



Audited Financial Statements
For the Years Ended June 30, 2019

**PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pennsylvania Highlands Community College Foundation
Johnstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Pennsylvania Highlands Community College Foundation, which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Highlands Community College Foundation as of June 30, 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Wessel & Company". The signature is written in a cursive, flowing style.

WESSEL & COMPANY
Certified Public Accountants

October 14, 2019

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019

	<u>2019</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 131,111
Investments - Without Restrictions	490,706
Investments - With Restrictions	407,995
Promises to give, net of allowance	7,912
Other Assets	<u>250</u>
Total Current Assets	1,037,974
Investments With Restrictions	<u>326,793</u>
Total Assets	<u>\$ 1,364,767</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts payable	<u>\$ 23,638</u>
Net Assets	
Without Donor Restrictions	\$ 607,148
With Donor Restrictions	<u>733,981</u>
Total Net Assets	<u>1,341,129</u>
Total Liabilities and Net Assets	<u>\$ 1,364,767</u>

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

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 34,258	\$ 29,523	\$ 63,781
Fundraising events	20,142	-	20,142
In-kind contributions	28,436	-	28,436
Interest and dividends	4,195	11,508	15,703
Unrealized gains and losses	16,881	-	16,881
Realized gains and losses	6,317	31,464	37,781
Net assets released from restrictions	50,991	(50,991)	-
	<u>161,220</u>	<u>21,504</u>	<u>182,724</u>
Total Support and Revenue			
	<u>161,220</u>	<u>21,504</u>	<u>182,724</u>
Expenses			
Scholarships to students	33,819	-	33,819
Institutional development	39,635	-	39,635
EITC expenses	6,960	-	6,960
In-kind expenses	28,436	-	28,436
Professional fees	8,324	-	8,324
Other expenses	5,625	-	5,625
	<u>122,799</u>	<u>-</u>	<u>122,799</u>
Total Expenses			
	<u>122,799</u>	<u>-</u>	<u>122,799</u>
Change in Net Assets	38,421	21,504	59,925
Net Assets at June 30, 2018	<u>568,727</u>	<u>712,477</u>	<u>1,281,204</u>
Net Assets at June 30, 2019	<u>\$ 607,148</u>	<u>\$ 733,981</u>	<u>\$ 1,341,129</u>

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

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE FOUNDATION
 STATEMENT OF FUNCTIONAL EXPENSE
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Expenses				
Scholarships to students	33,819	-	-	33,819
Institutional development	39,635	-	-	39,635
EITC expenses	6,960	-	-	6,960
In-kind expenses	11,718	8,354	8,364	28,436
Professional fees	-	8,324	-	8,324
Other expenses				
Support of student organizations	4,038	-	-	4,038
Special events	-	-	1,366	1,366
All other	221	-	-	221
Total Functional Expenses	<u>96,391</u>	<u>16,678</u>	<u>9,730</u>	<u>122,799</u>

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

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
JUNE 30, 2019

	2019
Cash Flows From Operating Activities:	
Change in net assets	\$ 59,925
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:	
Net investment (gains)	(63,985)
Change in assets and liabilities:	
Promises to give	4,001
Accounts Payable	22,506
Total Adjustments	(37,478)
Net Cash Provided by Operating Activities	22,447
Cash Flows From Investing Activities	
Net purchases of investments	(25,000)
Net Cash Used in Investing Activities	(25,000)
Net Change in Cash and Cash Equivalents	(2,553)
Cash and Cash Equivalents - Beginning of Year	133,664
Cash and Cash Equivalents - End of Year	\$ 131,111

Supplemental Disclosures:

Accounting Policy Note

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

PENNSYLVANIA HIGHLANDS COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

The Pennsylvania Highlands Community College Foundation, (“the Foundation”), was established in 1994 as a scholarship foundation for students of the Pennsylvania Highlands Community College (PHCC). The Foundation wishes to seek and secure financial support for PHCC and its students by raising funds as well as successfully managing resources and relationships. The Foundation acquires the administrative services necessary to maintain its operation from PHCC.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to non-profit organizations.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to two (2) classes of net assets. Net assets without donor restrictions and net assets with donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as without donor restrictions or with 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, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Promises to Give

Promises to give are recognized as revenue in the period received or pledged by the donor. Promises to give are initially recorded net of a discount for the time value of money for payments to be received in future years and net of an allowance for uncollectible amounts. The promises to give receivable are subsequently adjusted for the discount and changes in estimates of collectability.

Investments

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 assets in the Statement of Activities.

Federal Income Taxes

The Foundation qualifies as an exempt organization meeting the requirements of Section 501(c)(3) of the Internal Revenue Code. The Organization is required to evaluate tax positions taken and determine whether it is more-likely-than-not that the tax position will be sustained upon examination based on the technical merits of the position. The Organization has performed an evaluation and has determined there are no material unrecognized tax positions or uncertain tax positions that meet the reporting and disclosure requirements. The Organization records tax penalties and interest as they occur. For the years ended June 30, 2019, the Foundation incurred no tax penalty or interest costs.

Functional Expenses

Expenses specifically associated and identified to a function are charged directly to the function which benefits. All other expenses not specifically identified with a function are allocated based on the estimated proportionate benefit of each function.

Fair Value of Financial Instruments

Certain financial instruments are required to be recorded at fair value. The estimated fair values of such financial instruments (including cash and cash equivalents, investments, certain debt instruments, and other assets and liabilities) have been valued using market or cost information where appropriate. Changes in assumptions or estimation methods could affect the fair value estimates. However, management does not believe any such changes would have a material impact on the financial condition, results of operations or cash flows of the Organization.

Cash and cash equivalents, other assets and short-term and long-term debt are carried at cost, which approximates fair value. The Foundation applies GAAP to fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a reoccurring 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).

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)." Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance replaces the three existing classes of net assets for not-for-profit entities with two classes, net assets with donor restrictions and net assets without donor restrictions. The guidance also requires enhanced disclosures about governing board designations and appropriations, composition of net assets with donor restrictions and other qualitative and quantitative information regarding liquid resources and the availability of financial assets. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation had adopted ASU 2016-14 for the year ended June 30, 2019.

NOTE 3 PROMISES TO GIVE

Promises to give consist of the following:

	<u>June 30, 2019</u>
Promises to give in less than one year	\$ 3,000
Promises to give in one to five years	<u>5,900</u>
	8,900
Less discounts to net present value	<u>(988)</u>
Total promises to give	<u>\$ 7,912</u>

NOTE 4 INVESTMENTS

Investments are stated at fair market value and consist of the following at year-end:

	<u>June 30, 2019</u>
<u>Without Donor Restrictions:</u>	
Cash and cash equivalents	\$ 24,013
Fixed Income Securities	153,689
Equity Securities	<u>313,004</u>
Total Investments Without Donor Restrictions	<u>490,706</u>
<u>With Donor Restrictions:</u>	
Cash and cash equivalents	14,891
Fixed Income Securities	352,099
Equity Securities	<u>367,798</u>
Total Investments With Donor Restrictions	<u>734,788</u>
Total Investments	<u>\$ 1,225,494</u>

Investment activity is summarized as follows:

	<u>2019</u>
Beginning balance	\$ 1,136,509
Additions	25,000
Withdrawals	(5,875)
Interest and dividends	15,703
Bank fees	(505)
Realized gains	37,781
Unrealized gain/(loss)	<u>16,881</u>
Ending balance	<u>\$ 1,225,494</u>

The Foundation's investment policy provides guidelines and a general framework that will be utilized by the Foundation's Investment Managers to effectively allocate, supervise, monitor, and to evaluate the investment assets in the Foundation. The objective of this policy is to maximize the inflation adjusted total return of the investment portfolios. The targeted long-term rate of return is four percent (4%) – five percent (5%) over the rate of inflation.

The investment portfolio should hold investment vehicles that have historically provided long-term growth. To minimize portfolio risk, the portfolio should be diversified over a broad array of asset classes.

NOTE 5 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes 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 unobservable inputs (level 3 measurements). The three (3) levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 –Inputs to the valuation methodology include significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Inputs to the valuation methodology are unobservable inputs and significant to the fair value measurement.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, a summary of the Foundation’s investments measured at fair value on a recurring basis as of June 30, 2019:

	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
As of June 30, 2019				
Cash and Equivalents:	\$ 38,904	\$ ---	\$ ---	\$ 38,904
Fixed Income Securities	505,788	---	---	505,788
Equity Securities	680,802	---	---	680,802
Total Investments at Fair Value	<u>\$1,225,494</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$1,225,494</u>

NOTE 6 LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as program services or general operations were as follows:

Financial assets:

Cash	\$ 131,111
Investments – Without Restrictions	490,706
Investments – With Restrictions	407,995
Promises to give, net of allowance	7,912
Less Financial liabilities	
Accounts payable	<u>(23,638)</u>
 Total financial assets available within one year	 <u><u>\$ 1,014,086</u></u>

NOTE 7 EITC COMMITTED FUNDS

The Foundation is approved to receive Educational Improvement Tax Credits (EITC) and received EITC contributions totaling \$8,700 for the year ended June 30, 2019. At least eighty percent (80%) of the EITC funds received each year are used for college preparation dual enrollment programs in local area high schools. EITC expenditures amounted to \$6,960 for the fiscal year ended June 30, 2019.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets considered to have donor restrictions are as follows:

	<u>2019</u>
Available for scholarships and institutional development	
Accumulated earnings on endowed funds	\$230,846
Title III fund	234,135
Joseph and Joan Mangarella fund	<u>50,000</u>
Total Available for Scholarships and Institutional Development	\$ 514,981
 Donor restricted endowment funds (corpus)	
Joseph and Joan Mangarella	\$ 50,000
Community Foundation of the Alleghenies	66,000
Dr. Walter and Kim Asonevich	10,000
Kathy Holtzman Memorial	10,000
Dale Miller	18,000
American Association of University Women	10,000
Dr. Anna Weitz	10,000
Dr. Edward Haluska	20,000
Sara and Salvatore Valenty	<u>25,000</u>
Total Endowment Funds	\$ 219,000
 Total Net Assets With Donor Restrictions	 <u><u>\$ 733,981</u></u>

Available for scholarships and institutional development

Accumulated earnings on endowed funds represent accumulated earnings on donor restricted endowments which are available to provide scholarships or for the purpose of institutional development of Pennsylvania Highlands Community College.

The Pennsylvania Highlands Community College received a Title III grant to fund a career development office with the purposes of: helping students with career goals, choosing a proper academic program, and employment placement services. Part of the Title III grant was used to establish an endowment fund within the Foundation. The initial contribution of \$195,000 and fifty percent (50%) of the earnings are to remain restricted until 2036.

Joseph and Joan Mangarella contributed \$50,000 to the Foundation for the purpose of the development of the Ebensburg Education Center.

Donor restricted endowment funds

The Organization's endowments are comprised of nine (9) separate endowment funds held at various local financial institutions or foundations. The endowments are considered to be permanently restricted and only earnings thereon can be used for scholarships or various other institutional development purposes.

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purposes or by occurrence of other events specified by donors. Net assets were released from restrictions during the year ended June 30, 2019 for the following purposes:

	<u>2019</u>
Scholarships	29,819
Institutional Development	16,635
One Book Program	2,004
Phi-Theta Kappa	<u>2,533</u>
Total Net Assets Released from Restriction	<u><u>\$50,991</u></u>

NOTE 10 IN-KIND CONTRIBUTIONS

The contributions of employee service time received in-kind has been valued at its estimated fair market value at the date rendered or donated. In-kind service contributions for the year ended June 30, 2019 amounted to \$28,436, and is reflected in the financial statements as in-kind revenue and expense.

NOTE 11 RELATED PARTY ACTIVITY

The Foundation pays fees to the Pennsylvania Highlands Community College, a related party, for them to administer various programs. The following presents the detail of fees paid by programs administered.

	<u>2019</u>
Education Improvement Tax	
Credit Program (EITC)	\$ 6,960
Institutional Development	39,635
Scholarships	33,819
Other Student Programs	<u>4,537</u>
	<u>\$ 84,951</u>

NOTE 12 COMMITTED ENDOWMENT FUND

Pardee Endowment

In July of 2016, the Board of Directors approved an agreement with the donor to establish a scholarship endowment fund. The principal of this fund will be permanently restricted and only the income from this fund may be used for scholarships and other support for the College. Annual scholarships will be made available to eligible graduates of Northern Cambria and/or Cambria Heights High School.

The Foundation will receive the principal contribution from the donors' trust after the death of the donor. Due to the unknown timing of the contribution, no amounts have been reflected in the financial statements. The endowment contribution is anticipated to be significant when received.

NOTE 13 SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 14, 2019, which is the date that financial statements were available to be issued.