

Grand Rapids Community College

**Financial Report
with Supplemental Information
June 30, 2014**

Grand Rapids Community College

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Independent Auditor's Report

To the Board of Trustees
Grand Rapids Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Rapids Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Grand Rapids Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Grand Rapids Community College and its discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Grand Rapids Community College

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Rapids Community College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 on our consideration of Grand Rapids Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand Rapids Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 20, 2014

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited

The discussion and analysis of Grand Rapids Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2014, 2013, and 2012. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Capital expenditures are recorded as assets on the statement of net position and depreciated over their estimated useful lives.

Activities are reported as either operating or nonoperating in accordance with GASB Statement No. 35. Charges for services are recorded as operating revenues. Essentially all other types of revenue, including state appropriations and property tax levies, are nonoperating. A public community college's reliance on state funding and local property taxes will result in reporting an operating deficit.

The Grand Rapids Community College Foundation (the "Foundation") is a private, nonprofit tax-exempt organization formed for the purpose of receiving funds for the sole benefit of the College. Based on the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Foundation is considered a component unit of Grand Rapids Community College. Accordingly, the activity and financial position of the Foundation have been discretely presented within the College's accompanying financial statements.

This annual financial report complies with the above requirements and includes this management's discussion and analysis, the report of independent auditors, the financial statements, notes to financial statements, and additional information similar to commercial enterprises and private-sector institutions.

Over time, increases or decreases in net position provide one indication of the financial health of an organization. To assess the overall health of the College, many other nonfinancial factors need to be considered such as trends in enrollment, condition of facilities, attention to workforce needs, success of students and graduates, and the strength of the faculty and staff.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

The Statement of Net Position

One of the most important questions asked about the College's finances is, "Is Grand Rapids Community College as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

The following are the major components of assets, liabilities, and net position (in thousands) for the College as of June 30:

| Statement of Financial Position at June 30 (in thousands) | | | |
|--|------------------|------------------|------------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Assets | | | |
| Current assets | \$ 45,506 | \$ 41,927 | \$ 42,564 |
| Noncurrent assets: | | | |
| Capital assets - Net of depreciation | 124,286 | 106,290 | 99,338 |
| Other | <u>21,910</u> | <u>37,940</u> | <u>7,156</u> |
| Total assets | <u>191,702</u> | <u>186,157</u> | <u>149,058</u> |
| Liabilities | | | |
| Current liabilities | 32,049 | 32,479 | 22,006 |
| Noncurrent liabilities: | | | |
| Long-term debt | 58,812 | 65,570 | 42,959 |
| Accrued employee leave | <u>2,055</u> | <u>1,408</u> | <u>1,408</u> |
| Total liabilities | <u>92,916</u> | <u>99,457</u> | <u>66,373</u> |
| Net Position | | | |
| Net investment in capital assets | 68,849 | 62,146 | 54,041 |
| Unrestricted | <u>29,937</u> | <u>24,555</u> | <u>28,644</u> |
| Total net position | <u>\$ 98,786</u> | <u>\$ 86,701</u> | <u>\$ 82,685</u> |

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

Current assets are comprised primarily of cash and cash equivalents, which total \$37.9 million and \$31.2 million for 2014 and 2013, respectively. The fluctuation is due to year to year timing differences and is consistent with the reduction in receivables (discussed below). These funds will be used primarily for operating purposes and accordingly are invested to provide greater liquidity. Receivables resulting from tuition and fees, student loans, and federal, state, and local grants and appropriations (\$7.3 million and \$10.4 million for 2014 and 2013, respectively) represent the majority of the remainder of current assets. Changes in these amounts are due largely to changes in enrollment levels as well as the timing of actual receipts from grantors and students relative to recognition of revenues or, in the case of grant programs, funds expended for allowable grant purposes. The reduction is due to the inclusion in 2013 of the total 2013 MPSERS UAAL (unfunded liability) subsidy of \$1.1 million, and the estimated total 2014 subsidy of \$2.6 million. The 2013 subsidy was received subsequent to June 30, 2013 and remitted, in its entirety, to the state. The 2014 actual subsidy was disbursed in 10 installments from November 2013 through August 2014; thus, only the July and August payments (\$0.5 million) are included in accounts receivable at June 30, 2014. Amounts for the 2014 subsidy are being remitted back to the state with the MPSERS payment for each biweekly payroll. Current and noncurrent prepaid expenses and other current assets totaled \$0.3 million in 2014 and 2013.

Noncurrent assets primarily represent investments with long-term maturity dates, College investments of net position not needed to meet current cash flow obligations and/or designated for future capital projects, as well as the College's investment in its capital assets, net of accumulated depreciation. The decrease in investments of \$15.9 million between 2014 and 2013 is due to the expenditure of proceeds from bonds issued specifically for facility improvements and renovations, as well as the use of college resources for other capital projects, particularly deferred maintenance needs. Capital assets net of depreciation increased nearly \$18 million as a result of projects completed during 2014 and significant construction in progress at June 30.

Current liabilities are comprised primarily of employee compensation and vendor payments, representing 59 percent of current liabilities for 2014 and 2013. The individual dollar amounts will fluctuate from year to year based on timing of payments to contractors and vendors, timing of pay dates, and the remittance of retirement payments to MPSERS. Bond, capital lease, and interest payments due in November and May of the subsequent fiscal year accounted for another 25 percent of current liabilities for 2014 and 2013. Student tuition and fee revenue for the portion of the summer session occurring after June 30 of the applicable fiscal year represents the balance of current liabilities.

Other than future payments on bond debt and capital leases referenced above, long-term liabilities include accruals for employee leaves based on current contract parameters and retirement guidelines established by the State of Michigan that are not expected to be paid in the next year. Total long-term liabilities decreased from \$67.0 million to \$60.9 million from 2013 to 2014, respectively, due to the scheduled retirement of bond debt and capital lease obligations.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the operating results of the College, as well as nonoperating revenues and expenses. Annual state appropriations and property tax collections, while budgeted for operational purposes, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

The following are the major components of the College's revenue and expenses (in thousands) for the years ended June 30:

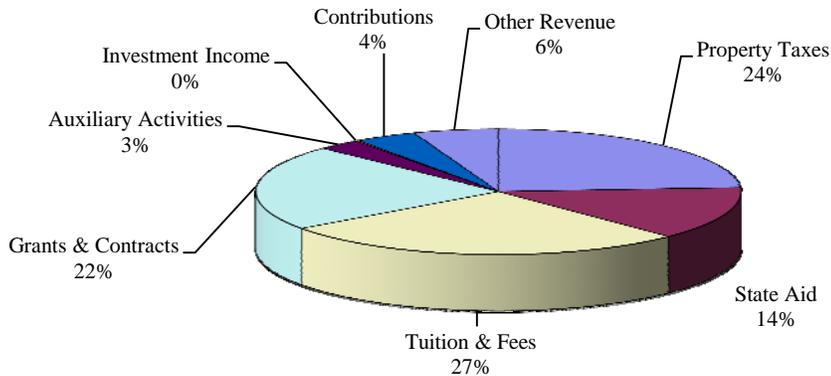
| Operating Results for the Years Ended June 30 (in thousands) | | | |
|---|------------------|------------------|------------------|
| | 2014 | 2013 | 2012 |
| Operating Revenue | | | |
| Tuition and fees - Net | \$ 41,027 | \$ 40,691 | \$ 42,108 |
| Grants and contracts | 7,365 | 8,407 | 11,882 |
| Sales and services of auxiliary activities | 4,272 | 4,413 | 4,578 |
| Other sources | 4,430 | 4,336 | 4,026 |
| Total operating revenue | 57,094 | 57,847 | 62,594 |
| Operating Expenses | | | |
| Instruction | 56,544 | 55,904 | 56,871 |
| Public service | 6,281 | 6,605 | 10,191 |
| Instructional support | 14,111 | 14,118 | 13,702 |
| Student services | 27,593 | 29,359 | 32,264 |
| Institutional administration | 12,834 | 13,674 | 13,532 |
| Physical plant operations | 11,765 | 12,555 | 12,894 |
| Depreciation | 5,831 | 5,694 | 5,325 |
| Total operating expenses | 134,959 | 137,909 | 144,779 |
| Operating Loss | (77,864) | (80,062) | (82,185) |
| Nonoperating Revenue (Expenses) | | | |
| State appropriations | 20,605 | 18,639 | 16,650 |
| Property taxes | 35,945 | 35,439 | 36,354 |
| Federal Pell grant | 25,810 | 28,899 | 32,110 |
| Investment income | 315 | 127 | 228 |
| Interest expense on bonds | (1,750) | (3,041) | (2,191) |
| Contributions | 6,242 | 1,118 | 626 |
| Other income - Net of other revenue | 2,783 | 2,897 | 1,351 |
| Net nonoperating revenue | 89,949 | 84,078 | 85,128 |
| Increase in Net Position | 12,085 | 4,016 | 2,943 |
| Net Position - Beginning of year | 86,701 | 82,685 | 79,742 |
| Net Position - End of year | \$ 98,785 | \$ 86,701 | \$ 82,685 |

Grand Rapids Community College

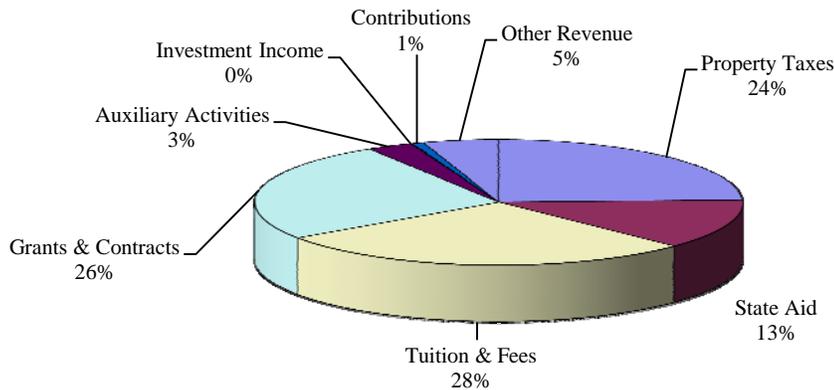
Management's Discussion and Analysis - Unaudited (Continued)

College revenue is derived from four primary sources: property taxes, student tuition and fees, grants and contracts, and state appropriations. The following graphs show the percentage of revenue from the component sources for the years ended June 30, 2014 and 2013:

Revenue Sources - 2014



Revenue Sources - 2013



Property tax revenues (24 percent of revenue for 2014 and 2013) reflect changes in taxable values in the Kent Intermediate School District (the tax base for the College). The College is authorized to levy 1.9 mills, which the board of trustees has allocated to support operating expenditures (1.5 mills) and capital expenditures and debt retirement (.4 mills). However, the cumulative impact of the Headlee Rollback has reduced the effective levy to 1.7865 mills for the fiscal years ended June 30, 2014 and 2013.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

Student tuition and fees (27 percent and 28 percent of revenue for 2014 and 2013) are driven by enrollment and board-approved tuition and fee adjustments. With continued flat property tax revenues, the College found it necessary to continue annual tuition increases in both 2014 and 2013, thus placing an ever increasing share of the responsibility for funding the institution on students. Billing units in 2014 declined by approximately 8.2 percent from the previous year. We believe this is largely due to the improving economy and greater employment opportunities for students, as well as to generally smaller high school graduating classes. Net student tuition and fees reflects a scholarship allowance of approximately \$15.3 million and \$16.4 million for 2014 and 2013, respectively. This offset to tuition reflects funds the College receives, primarily through federal and state grants, which are applied to student tuition bills and are shown in the financial statements as federal and state grant revenue. The decrease in the allowance between 2014 and 2013 is due to lower enrollment levels and fewer student loans. The latter is due, in part, to an increased emphasis on responsible borrowing by students.

Grants and contracts (22 percent and 26 percent of revenue for 2014 and 2013, respectively) are primarily federal and state funding for financial aid programs. In addition, the College receives federal and state funding for economic job development grant programs, employment services, and training to work programs, among others.

State appropriations (14 percent and 13 percent of revenue in 2014 and 2013, respectively) increased due to a 2 percent increase in the college's operating appropriation, as well as an increase of approximately \$1.6 million in the appropriation specifically for the MPSERS UAAL (unfunded liability) subsidy. As noted above, the latter is remitted back to the state.

The remainder of the College's revenue is derived from the following sources:

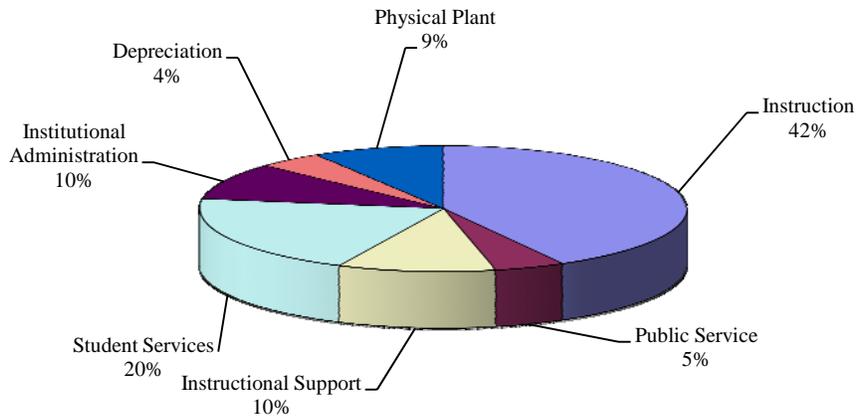
- Auxiliary activities, which include the College's parking ramps, food service, bookstore, media services, and printing operations. The day to day operations of the parking ramps, bookstore, and food service are managed by external providers through a variety of rental and management agreements.
- Seminars and workshops - Customized training programs for business and industry are offered through the College's Training Solutions/Job Training unit.
- Rental of College facilities
- Contributions to the College, primarily from the Foundation for scholarships, facility improvements, and faculty/staff professional development
- Interest and investment income - Interest income actually decreased in 2014 due to the spending of bond proceeds. In 2013, the higher earnings were offset by an unrealized loss, due to rising interest rates on longer-term bonds (primarily federal agencies) in both the bond and operating portfolios. However, since the College's practice is to hold investments until maturity, it is unlikely that any of the losses will be realized. In 2014, there was a small net unrealized gain of approximately \$10,000.

Grand Rapids Community College

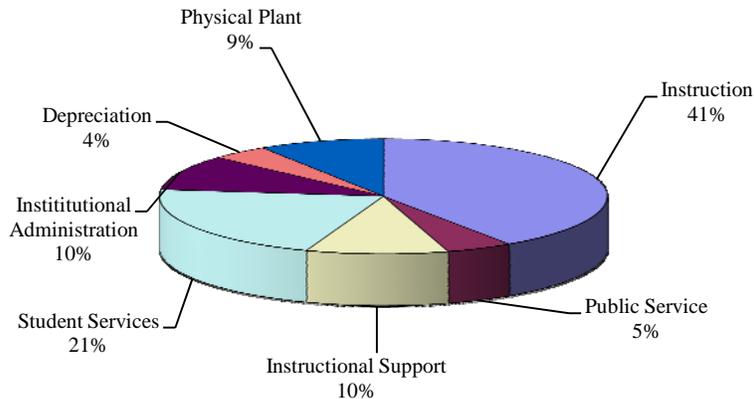
Management's Discussion and Analysis - Unaudited (Continued)

Operating expenses are reported using functional classifications. For the years ended June 30, 2014 and 2013, the following shows the breakdown of operating expenses:

Operating Expenses - 2014



Operating Expenses - 2013



The College expends the largest percentage (42 percent and 41 percent in 2014 and 2013, respectively) of its available operating dollars on instruction. Expenditures for instruction include all costs required to provide direct instruction in the classroom such as faculty salaries and fringe benefits, classroom supplies, printing supplies, and instructional equipment. Contractual compensation adjustments, fringe benefit cost increases, and equipment and technology upgrades, as well as the number of class sections delivered, all impact instructional costs. Because this expense category consists primarily of salaries, wages, and fringe benefits, it can be the most sensitive to year to year fluctuations in these costs.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

Student services expenditures (20 percent and 21 percent in 2014 and 2013, respectively) include support services for students such as counseling, academic advising, financial aid, registrar's, and job placement. Also included are other ancillary costs associated with operating a comprehensive community college such as athletics, student clubs and organizations, and auxiliary activities.

Instructional support (10 percent in 2014 and 2013) includes the costs of the academic support structure for the delivery of instruction. Expenditures in this area include the provost and deans, departmental support, instructional technology support, and the library operations.

Institutional administration (10 percent in 2014 and 2013) includes expenditures for the President's office, research and planning, and financial and business services functions.

Physical plant operations (9 percent in 2014 and 2013) and depreciation (4 percent in 2014 and 2013) reflect the cost of operating and maintaining the College's physical environment and the safety of students, staff, and visitors to the campus.

Public service expenditures (5 percent in 2014 and 2013) include activities that make available to the public unique resources for the specific purpose of responding to a community need or solving a community problem.

Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows may also help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

The College's liquidity increased during the year. Highlights from the College's cash flow for the years ended June 30, 2014 and 2013 include:

- Cash used in operating activities totaled \$69.6 million (\$69.9 million in 2013) with the most significant use of cash flow being in the form of payments related to employee compensation and fringe benefits of \$96.7 million (\$94.3 million in 2013). The increase is due to higher benefit costs, particularly the \$1.6 million increase in the MPSERS UAAL subsidy, which remitted entirely back to the state and is reflected in the College's retirement expense. Payments to vendors (\$18.5 million in 2014 and \$17.4 million in 2013) and for building utilities (\$3.2 million in 2014 and \$2.5 million in 2013) also represent use of cash for operations. These operating uses of cash, including payments to students for scholarships and grants of \$26.7 million and \$29.7 million in 2014 and 2013, respectively, were offset by cash provided by operations from tuition and fees collected of \$56.7 million in 2014 and \$58.4 million in 2013, federal, state, and local grants and contracts collected of \$9.3 million (\$6.8 million in 2013), auxiliary sales of \$4.3 million in 2014 compared to \$4.4 million in 2013 and other cash collections of \$5.3 million (\$4.3 million in 2013) primarily from rentals, seminars, and workshops.
- Noncapital financing activities provided \$89.1 million (\$82.6 million in 2013) in cash flow for the College, the most significant sources being local property taxes collected of \$35.9 million (\$35.4 million in 2013), federal Pell grants for students of \$25.8 million (\$28.9 million in 2013), and state appropriations of \$21.1 million (\$17.1 million in 2013). Gifts and contributions account for the remainder of cash provided by noncapital financing activities.
- The College used approximately \$26.6 million of cash from capital and related financing activities in 2014, as opposed to generating \$10.4 million in 2013. This change is due to use of \$19.3 million in cash for capital asset purchases in 2014, whereas in 2013 the issuance of new bonds for facility renovations and refunding purposes provided a net \$28.5 million in cash. Principal paid on debt and capital leases (\$5.5 million) and interest paid on debt and capital leases (\$1.8 million) accounted for the remainder of the use of cash from capital and related financing activities in 2014.
- Investing activities generated \$5.6 million of cash in 2014 (compared to using \$8.8 million in 2013). Generally, this variation reflects investing activity in the College's operating and bond portfolios to match maturities with payroll dates, student refund periods, debt payments, construction schedules, and other cash needs. Interest on investments provided \$0.3 million in cash in 2014, down from \$0.4 million in 2013, reflecting lower investment balances due to the use of bond issue proceeds.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

Capital Assets and Debt Administration

At June 30, 2014 and 2013, the College had \$124.3 and \$106.3 million invested in capital assets, net of accumulated depreciation of approximately \$89.3 and \$84.0 million, respectively. Depreciation charges increased slightly from \$5.7 million in 2013 to \$5.8 million in 2014, reflecting depreciation against additional assets placed in service in 2014.

During 2014, capital asset additions totaled \$23.9 million. Included in this total is \$19.6 million in construction in progress on various major renovation projects funded with the July 2012 facilities bonds. Included in the remaining \$4.2 million are various purchases of instructional equipment and furniture, library resources, vehicle replacements, and technology expenditures totaling \$3.0 million. Capitalized building projects of \$1.2 million include new lighting for the Bostwick ramp, upgrades to the Belknap athletic fields, and various other deferred maintenance projects.

Capital expenditures in 2015 will see completion of work on the bond funded projects and \$10.2 million in work budgeted in the College's plant fund. The majority (\$8.8 million) of the latter consists of Cook Hall renovations to be funded by state capital outlay funds, and main building renovations to be funded through private donations. Other projects will include ongoing deferred maintenance, campus safety and security enhancements, and equipment and technology replacements and upgrades.

During 2013, capital asset additions totaled \$13.4 million, \$8.7 million of which was construction in progress related to the renovation projects funded with the 2012 bonds. Other building projects of \$1.9 million included new laboratory and kitchen facilities in the ATC, and various deferred maintenance work. Equipment, library, and technology expenditures totaled another \$2.8 million.

At June 30, 2014, the College had \$68.8 million in debt outstanding versus \$74.5 million the previous year. The decrease is due to scheduled debt payments made in May of 2014. As an objective indication of its financial stability, the College's debt is rated AA (Standard & Poor's) and Aa1 (Moody's). The Standard & Poor's rating was last reaffirmed in fiscal year 2013 in connection with the facilities bond issue. Annual bond payment obligations are met by the .4 mill property tax allocation authorized by the board of trustees.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

Economic Factors Affecting the Future

The economic position of the College continues to be tied to that of the state. As noted earlier, State funding accounted for only 14 percent of revenues in 2014. This compares to roughly 20 percent in the mid 1990s. However, the governor and legislature recognize the important role community colleges play in preparing the State's workforce for the jobs of the future, and have endeavored to support our efforts to the extent fiscally possible. We are particularly encouraged by a 2.8 percent increase in operational funding for 2015, the third consecutive annual increase. Recent state initiatives to contain health and retirement cost increases have also been beneficial.

The fortunes of the local economy will also impact the College in the future. Property tax revenue, the College's largest source of operating funds, is dependent on home sales, assessed values, new construction, and commercial development. The decline in property values finally leveled off in 2014. For 2015, we have conservatively budgeted for an increase of 1.0 percent, and believe that the actual increase may be slightly higher. With the improving home sales and new construction, we are optimistic that this trend will continue; however, we do not anticipate a return to the pre-recession level of increases in the foreseeable future.

Enrollment levels, which have declined for the third year in a row, are being watched closely. With the improving economy some decline is anticipated, as community college enrollment in Michigan has historically run counter-cyclical to the state's economy. Other community colleges are experiencing similar enrollment reductions. However, since student tuition and fees now provides more than 52 percent of general fund revenues, the potential impact on the College's operating budget is significant. A cross-college "ad hoc budget committee" has been established to develop specific budget recommendations, addressing both revenues and expenses, for 2016 and beyond. A key input to this work will be the results of a recently completed, three-year comprehensive review of all college departments focused on budget sustainability and alignment with the College's mission.

As noted earlier, the College has embarked on a multiyear effort to address its significant backlog of deferred maintenance and renovation needs. We desire to not only keep our students and staff "warm, safe, and dry," but to also provide them with state-of-the-art learning environments and technology resources. The \$26.6 million in facilities bonds issued in July 2012 will, over a three-year period, fund significant renovations and improvements to nearly every building on the main campus. The bond proceeds are being augmented with state capital outlay funds, College plant fund resources, and private donations through the GRCC Foundation of nearly \$10 million. In addition, current fundraising efforts are focused on providing a new home for the child development/preschool program, upgrades to the music building, and increasing dollars available for student scholarships.

Grand Rapids Community College

Management's Discussion and Analysis - Unaudited (Continued)

As Grand Rapids Community College celebrates its 100th anniversary, college administration and its board of trustees are of the opinion that, in spite of some critical challenges, the College is positioned to meet the needs of its students and the community during the current year and has established a financial foundation to carry the College into the future. The College remains committed to the ideals of 'open door' access and "student success." With a dedicated staff, board of trustees, and the support of the community, Grand Rapids Community College will continue to strive to be "distinctive" in all that it does in 2015 and beyond.

Grand Rapids Community College

Statement of Net Position

| | June 30 | |
|---|----------------------|----------------------|
| | 2014 | 2013 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 3) | \$ 37,946,769 | \$ 31,224,347 |
| Accounts receivable - Net (Note 5) | 7,297,175 | 10,429,049 |
| Prepaid expenses and other current assets | 261,689 | 273,780 |
| Total current assets | 45,505,633 | 41,927,176 |
| Noncurrent assets: | | |
| Investments designated for capital projects | 12,489,274 | 20,614,252 |
| Accounts receivable - Net (Note 5) | 621,504 | 732,289 |
| Long-term investments (Note 3) | 8,498,645 | 16,273,180 |
| Unamortized bond discount | 301,424 | 320,523 |
| Capital assets - Net (Note 6) | 124,285,921 | 106,290,045 |
| Total noncurrent assets | 146,196,768 | 144,230,289 |
| Total assets | 191,702,401 | 186,157,465 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 8,236,766 | 8,395,290 |
| Accrued salaries and related amounts | 10,588,754 | 10,736,778 |
| Unearned revenue | 4,458,388 | 4,997,073 |
| Interest payable | 461,718 | 499,349 |
| Long-term obligations - Current (Note 7) | 7,921,278 | 7,491,720 |
| Deposits held in custody for others | 382,392 | 359,087 |
| Total current liabilities | 32,049,296 | 32,479,297 |
| Noncurrent liabilities - Long-term obligations - Net of current portion (Note 7) | 60,867,273 | 66,977,298 |
| Total liabilities | 92,916,569 | 99,456,595 |
| Net Position | | |
| Net investment in capital assets | 68,849,277 | 62,146,119 |
| Unrestricted | 29,936,555 | 24,554,751 |
| Total net position | <u>\$ 98,785,832</u> | <u>\$ 86,700,870</u> |

Grand Rapids Community College

Statement of Revenue, Expenses, and Changes in Net Position

| | Year Ended June 30 | |
|--|----------------------|----------------------|
| | 2014 | 2013 |
| Operating Revenue | | |
| Tuition and fees - Net of scholarship allowance of \$15,333,115 and \$16,383,498 for 2014 and 2013, respectively | \$ 41,027,143 | \$ 40,691,204 |
| Federal grants and contracts | 5,117,928 | 6,105,781 |
| State grants and contracts | 1,641,897 | 1,929,100 |
| Private gifts, grants, and contracts | 604,685 | 372,250 |
| Sales and services of auxiliary activities | 4,272,462 | 4,412,709 |
| Seminars, workshops, and other revenue | 4,430,290 | 4,336,312 |
| Total operating revenue | 57,094,405 | 57,847,356 |
| Operating Expenses | | |
| Instruction | 56,543,404 | 55,903,867 |
| Public service | 6,281,180 | 6,605,393 |
| Instructional support | 14,111,106 | 14,118,149 |
| Student services | 27,593,182 | 29,359,422 |
| Institutional administration | 12,834,442 | 13,673,634 |
| Physical plant operations | 11,764,712 | 12,554,914 |
| Depreciation | 5,830,857 | 5,693,906 |
| Total operating expenses | 134,958,883 | 137,909,285 |
| Operating Loss | (77,864,478) | (80,061,929) |
| Nonoperating Revenue (Expenses) | | |
| State appropriations | 20,604,846 | 18,639,437 |
| Property taxes | 35,945,056 | 35,438,955 |
| Pell revenue | 25,809,531 | 28,898,519 |
| Interest income | 306,032 | 431,437 |
| Interest expense on bonds | (1,750,066) | (3,041,237) |
| Unrealized gain (loss) on investments | 9,261 | (304,322) |
| Contributions | 6,242,000 | 1,118,184 |
| Other revenue | 2,782,780 | 2,896,532 |
| Net nonoperating revenue | 89,949,440 | 84,077,505 |
| Increase in Net Position | 12,084,962 | 4,015,576 |
| Net Position - Beginning of year | 86,700,870 | 82,685,294 |
| Net Position - End of year | \$ 98,785,832 | \$ 86,700,870 |

Grand Rapids Community College

Statement of Cash Flows

| | Year Ended June 30 | |
|---|----------------------|----------------------|
| | 2014 | 2013 |
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 56,706,676 | \$ 58,402,161 |
| Grants and contracts | 9,282,868 | 6,759,836 |
| Payments to suppliers | (18,527,756) | (17,357,166) |
| Payments for utilities | (3,233,892) | (2,502,484) |
| Payments to employees | (65,811,193) | (66,502,934) |
| Payments for benefits | (30,922,833) | (27,770,709) |
| Payments for scholarships and grants | (26,701,058) | (29,703,863) |
| Auxiliary enterprise charges - Net | 4,272,462 | 4,412,709 |
| Other | 5,315,395 | 4,336,312 |
| Net cash used in operating activities | (69,619,331) | (69,926,138) |
| Cash Flows from Noncapital Financing Activities | | |
| Local property taxes | 35,945,056 | 35,438,955 |
| Noncapital contributions | 6,242,000 | 1,118,184 |
| Federal direct lending receipts | 30,019,467 | 39,563,829 |
| Federal direct lending disbursements | (30,019,467) | (39,563,829) |
| Federal Pell grant | 25,809,532 | 28,898,520 |
| State appropriations | 21,133,002 | 17,138,963 |
| Net cash provided by noncapital financing activities | 89,129,590 | 82,594,622 |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchase of capital assets | (19,306,932) | (8,882,759) |
| Proceeds from issuance of debt | - | 33,528,250 |
| Deposit with trustee for refunding | - | (5,031,785) |
| Principal paid on capital debt | (5,496,443) | (6,127,254) |
| Interest paid on capital debt | (1,750,066) | (3,041,237) |
| Net cash (used in) provided by capital and related financing activities | (26,553,441) | 10,445,215 |
| Cash Flows from Investing Activities | | |
| Proceeds from sales and maturities of investments | 118,988,030 | 189,672,368 |
| Purchase of investments | (113,653,436) | (198,937,995) |
| Interest on investments | 306,032 | 431,437 |
| Net cash provided by (used in) investing activities | 5,640,626 | (8,834,190) |
| Net (Decrease) Increase in Cash and Cash Equivalents | (1,402,556) | 14,279,509 |
| Cash and Cash Equivalents - Beginning of year | 51,838,599 | 37,559,090 |
| Cash and Cash Equivalents - End of year | \$ 50,436,043 | \$ 51,838,599 |

Grand Rapids Community College

Statement of Cash Flows (Continued)

| | Year Ended June 30 | |
|--|------------------------|------------------------|
| | 2013 | 2012 |
| Statement of Net Position Classification of Cash and Cash Equivalents | | |
| Cash and cash equivalents (Note 3) | \$ 37,946,769 | \$ 31,224,347 |
| Investments designated for capital projects (Note 3) | 12,489,274 | 20,614,252 |
| Total cash and cash equivalents | <u>\$ 50,436,043</u> | <u>\$ 51,838,599</u> |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | |
| Operating loss | \$ (77,864,478) | \$ (80,061,929) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation expense | 5,830,857 | 5,693,906 |
| Change in assets and liabilities: | | |
| Accounts receivable | 3,242,659 | (1,779,346) |
| Other assets | 31,190 | (39,615) |
| Accounts payable and accrued liabilities | (306,548) | 4,917,194 |
| Deferred revenue | (538,685) | 1,158,408 |
| Deposits held in custody for others | 23,305 | 60,201 |
| Interest payable | (37,631) | 125,043 |
| Net cash used in operating activities | <u>\$ (69,619,331)</u> | <u>\$ (69,926,138)</u> |

There were no noncash activities during 2014 or 2013.

Grand Rapids Community College

Discretely Presented Component Unit Grand Rapids Community College Foundation

| Balance Sheet | June 30 | |
|---|-----------------------------|-----------------------------|
| | 2014 | 2013 |
| Assets | | |
| Cash and cash equivalents | \$ 6,186,984 | \$ 6,918,321 |
| Accounts receivable - Net | - | 20,449 |
| Other current assets | 67,384 | 68,515 |
| Long-term investments | 22,865,838 | 22,461,571 |
| Contribution receivable - Net (Note 4) | 1,399,731 | 4,435,779 |
| Capital assets - Net | 275,959 | 287,290 |
| Total assets | <u>\$ 30,795,896</u> | <u>\$ 34,191,925</u> |
| Liabilities and Net Assets - Scholarships payable and related amounts | \$ 500,577 | \$ 541,324 |
| Net Assets | | |
| Unrestricted | 3,304,553 | 2,225,882 |
| Temporarily restricted | 20,493,788 | 24,927,741 |
| Permanently restricted | 6,496,978 | 6,496,978 |
| Total net assets | <u>30,295,319</u> | <u>33,650,601</u> |
| Total liabilities and net assets | <u>\$ 30,795,896</u> | <u>\$ 34,191,925</u> |
| Statement of Activities and Changes in Net Assets | Year Ended June 30 | |
| | 2014 | 2013 |
| Revenue | | |
| Investment income | \$ 2,906,537 | \$ 1,852,650 |
| Unrealized gain on investments | 544,804 | 835,021 |
| Contributions | 984,323 | 3,278,335 |
| Other revenue | - | 5,000 |
| Total revenue | <u>4,435,664</u> | <u>5,971,006</u> |
| Expenses | | |
| Scholarships and grants expense | 7,016,185 | 1,620,809 |
| General and administrative | 746,344 | 686,723 |
| Fundraising | 28,417 | 32,910 |
| Total expenditures | <u>7,790,946</u> | <u>2,340,442</u> |
| Change in Net Assets | (3,355,282) | 3,630,564 |
| Net Assets - Beginning of year | <u>33,650,601</u> | <u>30,020,037</u> |
| Net Assets - End of year | <u>\$ 30,295,319</u> | <u>\$ 33,650,601</u> |

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note I - Industry Information and Significant Accounting Policies

Reporting Entity - Grand Rapids Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the financial statements of Grand Rapids Community College Foundation have been discretely presented in the Grand Rapids Community College financial statements.

The Grand Rapids Community College Foundation (the "Foundation"), a not-for-profit corporation, was formed to solicit, collect, and invest donations made for the promotion of educational activities and capital campaigns at the College. Separate financial statements of the Foundation may be obtained by contacting Grand Rapids Community College, 143 Bostwick Avenue, NE, Grand Rapids, Michigan 49503.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

Basis of Presentation - The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Internal Revenue Service has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

Accrual Basis - The financial statements of Grand Rapids Community College have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note I - Industry Information and Significant Accounting Policies (Continued)

Internal Service Activities - Both revenue and expense related to internal service activities, including print shops, office equipment, maintenance, telecommunications, and institutional computing, have been eliminated.

Revenue Recognition - The College generally follows the revenue recognition methods set forth in the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*. Property taxes are recorded as revenue in the year taxes are levied. Under this method, revenue for fiscal year 2014 includes property taxes that were levied on July 1, 2013 and generally collected before September 30, 2013, and revenue for fiscal year 2013 includes property taxes that were levied on July 1, 2012 and generally collected before September 30, 2012. State appropriations are recorded as revenue in the period for which they are appropriated. Reductions to State appropriations are recorded in the College's fiscal year in which the changes are approved by the State legislature.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents consist of all highly liquid investments, including certificates of deposit, with an initial maturity of 12 months or less. Investments designated for capital projects are considered cash equivalents.

Investments - Investments are recorded at fair value, based on quoted market price.

Accounts Receivable - Accounts receivable resulting from government and State grants, State appropriations, and student tuition consists of operating revenue recognized, but not received, as of June 30, 2014 and 2013. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for other student accounts receivable based on historical loss experience.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note I - Industry Information and Significant Accounting Policies (Continued)

Scholarship Allowances - Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statement of revenue, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenue in the College's financial statements. To the extent that revenue from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

Bond Discount and Premium - Bond discount or premium relates to the value of the bonds issued by the College at the issuance date. The premium or discount on issuance is amortized on a straight-line basis over the life of the related outstanding bond issue.

Property and Equipment - Property and equipment are recorded at cost. Gifts of property are recorded at fair market value at the time gifts are received. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation:

| | |
|--------------------------------------|------------|
| Buildings | 40 years |
| Land improvements and infrastructure | 20 years |
| Equipment | 5-15 years |

Unearned Revenue - Revenue received prior to year end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue relates primarily to Summer-term tuition received prior to June 30. The remaining amount included in unearned revenue relates to grant and award monies received in excess of costs incurred as of the year end for College programs financed by government agencies and other organizations.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Net Position - Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and net of related debt.

Operating Revenue and Expenses - Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the College's principal ongoing operations. However, most revenue that is considered to be nonexchange, such as tax revenue, federal Pell grant revenue, and state appropriations, is considered nonoperating revenue.

Federal Financial Assistance Programs - The College participates in federally funded Pell grants, SEOG grants, Federal Work Study, and federal direct lending programs. Federal programs are audited in accordance with the Single Audit Act amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the compliance supplement.

During the years ended June 30, 2014 and 2013, the College distributed \$30,019,467 and \$39,563,829, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures in the accompanying financial statements.

Note 2 - Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied.

Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2014 and 2013, \$1.7865 of tax per \$1,000 of taxable property value in the College's taxing district was levied for general operating purposes on all property. Total operating property tax revenue was \$35,945,056 and \$35,438,955 for the years ended June 30, 2014 and 2013, respectively.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash and Investments

The College considers all highly liquid investments with a maturity of 12 months or less when purchased to be cash equivalents. The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2014 and 2013:

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 37,946,769 | \$ 31,224,347 |
| Investments designated for capital projects | 12,489,274 | 20,614,252 |
| Long-term investments | 8,498,645 | 16,273,180 |
| Total cash and investments | <u>\$ 58,934,688</u> | <u>\$ 68,111,779</u> |

Investments - The investment policy of the Foundation, as established by the Foundation's board of directors, authorizes investments in a diversified portfolio of stocks and bonds based on the following asset allocation ranges:

| Investment Type | Range | Benchmark |
|-----------------|-----------|-----------|
| Stocks | 55% - 65% | 60% |
| Fixed income | 30% - 50% | 35% |
| Cash | 0% - 15% | 5% |

Interest Rate Risk - The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The College does invest in accordance with state law.

The Foundation invests in mutual funds with the long-term objective to preserve principal, provide appreciation, and maintain adequate liquidity. Due to the long-term nature of the investments, the Foundation does not limit investment maturities. The Foundation is also not limited to the investing restrictions imposed on the College by state law.

As of June 30, 2014, the College had the following investments and maturities:

| | S&P Quality Rating | Fair Market Value | Less Than One Year | 1-3 Years | More Than 3 Years |
|--------------------------------|-----------------------|----------------------|-----------------------|---------------------|----------------------|
| Cash and money market accounts | N/A | \$ 14,447,405 | \$ 14,447,405 | \$ - | \$ - |
| Certificates of deposit | N/A | 16,000,927 | 15,500,107 | 500,820 | - |
| Commercial paper | A-1+ | 11,981,060 | 11,981,060 | - | - |
| U.S. agency securities | AGY | 16,505,296 | 8,507,472 | 4,056,910 | 3,940,914 |
| Total | | <u>\$ 58,934,688</u> | <u>\$ 50,436,044</u> | <u>\$ 4,557,730</u> | <u>\$ 3,940,914</u> |

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash and Investments (Continued)

As of June 30, 2013, the College had the following investments and maturities:

| | S&P Quality Rating | Fair Market Value | Less Than One Year | I-3 Years | More Than 3 Years |
|--------------------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|
| Cash and money market accounts | N/A | \$ 12,031,257 | \$ 12,031,257 | \$ - | \$ - |
| Certificates of deposit | N/A | 20,250,000 | 20,000,000 | 250,000 | - |
| Commercial paper | A-1 + | 10,973,352 | 10,973,352 | - | - |
| U.S. agency securities | AGY | <u>24,857,170</u> | <u>8,833,990</u> | <u>12,135,985</u> | <u>3,887,195</u> |
| Total | | <u>\$ 68,111,779</u> | <u>\$ 51,838,599</u> | <u>\$ 12,385,985</u> | <u>\$ 3,887,195</u> |

Credit Risk - According to state law, the College must limit investments in commercial paper to corporations rated prime by at least one of the standard rating services. The Foundation invests in mutual funds with a long-term growth objective.

The nationally recognized statistical rating organization (NRSRO) utilized is primarily Standard & Poor's Rating Services.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be available or returned. The College does not have a deposit policy for custodial credit risk. At June 30, 2014 and 2013, the carrying amount of the College's deposits was \$15,194,098 and \$18,265,139, respectively. Of that amount, \$8,249,337 and \$12,000,000, respectively, was insured by the Federal Deposit Insurance Corporation. The remaining \$6,944,761 and \$6,265,139 at June 30, 2014 and 2013, respectively, was uninsured and uncollateralized. The College does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's investment policy does not address custodial credit risk. All of the investments are, however, in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

Concentration of Credit Risk - The College's investment policy limits investments in any one institution to an upper limit of 5 percent of the net worth of that institution. Also, commercial paper investments are limited to no more than \$5,000,000 in any single issuer. The College's investment policy does not limit investments in U.S. agencies or treasuries. The Foundation's investment policy limits investments in any single equity security to no more than 5 percent of the market value of all equity securities.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash and Investments (Continued)

More than 5 percent of the College's investments at June 30 were invested as follows:

| Issuer | 2014 | 2013 |
|--|------|------|
| Flagstar | 7% | 15% |
| JPMorgan Chase | 13% | 11% |
| Federal Home Loan Bank | 9% | 12% |
| Federal Home Loan Mortgage Corporation | 10% | 10% |
| Federal National Mortgage Association | 9% | 14% |
| Michigan Liquid Asset Fund | 6% | 7% |

Investments at Grand Rapids Community College Foundation are as follows:

| | June 30, 2014 | | June 30, 2013 | |
|--------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Bonds | \$ 7,197,927 | \$ 7,295,285 | \$ 6,991,674 | \$ 7,068,101 |
| Common stock | <u>10,738,738</u> | <u>15,570,553</u> | <u>11,085,527</u> | <u>15,393,470</u> |
| Total | <u>\$ 17,936,665</u> | <u>\$ 22,865,838</u> | <u>\$ 18,077,201</u> | <u>\$ 22,461,571</u> |

Net gains from security transactions for the years ended June 30, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|-------------------------|---------------------|---------------------|
| Unrealized appreciation | \$ 544,804 | \$ 835,021 |
| Realized gains | <u>2,493,934</u> | <u>1,461,043</u> |
| Total | <u>\$ 3,038,738</u> | <u>\$ 2,296,064</u> |

Total investment gains and losses on the statement of activities for the Grand Rapids Community College Foundation are comprised of interest and dividend income of \$412,603 at June 30, 2014 and \$391,607 at June 30, 2013 and net realized gains of \$2,493,934 at June 30, 2014 and \$1,461,043 at June 30, 2013.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 4 - Foundation Contributions Receivable

Foundation contributions receivable consist of unconditional promises to give. The present value of contributions receivable is calculated using a discount rate of 1 percent and is expected to be collected as follows:

| <u>Years</u> | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| 2014 | \$ - | \$ 3,573,213 |
| 2015 | 1,238,493 | 674,048 |
| 2016 | 134,541 | 226,260 |
| 2017 | 23,789 | 21,039 |
| 2018 | 4,776 | 20,496 |
| 2019 and thereafter | <u>12,857</u> | <u>-</u> |
| Total | 1,414,456 | 4,515,056 |
| Less present value discount and reserve for uncollectible pledges | <u>(14,725)</u> | <u>(79,277)</u> |
| Net present value | <u>\$ 1,399,731</u> | <u>\$ 4,435,779</u> |

Note 5 - Accounts Receivable

Accounts receivable consist of the following:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|---------------------|----------------------|
| Tuition and other | \$ 3,587,073 | \$ 4,472,176 |
| Grants and contracts | 1,308,512 | 3,226,870 |
| State appropriations - Operating | <u>3,974,136</u> | <u>4,502,292</u> |
| Total accounts receivable | 8,869,721 | 12,201,338 |
| Less allowance for uncollectibles | <u>(951,042)</u> | <u>(1,040,000)</u> |
| Net accounts receivable | <u>\$ 7,918,679</u> | <u>\$ 11,161,338</u> |

The College values accounts receivable at gross realizable value. All amounts deemed to be uncollectible are charged directly against income in the period that determination is made.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Beginning Balance | Additions | Transfers/ Disposals | Ending Balance |
|------------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
| Land and improvements | \$ 7,107,164 | \$ - | \$ - | \$ 7,107,164 |
| Building and building improvements | 147,227,228 | 1,234,218 | 4,454,840 | 152,916,286 |
| Furniture, fixtures, and equipment | 27,219,104 | 2,990,386 | (520,771) | 29,688,719 |
| Subtotal - Depreciable assets | 181,553,496 | 4,224,604 | 3,934,069 | 189,712,169 |
| Construction in progress | 8,721,021 | 19,649,406 | (4,454,840) | 23,915,587 |
| Total | 190,274,517 | 23,874,010 | (520,771) | 213,627,756 |
| Less accumulated depreciation: | | | | |
| Building and building improvements | (67,124,000) | (3,413,061) | - | (70,537,061) |
| Furniture, fixtures, and equipment | (16,860,472) | (2,417,796) | 473,494 | (18,804,774) |
| Total accumulated depreciation | (83,984,472) | <u>\$ (5,830,857)</u> | <u>\$ 473,494</u> | <u>(89,341,835)</u> |
| Capital assets - Net | <u>\$ 106,290,045</u> | | | <u>\$ 124,285,921</u> |

Capital asset activity for the year ended June 30, 2013 was as follows:

| | Beginning Balance | Additions | Transfers/ Disposals | Ending Balance |
|------------------------------------|----------------------|-----------------------|-------------------------|-----------------------|
| Land and improvements | \$ 7,107,164 | \$ - | \$ - | \$ 7,107,164 |
| Building and building improvements | 145,302,267 | 1,924,961 | - | 147,227,228 |
| Furniture, fixtures, and equipment | 26,592,298 | 2,803,855 | (2,177,049) | 27,219,104 |
| Subtotal - Depreciable assets | 179,001,729 | 4,728,816 | (2,177,049) | 181,553,496 |
| Construction in progress | 607,849 | 8,721,021 | (607,849) | 8,721,021 |
| Total | 179,609,578 | 13,449,837 | (2,784,898) | 190,274,517 |
| Less accumulated depreciation: | | | | |
| Building and building improvements | (63,753,978) | (3,370,022) | - | (67,124,000) |
| Furniture, fixtures, and equipment | (16,517,813) | (2,323,884) | 1,981,225 | (16,860,472) |
| Total accumulated depreciation | (80,271,791) | <u>\$ (5,693,906)</u> | <u>\$ 1,981,225</u> | <u>(83,984,472)</u> |
| Capital assets - Net | <u>\$ 99,337,787</u> | | | <u>\$ 106,290,045</u> |

At June 30, 2014, there was approximately \$12.6 million in construction commitments outstanding in connection with ongoing capital projects. The College had capitalized interest of approximately \$1.0 million during the year ended June 30, 2014.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 7 - Long-term Obligations

Long-term obligation activity during the year ended June 30, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|----------------------|---------------------|---------------------|----------------------|---------------------|
| Bonds Payable | | | | | |
| Series bonds, 2013 series | \$ 4,830,000 | \$ - | \$ 575,000 | \$ 4,255,000 | \$ 580,000 |
| Series bonds, 2012 series (Facilities) | 25,740,000 | - | 905,000 | 24,835,000 | 930,000 |
| Series bonds, 2012 series | 4,365,000 | - | 430,000 | 3,935,000 | 485,000 |
| Series bonds, 2009 series | 10,700,000 | - | 350,000 | 10,350,000 | 400,000 |
| Series bonds, 2008 series | 11,810,000 | - | 1,305,000 | 10,505,000 | 1,305,000 |
| Series bonds, 2006 series | 9,075,000 | - | 1,655,000 | 7,420,000 | 1,765,000 |
| Leases Payable - | | | | | |
| Capital leases | 585,771 | 28,299 | 276,443 | 337,627 | 238,669 |
| Other Long-term Liabilities | | | | | |
| Unamortized bond premium | 2,201,036 | - | 123,257 | 2,077,779 | - |
| Accrued employee leave | 4,154,926 | 2,274,446 | 2,156,289 | 4,273,083 | 2,217,609 |
| Michigan job training grants | 1,007,285 | 1,155,000 | 1,362,223 | 800,062 | - |
| Total | <u>\$ 74,469,018</u> | <u>\$ 3,457,745</u> | <u>\$ 9,138,212</u> | <u>\$ 68,788,551</u> | <u>\$ 7,921,278</u> |

Long-term obligation activity during the year ended June 30, 2013 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|
| Bonds Payable | | | | | |
| Series bonds, 2013 series | \$ - | \$ 4,830,000 | \$ - | \$ 4,830,000 | \$ 575,000 |
| Series bonds, 2012 series (Facilities) | - | 26,645,000 | 905,000 | 25,740,000 | 905,000 |
| Series bonds, 2012 series | 4,365,000 | - | - | 4,365,000 | 430,000 |
| Series bonds, 2009 series | 11,025,000 | - | 325,000 | 10,700,000 | 350,000 |
| Series bonds, 2008 series | 13,115,000 | - | 1,305,000 | 11,810,000 | 1,305,000 |
| Series bonds, 2006 series | 10,635,000 | - | 1,560,000 | 9,075,000 | 1,655,000 |
| Series bonds, 2003 series | 5,795,000 | - | 5,795,000 | - | - |
| Leases Payable - | | | | | |
| Capital leases | 659,841 | 179,741 | 253,811 | 585,771 | 266,739 |
| Other Long-term Liabilities | | | | | |
| Unamortized bond premium | - | 2,201,036 | - | 2,201,036 | - |
| Accrued employee leave | 3,378,632 | 2,406,670 | 1,630,376 | 4,154,926 | 2,004,981 |
| Michigan job training grants | 1,663,203 | 1,122,525 | 1,778,443 | 1,007,285 | - |
| Total | <u>\$ 50,636,676</u> | <u>\$ 37,384,972</u> | <u>\$ 13,552,630</u> | <u>\$ 74,469,018</u> | <u>\$ 7,491,720</u> |

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 7 - Long-term Obligations (Continued)

Series Bonds, 2013 - The College issued \$4,830,000 in general obligation bonds (2013 Series Bonds) with an average interest rate of 2.16 percent. The 2013 Series Bonds were issued to refund \$4,915,000 outstanding of 2003 Series Bonds with an average interest rate of 5.27 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 2003 Series Bonds. As a result, the 2003 Series Bonds are considered to be defeased, and the liability for the bonds has been removed from the statement of net position. The advance refunding resulted in the recognition of an accounting gain of approximately \$124,000 during 2013, and future debt service payments are reduced by the net present value of approximately \$866,000. Defeased debt that remains on the 2003 Series Bonds was \$4,405,000 at June 30, 2014. The principal and interest on the 2013 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates ranging from 0.4 percent to 3 percent and have remaining annual maturities ranging from \$365,000 to \$580,000. The bonds mature in 2022.

Series Bonds, 2012 - The College issued \$26,645,000 in general obligation limited tax bonds (2012 Series Bonds) with an average interest rate of 3.39 percent. The funds will be used for renovating, refurbishing, and re-equipping existing College facilities, acquiring and installing enhanced technology and technology infrastructure, and purchasing or expanding building and other facilities. The principal and interest on the 2012 Series Bonds are paid from a facilities maintenance fee assessed to students based on contact hour enrolled. The bonds bear interest at rates from 3 percent to 5 percent and have remaining annual maturities ranging from \$930,000 to \$1,910,000. The bonds mature in 2023.

Series Bonds, 2012 Refunding - The College issued \$4,365,000 in general obligation bonds (2012 Series Bonds) with an average interest rate of 3.79 percent. The 2012 Series Bonds were issued to refund \$4,400,000 of the \$10,195,000 outstanding of 2003 Series Bonds with an average interest rate of 4.81 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 2003 Series Bonds. As a result, the 2003 Series Bonds are considered to be partially defeased, and \$4,400,000 in liability for the bonds has been removed from the statement of net position. Defeased debt that remains on the 2003 Series Bonds was \$3,945,000 at June 30, 2014. The principal and interest on the 2012 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates ranging from 3.75 percent to 5.25 percent and have remaining annual maturities ranging from \$200,000 to \$510,000. The bonds mature in 2032.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 7 - Long-term Obligations (Continued)

Series Bonds, 2009 - The College issued \$12,000,000 in general obligation limited tax bonds (2009 Series Bonds) with an average interest rate of 3.9 percent. Of the 2009 Series Bonds, \$9,500,000 was used to purchase various building and properties and the remainder was used for various renovations to this newly acquired property. The principal and interest on the 2009 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates from 2.6 percent to 6.5 percent and have remaining annual maturities ranging from \$400,000 to \$900,000. The bonds mature in 2029.

Series Bonds, 2008 - The College issued \$18,225,000 in general obligation bonds (2008 Series Bonds) with an average interest rate of 5.0 percent. The 2008 Series Bonds were issued to refund outstanding 1998 Series Bonds with an average interest rate of 4.81 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 1998 Series Bonds. As a result, the 1998 Series Bonds are considered to be defeased, the liability for the bonds has been removed from the statement of net position, and the transaction has been treated as a noncash financing activity in the statement of cash flows. The advance refunding resulted in the recognition of an accounting gain of approximately \$252,000 during 2008, and future debt service payments are reduced by the net present value of approximately \$1,099,693. Defeased debt that remains on the 1998 Series Bonds was \$10,950,000 at June 30, 2014. The principal and interest on the 2008 Series Bonds are paid primarily from property tax levies. The bonds bear an interest rate of 5.0 percent and have remaining annual maturities ranging from \$1,305,000 to \$1,315,000. The bonds mature in 2022.

Series Bonds, 2006 - The College issued \$16,515,000 in general obligation bonds (2006 Series Bonds) with an average interest rate of 4.45 percent. The 2006 Series Bonds were issued to advance refund outstanding 1996 Series Bonds with an average interest rate of 5.35 percent and \$2,455,000 was issued to advance refund a portion of the outstanding 1999 Series Bonds with an average interest rate of 5.0 percent. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the 1996 and 1999 Series Bonds. As a result, the 1996 and a portion of the 1999 Series Bonds are considered to be defeased, and the liability for the bonds has been removed from the statement of net position. Defeased debt that remains on the 1996 and 1999 Series Bonds was \$7,815,000 at June 30, 2014. The principal and interest on the 2006 Series Bonds are paid primarily from property tax levies. The bonds bear interest at rates from 4.0 percent to 5.0 percent and have remaining annual maturities ranging from \$1,210,000 to \$1,765,000. The bonds mature in 2019.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 7 - Long-term Obligations (Continued)

Capital Leases - During 2014, 2013, 2012, 2011, and 2009, the College acquired copier and printer systems under various capital lease agreements. Payments of \$253,266 are due annually. The systems are included in capital assets at a cost of \$1,154,876 and have recorded accumulated depreciation of \$773,419 as of June 30, 2014.

Total principal and interest maturities on the bonds payable as of June 30, 2014 are as follows:

| Years Ending June 30 | Debt Obligations | | | Lease Obligations | | |
|-------------------------|----------------------|----------------------|----------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 5,465,000 | \$ 2,558,418 | \$ 8,023,418 | \$ 253,226 | \$ 11,265 | \$ 264,491 |
| 2016 | 5,025,000 | 2,339,238 | 7,364,238 | 64,571 | 943 | 65,514 |
| 2017 | 5,220,000 | 2,136,728 | 7,356,728 | 19,830 | 151 | 19,981 |
| 2018 | 5,460,000 | 1,923,884 | 7,383,884 | - | - | - |
| 2019 | 5,695,000 | 1,682,144 | 7,377,144 | - | - | - |
| 2020-2024 | 16,765,000 | 5,451,228 | 22,216,228 | - | - | - |
| 2025-2029 | 12,160,000 | 2,554,285 | 14,714,285 | - | - | - |
| 2030-2032 | 5,510,000 | 441,000 | 5,951,000 | - | - | - |
| Total | <u>\$ 61,300,000</u> | <u>\$ 19,086,925</u> | <u>\$ 80,386,925</u> | <u>\$ 337,627</u> | <u>\$ 12,359</u> | <u>\$ 349,986</u> |

Cash Paid for Interest - Cash paid for interest was approximately \$1,750,000 and \$3,041,000 for the years ended June 30, 2014 and 2013, respectively.

Michigan Job Training Grants - During 2010, the College became involved in the Michigan New Jobs Training Program. The Michigan New Jobs Training Program was created by State of Michigan Public Acts 359 and 360 of 2008 and provides the ability for community college districts to enter into agreements with employers to (1) provide education and training to workers in order to create new jobs and (2) to establish a funding mechanism to pay for the education and training. In connection with this program, the College has entered into agreements with various local employers for the purpose of establishing projects to educate and train certain persons employed in new jobs. The local employers prepay training costs to the College and the College subsequently issues noninterest-bearing revenue bonds payable to the employers equal to the prepayments. The employer remits state income tax withholdings for these new employees directly to the College. The College then remits these withholdings back to the employer on a quarterly basis to reimburse the company for the costs of training, thus reducing bonds payable. As of June 30, 2014, the College has outstanding bonds payable to various employers of \$800,062. The bonds mature at various dates through 2030.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 7 - Long-term Obligations (Continued)

Accrued Employee Leave - The College provides termination benefits upon departure from the College resulting from unused sick time and years of service and defined by each respective labor contract and administrative policy under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible and certain assumptions are used to determine probability of reaching the criteria required for eligibility. Included in the current portion of the accrual is earned but not used vacation and amounts to be provided to employees that will be retiring in the upcoming fiscal year.

Note 8 - Retirement Plans

Defined Benefit Plan

Plan Description - The College participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for MPSERS. That report may be obtained by writing to MPSERS at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671.

Pension Benefits - Employer contributions to the pension system result from the effects of implementing the School Finance Reform Act. Under these procedures, the College is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rates for plan members ranged from 15.44 to 18.34 percent of covered payroll for the period from July 1, 2013 through June 30, 2014 based on the plan option selected. The plan options include Basic, Member Investment Plan (MIP), MIP Fixed, MIP Graded, MIP Plus, Pension Plus; beginning February 1, 2013, employees could transition to a defined contribution plan (DC) and could elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF) depending upon their date of hire and retirement plan election. Depending on the plan selected, plan member contributions range from 0 percent up to 6 percent of gross wages. Plan members electing into the DC plan are not required to make additional contributions. The College's required and actual pension contributions to the plan for the years ended June 30, 2014, 2013, and 2012 were \$11,103,000, \$9,129,000, and \$7,683,000, respectively.

Note 8 - Retirement Plans (Continued)

Postemployment Benefits - Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. The employer contribution rate ranged from 8.18 percent to 9.11 percent for the period from October 1, 2012 through September 30, 2013, and 5.52 to 6.45 percent of covered payroll for the period from October 1, 2013 through September 30, 2014, dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The College's required and actual contributions to the plan for retiree healthcare benefits for the years ended July 30, 2014, 2013, and 2012 were \$3,887,000, \$4,739,000, and \$4,326,000, respectively.

Optional Defined Contribution Plan

The College also has established an Optional Retirement Plan (ORP) in addition to the MPSERS plan as required by State law. Eligible employees may elect to participate in the MPSERS plan or join the ORP. Eligible employees are defined as full-time faculty and professional staff. Participants are immediately vested in the ORP, which requires an employer and employee contribution of 12.00 percent and 3.00 percent, respectively. In general, a participant may request payment of benefits at any time after total disability, termination of employment, or age 65 unless deferred until age 70½. College contributions to the ORP were approximately \$1,193,000 and \$1,303,000 for the years ended June 30, 2014 and 2013, respectively.

Grand Rapids Community College

Notes to Financial Statements June 30, 2014 and 2013

Note 9 - Risk Management

The College is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The College has purchased commercial insurance for property loss, errors and omissions, and medical benefits provided to employees and claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - State Building Authority

The State of Michigan partially funded the construction of the Calkins Science Center with \$15,040,000 of bonds issued by the State Building Authority (SBA) and the main building renovations with \$3,000,000 of bonds issued by the SBA. The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to an agreement entered into between the SBA, the State of Michigan, and the College. During the lease term, the SBA will hold title to the buildings, the State of Michigan will make all lease payments to the SBA and the College will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer the titles of the buildings to the College.

Note 11 - Foundation Restricted Net Assets

Foundation net assets were restricted for the following purposes:

| | June 30, 2014 | | June 30, 2013 | |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Temporarily Restricted | Permanently Restricted | Temporarily Restricted | Permanently Restricted |
| Capital campaigns | \$ 4,191,344 | \$ - | \$ 10,688,020 | \$ - |
| Other capital related | 3,736,603 | - | 3,734,780 | - |
| Tech Center capital campaign | 1,097,476 | - | 980,398 | - |
| Scholarships and other | 11,468,365 | 6,496,978 | 9,524,543 | 6,496,978 |
| Total | \$ 20,493,788 | \$ 6,496,978 | \$ 24,927,741 | \$ 6,496,978 |

Note 12 - Upcoming Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments participating in multiemployer defined benefit pension plans to recognize their share of the unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known; however, if we approximate the liability based on the actuarial accrued liability and allocated based on covered payroll, this computes to a liability of approximately \$147 million. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Supplemental Information

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Grand Rapids Community College

| | General Fund | Designated Fund | Auxiliary Fund | Expendable Restricted Fund |
|---|----------------------|---------------------|---------------------|-------------------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 28,947,576 | \$ 1,200,115 | \$ 2,245,580 | \$ - |
| Accounts receivable - Net | 6,535,960 | 229,659 | 41,662 | 451,894 |
| Prepaid expenses and other current assets | 232,750 | 1,970 | 26,969 | - |
| Due (to) from other funds | (12,025,213) | 2,352,463 | 4,444,634 | 95,638 |
| Total current assets | 23,691,073 | 3,784,207 | 6,758,845 | 547,532 |
| Noncurrent assets: | | | | |
| Investments designated for capital projects | - | - | - | - |
| Accounts receivable - Net | - | - | - | - |
| Long-term investments | 8,498,645 | - | - | - |
| Unamortized bond discounts | - | - | - | - |
| Capital assets - Net | - | - | - | - |
| Total noncurrent assets | 8,498,645 | - | - | - |
| Total assets | 32,189,718 | 3,784,207 | 6,758,845 | 547,532 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 2,101,184 | 72,699 | 118,895 | 324,566 |
| Accrued salaries and related amounts | 10,235,548 | 88,783 | 41,457 | 222,966 |
| Unearned revenue | 4,458,388 | - | - | - |
| Interest payable | - | - | - | - |
| Long-term obligations - Current | 2,217,609 | - | - | - |
| Deposits held in custody for others | - | - | - | - |
| Total current liabilities | 19,012,729 | 161,482 | 160,352 | 547,532 |
| Noncurrent liabilities - Long-term obligations - Net of current portion | 2,055,474 | - | - | - |
| Total liabilities | 21,068,203 | 161,482 | 160,352 | 547,532 |
| Net Position | | | | |
| Net investment in capital assets | - | - | - | - |
| Unrestricted | 11,121,515 | 3,622,725 | 6,598,493 | - |
| Total net position | <u>\$ 11,121,515</u> | <u>\$ 3,622,725</u> | <u>\$ 6,598,493</u> | <u>\$ -</u> |

Combining Statement of Net Position June 30, 2014

| Agency Fund | Plant Fund | Total | Eliminations | Combined Total |
|----------------|----------------------|--------------------|--------------|----------------------|
| \$ 168,698 | \$ 5,384,800 | 37,946,769 | \$ - | \$ 37,946,769 |
| - | 38,000 | 7,297,175 | - | 7,297,175 |
| - | - | 261,689 | - | 261,689 |
| <u>223,326</u> | <u>4,909,152</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 392,024 | 10,331,952 | 45,505,633 | - | 45,505,633 |
| - | 12,489,274 | 12,489,274 | - | 12,489,274 |
| - | 621,504 | 621,504 | - | 621,504 |
| - | - | 8,498,645 | - | 8,498,645 |
| - | 301,424 | 301,424 | - | 301,424 |
| <u>-</u> | <u>124,285,921</u> | <u>124,285,921</u> | <u>-</u> | <u>124,285,921</u> |
| <u>-</u> | <u>137,698,123</u> | <u>146,196,768</u> | <u>-</u> | <u>146,196,768</u> |
| 392,024 | 148,030,075 | 191,702,401 | - | 191,702,401 |
| 9,632 | 5,609,790 | 8,236,766 | - | 8,236,766 |
| - | - | 10,588,754 | - | 10,588,754 |
| - | - | 4,458,388 | - | 4,458,388 |
| - | 461,718 | 461,718 | - | 461,718 |
| - | 5,703,669 | 7,921,278 | - | 7,921,278 |
| <u>382,392</u> | <u>-</u> | <u>382,392</u> | <u>-</u> | <u>382,392</u> |
| 392,024 | 11,775,177 | 32,049,296 | - | 32,049,296 |
| <u>-</u> | <u>58,811,799</u> | <u>60,867,273</u> | <u>-</u> | <u>60,867,273</u> |
| <u>392,024</u> | <u>70,586,976</u> | <u>92,916,569</u> | <u>-</u> | <u>92,916,569</u> |
| - | 68,849,277 | 68,849,277 | - | 68,849,277 |
| <u>-</u> | <u>8,593,822</u> | <u>29,936,555</u> | <u>-</u> | <u>29,936,555</u> |
| <u>\$ -</u> | <u>\$ 77,443,099</u> | <u>98,785,832</u> | <u>\$ -</u> | <u>\$ 98,785,832</u> |

Grand Rapids Community College

| | General Fund | Designated Fund | Auxiliary Fund | Expendable Restricted Fund |
|---|----------------------|---------------------|---------------------|-------------------------------|
| Operating Revenue | | | | |
| Tuition and fees - Net of scholarship allowance | \$ 56,360,258 | \$ - | \$ - | \$ - |
| Federal grants and contracts | - | - | - | 5,117,928 |
| State grants and contracts | - | - | - | 1,641,897 |
| Private gifts, grants, and contracts | - | - | - | 604,685 |
| Sales and services of auxiliary activities | - | - | 5,214,235 | - |
| Seminars, workshops, and other revenue | 1,647,677 | 2,782,613 | - | - |
| Total operating revenue | 58,007,935 | 2,782,613 | 5,214,235 | 7,364,510 |
| Operating Expenses | | | | |
| Instruction | 54,696,690 | 1,469,034 | - | 750,830 |
| Public service | 1,306,244 | 321,523 | - | 4,690,274 |
| Instructional support | 14,072,565 | 48,375 | - | 139,365 |
| Student services | 9,436,747 | 858,509 | 4,398,122 | 28,500,475 |
| Institutional administration | 12,003,893 | 725,909 | - | 209,615 |
| Physical plant operations | 12,865,111 | 23,201 | - | 29,564 |
| Depreciation | - | - | - | - |
| Total operating expenses | 104,381,250 | 3,446,551 | 4,398,122 | 34,320,123 |
| Operating (Loss) Income | (46,373,315) | (663,938) | 816,113 | (26,955,613) |
| Nonoperating Revenue (Expenses) | | | | |
| State appropriations | 20,604,846 | - | - | - |
| Property taxes | 28,448,255 | - | - | - |
| Pell revenue | - | - | - | 25,809,531 |
| Interest income | 186,861 | - | - | - |
| Interest expense on bonds | - | - | - | - |
| Current fund expenditures for capital assets | - | - | - | - |
| Unrealized gain (loss) on investments | 96,375 | - | - | - |
| Contributions | - | - | - | - |
| Other revenue | - | - | - | - |
| Net nonoperating revenue (expenses) | 49,336,337 | - | - | 25,809,531 |
| Increase (Decrease) in Net Position - Before transfers | 2,963,022 | (663,938) | 816,113 | (1,146,082) |
| Transfers - Mandatory and nonmandatory | (2,963,022) | 696,940 | (900,000) | 1,146,082 |
| Increase (Decrease) in Net Position | - | 33,002 | (83,887) | - |
| Net Position - Beginning of year | 11,121,515 | 3,589,723 | 6,682,380 | - |
| Net Position - End of year | <u>\$ 11,121,515</u> | <u>\$ 3,622,725</u> | <u>\$ 6,598,493</u> | <u>\$ -</u> |

**Combining Statement of Revenue, Expenses, and
Changes in Net Position
Year Ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)**

| Plant Fund | Total | Eliminations | 2014 | 2013 |
|----------------------|----------------------|-----------------|----------------------|----------------------|
| \$ - | \$ 56,360,258 | \$ (15,333,115) | \$ 41,027,143 | \$ 40,691,204 |
| - | 5,117,928 | - | 5,117,928 | 6,105,781 |
| - | 1,641,897 | - | 1,641,897 | 1,929,100 |
| - | 604,685 | - | 604,685 | 372,250 |
| - | 5,214,235 | (941,773) | 4,272,462 | 4,412,709 |
| - | 4,430,290 | - | 4,430,290 | 4,336,312 |
| - | 73,369,293 | (16,274,888) | 57,094,405 | 57,847,356 |
| - | 56,916,554 | (373,150) | 56,543,404 | 55,903,867 |
| - | 6,318,041 | (36,861) | 6,281,180 | 6,605,393 |
| - | 14,260,305 | (149,199) | 14,111,106 | 14,118,149 |
| - | 43,193,853 | (15,600,671) | 27,593,182 | 29,359,422 |
| - | 12,939,417 | (104,975) | 12,834,442 | 13,673,634 |
| 152,591 | 13,070,467 | (1,305,755) | 11,764,712 | 12,554,914 |
| 5,830,857 | 5,830,857 | - | 5,830,857 | 5,693,906 |
| 5,983,448 | 152,529,494 | (17,570,611) | 134,958,883 | 137,909,285 |
| (5,983,448) | (79,160,201) | 1,295,723 | (77,864,478) | (80,061,929) |
| - | 20,604,846 | - | 20,604,846 | 18,639,437 |
| 7,496,801 | 35,945,056 | - | 35,945,056 | 35,438,955 |
| - | 25,809,531 | - | 25,809,531 | 28,898,519 |
| 119,171 | 306,032 | - | 306,032 | 431,437 |
| (1,750,066) | (1,750,066) | - | (1,750,066) | (3,041,237) |
| 1,295,723 | 1,295,723 | (1,295,723) | - | - |
| (87,114) | 9,261 | - | 9,261 | (304,322) |
| 6,242,000 | 6,242,000 | - | 6,242,000 | 1,118,184 |
| 2,782,780 | 2,782,780 | - | 2,782,780 | 2,896,532 |
| 16,099,295 | 91,245,163 | (1,295,723) | 89,949,440 | 84,077,505 |
| 10,115,847 | 12,084,962 | - | 12,084,962 | 4,015,576 |
| 2,020,000 | - | - | - | - |
| 12,135,847 | 12,084,962 | - | 12,084,962 | 4,015,576 |
| 65,307,252 | 86,700,870 | - | 86,700,870 | 82,685,294 |
| \$ 77,443,099 | \$ 98,785,832 | \$ - | \$ 98,785,832 | \$ 86,700,870 |

Grand Rapids Community College

Schedule of General Fund Revenue, Expenses, and Transfers - Budget to Actual Year Ended June 30, 2014

| | Actual | Final Authorized Budget | Variance Favorable (Unfavorable) |
|---|---------------|-------------------------------|--|
| Revenue | | | |
| Student tuition and fees | \$ 56,360,258 | \$ 56,268,430 | \$ 91,828 |
| Property taxes | 28,448,255 | 28,189,895 | 258,360 |
| State operating appropriations | 20,604,846 | 20,597,906 | 6,940 |
| Interest income | 186,861 | 190,000 | (3,139) |
| Seminars, workshops, and other revenue | 1,744,052 | 1,655,000 | 89,052 |
| Total revenue | 107,344,272 | 106,901,231 | 443,041 |
| Expenditures and Transfers | | | |
| Instruction | 54,696,690 | 55,797,542 | 1,100,852 |
| Public service | 1,306,244 | 1,332,534 | 26,290 |
| Instructional support | 14,072,565 | 14,355,796 | 283,231 |
| Student services | 9,436,747 | 9,626,676 | 189,929 |
| Institutional administration | 12,003,893 | 12,245,489 | 241,596 |
| Physical plant operations | 12,865,111 | 13,124,041 | 258,930 |
| Total expenditures | 104,381,250 | 106,482,078 | 2,100,828 |
| Transfers from (to) General Fund | | | |
| Designated fund support | 696,940 | 69,153 | (627,787) |
| Auxiliary activity fund support | (900,000) | (900,000) | - |
| Expendable restricted fund support | 1,146,082 | 1,250,000 | 103,918 |
| Maintenance, equipment, and technology support | 2,020,000 | - | (2,020,000) |
| Total transfers | 2,963,022 | 419,153 | (2,543,869) |
| Total expenditures and transfers | 107,344,272 | 106,901,231 | (443,041) |
| Revenue over expenditures and transfers | \$ - | \$ - | \$ - |

Grand Rapids Community College

Schedule of Changes in Designated Fund Year Ended June 30, 2014

| | Net Position at July 1, 2013 | Revenue | Expenditures | Transfers In | Net Position at June 30, 2014 |
|---------------------------------|------------------------------------|---------------------|---------------------|-------------------|-------------------------------------|
| Arts outreach program | \$ 8,406 | \$ 69,486 | \$ 81,137 | \$ 11,400 | \$ 8,155 |
| Training solutions | 24,625 | 1,688,994 | 1,876,204 | 260,508 | 97,923 |
| Diversity lecture series | 27,051 | 40,162 | 70,688 | 15,000 | 11,525 |
| Ford concessions | 20,720 | 30,513 | 33,459 | - | 17,774 |
| Ford equipment | 181,707 | 69,511 | 61,780 | - | 189,438 |
| HED programs | 151,601 | 147,068 | 107,187 | - | 191,482 |
| Institutional research | 50,856 | 89,328 | 109,485 | - | 30,699 |
| Auto technologies | 22,578 | 33,774 | 44,117 | - | 12,235 |
| Occupational training | 265,658 | 33,566 | 17,538 | (260,508) | 21,178 |
| Older learners center | 2,711 | 1,717 | 97,355 | 95,874 | 2,947 |
| Precollege program | 17,011 | - | 2,774 | 4,750 | 18,987 |
| Student activities and programs | (7,318) | 112,198 | 162,908 | 56,894 | (1,134) |
| Strategic leadership team | 191,193 | - | 117,736 | 68,800 | 142,257 |
| Budget stabilization | 1,631,011 | - | - | 301,086 | 1,932,097 |
| Other designated programs | 1,001,913 | 466,296 | 664,183 | 143,136 | 947,162 |
| Total | \$ 3,589,723 | \$ 2,782,613 | \$ 3,446,551 | \$ 696,940 | \$ 3,622,725 |

Grand Rapids Community College

Schedule of Changes in Auxiliary Fund Year Ended June 30, 2014

| | Bookstore | Food Service | Parking | Printing Services | Total |
|--|---------------------|-------------------|---------------------|----------------------|---------------------|
| Revenue | | | | | |
| Sales and fees | \$ 672,662 | \$ 1,248,071 | \$ 2,120,633 | \$ 1,172,869 | \$ 5,214,235 |
| Interest income | - | - | - | - | - |
| Total revenue | 672,662 | 1,248,071 | 2,120,633 | 1,172,869 | 5,214,235 |
| Expenditures | | | | | |
| Cost of sales | - | 897,585 | 1,289,425 | 752,272 | 2,939,282 |
| Salaries, wages, and benefits | 39,038 | 300,569 | 203,160 | 616,192 | 1,158,959 |
| Capital outlay | 51,097 | - | 39,009 | 8,088 | 98,194 |
| Other operating expenses | 201,687 | - | - | - | 201,687 |
| Total expenditures | 291,822 | 1,198,154 | 1,531,594 | 1,376,552 | 4,398,122 |
| Transfers Out | 350,000 | 100,000 | 450,000 | - | 900,000 |
| Total expenditures and transfers out | 641,822 | 1,298,154 | 1,981,594 | 1,376,552 | 5,298,122 |
| Excess of Revenue Over (Under) Expenditures and Transfers Out | 30,840 | (50,083) | 139,039 | (203,683) | (83,887) |
| Net Position - July 1, 2013 | 2,518,304 | 494,458 | 3,244,202 | 425,416 | 6,682,380 |
| Net Position - June 30, 2014 | <u>\$ 2,549,144</u> | <u>\$ 444,375</u> | <u>\$ 3,383,241</u> | <u>\$ 221,733</u> | <u>\$ 6,598,493</u> |

Grand Rapids Community College

Schedule of Changes in Expendable Restricted Fund Year Ended June 30, 2014

| | Net Position at July 1, 2013 | Revenue | Expenditures | Transfers In | Net Position at June 30, 2014 |
|---|------------------------------------|----------------------|----------------------|---------------------|-------------------------------------|
| Specially funded: | | | | | |
| Early Childhood | \$ - | \$ 374,068 | \$ 418,638 | \$ 44,570 | \$ - |
| Employment Service/Trade Act | - | 1,525,392 | 1,525,392 | - | - |
| Kellogg Foundation | - | 268,381 | 275,663 | 7,282 | - |
| Jobs, Education, Training | - | 361,311 | 361,311 | - | - |
| Learning Corners | - | 179,475 | 179,475 | - | - |
| Michigan New Jobs Training | - | 1,150,198 | 1,150,198 | - | - |
| Motorcycle Safety Program | - | 173,498 | 173,498 | - | - |
| Older Learner | - | 44,960 | 44,960 | - | - |
| Pathways to Prosperity | - | 68,663 | 68,663 | - | - |
| Student Support Services | - | 388,631 | 476,718 | 88,087 | - |
| Michigan Coalition for Advanced Manufacturing | - | 215,601 | 215,601 | - | - |
| Title III Grant | - | 371,487 | 487,893 | 116,406 | - |
| Upward Bound | - | 299,632 | 299,632 | - | - |
| Vocational Education | - | 756,429 | 1,644,691 | 888,262 | - |
| Miscellaneous - Other | - | 296,732 | 296,732 | - | - |
| Total | - | 6,474,458 | 7,619,065 | 1,144,607 | - |
| Student financial aid: | | | | | |
| Federal Pell Grant Program | - | 25,809,531 | 25,809,531 | - | - |
| Federal Supplemental Education Opportunity Grant Program | - | - | - | - | - |
| Federal Work Study | - | 428,269 | 428,269 | - | - |
| | - | 461,783 | 463,258 | 1,475 | - |
| Total | \$ - | \$ 33,174,041 | \$ 34,320,123 | \$ 1,146,082 | \$ - |

Grand Rapids Community College

Schedule of Bonded Debt Year Ended June 30, 2014

| | Series 2006 | | Series 2008 | | Series 2009 | | Series 2012 | | Series 2012 (Facilities) | | Series 2013 | | Total | |
|--------------|---------------------|---------------------|----------------------|---------------------|----------------------|---------------------|---------------------|-------------------|--------------------------|----------------------|---------------------|-------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 1,765,000 | \$ 358,700 | \$ 1,305,000 | \$ 525,250 | \$ 400,000 | \$ 393,528 | \$ 485,000 | \$ 148,756 | \$ 930,000 | \$ 1,054,718 | \$ 580,000 | \$ 77,466 | \$ 5,465,000 | \$ 2,558,418 |
| 2016 | 1,210,000 | 270,450 | 1,310,000 | 460,000 | 450,000 | 382,790 | 510,000 | 134,206 | 965,000 | 1,017,518 | 580,000 | 74,274 | 5,025,000 | 2,339,238 |
| 2017 | 1,315,000 | 209,950 | 1,315,000 | 394,500 | 500,000 | 369,628 | 510,000 | 113,806 | 1,005,000 | 978,918 | 575,000 | 69,926 | 5,220,000 | 2,136,728 |
| 2018 | 1,490,000 | 144,200 | 1,315,000 | 328,750 | 550,000 | 354,060 | 510,000 | 93,406 | 1,045,000 | 938,718 | 550,000 | 64,750 | 5,460,000 | 1,923,884 |
| 2019 | 1,640,000 | 69,700 | 1,315,000 | 263,000 | 600,000 | 336,220 | 505,000 | 73,006 | 1,100,000 | 886,468 | 535,000 | 53,750 | 5,695,000 | 1,682,144 |
| 2020 | - | - | 1,315,000 | 197,250 | 650,000 | 315,980 | 505,000 | 52,806 | 1,155,000 | 831,468 | 535,000 | 43,050 | 4,160,000 | 1,440,554 |
| 2021 | - | - | 1,315,000 | 131,500 | 700,000 | 291,940 | 505,000 | 32,606 | 1,210,000 | 773,718 | 535,000 | 27,000 | 4,265,000 | 1,256,764 |
| 2022 | - | - | 1,315,000 | 65,750 | 725,000 | 266,050 | 200,000 | 12,406 | 1,270,000 | 713,218 | 365,000 | 10,950 | 3,875,000 | 1,068,374 |
| 2023 | - | - | - | - | 750,000 | 237,822 | 205,000 | 6,406 | 1,335,000 | 649,718 | - | - | 2,290,000 | 893,946 |
| 2024 | - | - | - | - | 775,000 | 208,622 | - | - | 1,400,000 | 582,968 | - | - | 2,175,000 | 791,590 |
| 2025 | - | - | - | - | 800,000 | 177,691 | - | - | 1,470,000 | 512,968 | - | - | 2,270,000 | 690,659 |
| 2026 | - | - | - | - | 825,000 | 145,763 | - | - | 1,530,000 | 454,168 | - | - | 2,355,000 | 599,931 |
| 2027 | - | - | - | - | 850,000 | 110,906 | - | - | 1,580,000 | 402,532 | - | - | 2,430,000 | 513,438 |
| 2028 | - | - | - | - | 875,000 | 74,985 | - | - | 1,635,000 | 347,232 | - | - | 2,510,000 | 422,217 |
| 2029 | - | - | - | - | 900,000 | 38,034 | - | - | 1,695,000 | 290,006 | - | - | 2,595,000 | 328,040 |
| 2030 | - | - | - | - | - | - | - | - | 1,755,000 | 228,562 | - | - | 1,755,000 | 228,562 |
| 2031 | - | - | - | - | - | - | - | - | 1,845,000 | 140,812 | - | - | 1,845,000 | 140,812 |
| 2032 | - | - | - | - | - | - | - | - | 1,910,000 | 71,626 | - | - | 1,910,000 | 71,626 |
| Total | \$ 7,420,000 | \$ 1,053,000 | \$ 10,505,000 | \$ 2,366,000 | \$ 10,350,000 | \$ 3,704,019 | \$ 3,935,000 | \$ 667,404 | \$ 24,835,000 | \$ 10,875,336 | \$ 4,255,000 | \$ 421,166 | \$ 61,300,000 | \$ 19,086,925 |