retirement systems' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

SERS funding policies have been established by Chapter 32 of the MGL. Legislature has the authority to amend these policies. Member contributions for SERS vary depending on the most recent date of membership from 5% regular compensation for hires prior to 1975 to 11% of regular compensation for hire dates after July 1, 2001. For members hired after 1979, an additional contribution of 2% of regular compensation in excess of \$30,000 is also required.

Contributions to SERS are made by the College through a Fringe Benefit charge from the Commonwealth. The charge is 10.4% and 7.9% of employee payroll paid out of 'local funds' of the College or \$179,150 and \$180,797 for the years ended June 30, 2015 and 2014. In addition, the Commonwealth makes contributions on behalf of the College to SERS based on employee payroll paid from a State appropriation. The amount paid by the State on behalf of the College was \$1,041,429 and \$756,541 for the years ended June 30, 2015 and 2014. This amount is recorded as part of pension expense and the State appropriation in the accompanying statements of Revenues, Expenses and Changes in Net Position.

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

At June 30, 2015, the College reported a liability of \$2,281,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 (the Measurement Date), and the total pension liability used to calculate the net pension liability was determined by an actuarial

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

valuation as of January 1, 2014 and rolled forward to the Measurement Date. The College's proportion of the net pension liability was based on actual contributions made by the College out of 'local funds'. At June 30, 2014, the College's proportion was 0.034% which was an decrease of 0.011% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense (credit) of \$(6,694) and 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 | \$ 25,651 | — |
| Changes of assumptions | — | — |
| Net difference between projected and actual earnings on pension plan investments | — | 468,353 |
| Changes in proportion and differences between College contributions and proportionate share of contributions | — | 790,316 |
| Total | \$ <u>25,651</u> | <u>1,258,669</u> |

The deferred outflows of resources of \$179,150 related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

| | |
|---------------------|---------------------|
| Year ended June 30: | |
| 2016 | \$ 308,254 |
| 2017 | 308,254 |
| 2018 | 308,254 |
| 2019 | <u>308,256</u> |
| Thereafter | \$ <u>1,233,018</u> |

Actuarial assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---------------------------|--|
| Salary increases | 3.5% to 9.0% depending on the group and length of service |
| Investment rate of return | 8.0% net of pension plan investment expense, including inflation; 3.5% interest rate credited to the annuity savings fund |
| Cost of Living Increase | 3.0% per year |

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

Mortality rates were based on the following:

- Pre-retirement – reflects RP 2000 Employees Table projected 20 years with Scale AA (gender district)
- Post-retirement – reflects Healthy Annuity table projected 15 years with Scale AA (gender district)
- Disability – the mortality rate is assumed to be in accordance with the RP-2000 Table projected 5 years

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 weighing the expected future real estate rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the Pension Reserve Investment Trust (PRIT) Fund’s target allocation as of June 30, 2014 are summarized in the following table:

| Asset class | Target allocation | Long term expected real rate of return |
|--------------------------|-------------------|--|
| Core fixed income | 13% | 2.5% |
| Value added fixed income | 10 | 6.3 |
| Global equity | 43 | 7.2 |
| Real estate | 10 | 6.3 |
| Private equity | 10 | 8.8 |
| Hedge funds | 10 | 5.5 |
| Timber/natural resources | 4 | 5.0 |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

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

The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 8.0% as well as what the College’s proportionate share of the net pension liability would be if it were calculating using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

| | <u>One percentage decrease</u> | <u>Discount rate</u> | <u>One percentage increase</u> |
|--------------------------------------|--|----------------------|--|
| College’s proportionate share of the | \$ 3,303,514 | 2,281,879 | 1,404,946 |

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the Commonwealth’s financial report.

(b) Insurance

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, workers’ compensation, and health insurance. The Commonwealth is self-insured for employees’ workers’ compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers’ compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers healthcare and other insurance for the Commonwealth’s employees and retirees. The Commonwealth assesses the state agencies and departments a portion of the cost related to health insurance, and as such Government Accounting Standards Board No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, was appropriately implemented at the Commonwealth, not the College.

As of June 30, 2015, the College had paid for all amounts charged to it through the Commonwealth’s fringe benefit recovery program.

GREENFIELD COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2015 and 2014

(c) ***Other Employee Benefits***

The employees of the College can elect to participate in two defined contribution plans offered and administered by the Massachusetts Department of Higher Education – an IRC 403(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The College has no obligation to contribute to these Plans and no obligation for any future pay-outs.

(15) **Pass-Through Grants**

The College distributed \$2,181,071 during FY 2015 for student loans through the U.S. Department of Education direct loan program and \$2,326,376 during FY 2014 for student loans through the U.S. Department of Education federal family educational loan program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' 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*

The Board of Trustees
Greenfield Community College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Greenfield Community College (the College) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 12, 2015. Our report includes an emphasis of matter paragraph describing the adoption of a new pension standard and a reference to other auditors who audited the financial statements of the Greenfield Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 12, 2015