

**CAPE COD COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

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**FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Financial Statements and  
Management's Discussion and Analysis**

**June 30, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Cape Cod Community College  
West Barnstable, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of Cape Cod Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statements of net position as of June 30, 2014 and 2013, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the statements of financial position of Cape Cod Community College Educational Foundation, Inc. (the "Foundation") as of June 30, 2014 and 2013, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

### 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.

### Auditors' 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.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Cape Cod Community College as of June 30, 2014 and 2013, and the respective changes in net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of Cape Cod Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Cape Cod Community College's internal control over financial reporting and compliance.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

October 14, 2014



# **CAPE COD COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Management's Discussion and Analysis (Unaudited)**

**June 30, 2014 and 2013**

The following discussion and analysis provides management's view of the financial position of Cape Cod Community College (the "College") as of June 30, 2014, 2013 and 2012, and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes that are presented in this document.

The College is a public institution of higher education in Massachusetts serving approximately 5,700 students, with 68 full-time faculty and 150 full-time staff members. The main campus is located in West Barnstable and a center is located in downtown Hyannis. The College also offers courses at Joint Base Cape Cod, Martha's Vineyard & Woods Hole, and Plymouth North High School. The College currently offers 26 Associate in Arts degrees, 17 Associate in Science degrees and 45 career-building academic certificates in a wide variety of program areas. In addition, the College has a number of partnerships with several public and private institutions that offer Bachelor's and Master's degree programs on the main campus.

### **Financial Highlights**

The fiscal year 2014 state unrestricted appropriation of \$13,441,103 reflects a \$1,127,762 increase over last year's appropriation of \$12,313,341. The increase is primarily due to several factors: a \$276,537 increase in state funded fringe benefit costs, \$343,833 from the new statewide performance-based funding formula, and a \$393,071 increase over last year's supplemental appropriation to cover collective bargaining costs. In addition, the Governor reduced the fiscal year 2013 appropriation by \$98,238 under Section 9C fiscal exigencies powers whereas no 9C cuts occurred in fiscal year 2014.

State restricted appropriation for fiscal year 2014 was \$301,473, which was \$89,318 higher than last year's appropriation of \$212,155. The increase is primarily due to receiving additional funds for the Vision project; a statewide initiative to support first year student's success and retention. Capital appropriations increased by \$106,453 due to a special appropriation from the Division of Capital Asset Management to remove asbestos floor tiles from several buildings.

During fiscal year 2014, major capital improvements approximated \$1.4 million. The Nickerson archives renovation was completed in the fall with funding from the National Endowment for the Humanities, the Educational Foundation and the College. Asbestos abatement occurred in several buildings with funding provided by the Division of Capital Asset Management and a regional energy company funded the parking lot lighting upgrades. The college is also nearing completion on a major network upgrade and a new boardroom with anticipated completion this fall.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Financial Highlights - Continued**

The College's Board of Trustees voted to increase several fees effective beginning with the fall 2014 semester. Tuition and fees will increase to \$171 from \$167 per credit hour. The increase represents \$2 per credit hour for general operations and \$2 per credit hour for facilities maintenance and improvements. The technology fee was changed from a flat \$40 per student per semester to a per credit hour charge of \$4.50. A per credit hour fee of \$25 was instituted for students in the Health Science programs to help offset the high cost. All courses requiring a science lab will now be charged \$25 per course to help the college defray part of the additional costs associated with expensive supplies. A transcript fee was established to help defray direct costs associated with this service. Project forward program fees increased \$135 per semester to cover increasing costs, and lastly, facilities use fees increased to bring us in line with competing venues.

The Board continues to recognize that some students may have difficulty paying their tuition and fees therefore they designated \$465,000 in the fiscal year 2014 operating budget towards need based student financial aid awards.

At June 30, 2014 and 2013, the College's assets of \$26,178,188 and \$26,956,716 exceeded its liabilities of \$6,430,835 and \$6,520,513 by the amounts shown below. The resulting net assets are summarized into the following categories:

	<u>2014</u>		<u>2013</u>		<u>2012</u>
Invested in capital assets, net of related debt	\$ 13,256,993	\$	13,175,491	\$	11,876,580
Restricted, nonexpendable	20,000		20,000		20,000
Unrestricted	<u>6,470,360</u>		<u>7,240,712</u>		<u>7,358,923</u>
Total net assets	<u>\$ 19,747,353</u>	\$	<u>20,436,203</u>	\$	<u>19,255,503</u>

**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Financial Highlights - Continued**

Unrestricted net assets decreased in 2014 by \$770,352 and decreased by \$118,211 in fiscal year 2013. The decrease in 2014 was primarily due to using reserves for several capital projects. The decrease in 2013 was primarily due to using reserves to complete the dental hygiene renovation project. Unrestricted net assets have been designated by the College's Board of Trustees to be used for information technology, deferred maintenance, and academic equipment and materials.

**Overview of the Financial Statements**

The College's financial statements are comprised of two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities. Total operating expenses for the years ended June 30, 2014 and 2013 amounted to \$31,737,926 and \$31,190,211, while operating revenues were \$16,245,667 and \$17,496,962 respectively. The operating losses of \$15,492,259 and \$13,693,249 were offset mostly by state appropriations (considered non-operating revenues) of \$13,742,576 and \$12,525,496 respectively.

In May 2002, GASB issued Statement No. 39 of the Governmental Accounting Standards Board (GASB), *Determining Whether Certain Organizations are Component Units* (an amendment of GASB 14). GASB 39 establishes new criteria for evaluating the need to include component units of the College. The College adopted GASB 39 as of July 1, 2003.

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

**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements- Continued**

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

*The Financial Statements*

The financial statements are designed to provide readers with a broad overview of the College's finances and are comprised of three basic statements:

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

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

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

The financial statements are found on pages 15-18 of this report. The College reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The College is an agency of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net assets and cash flows, are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements- Continued**

*Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements are found on pages 19-38 of this report.

*Financial Analysis*

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. At the close of the fiscal years ended June 30, 2014 and 2013, the College's assets exceeded liabilities by \$19,747,353 and \$20,436,203 respectively. The decrease in net position of \$688,850 in fiscal year 2014 is principally due to several capital projects including a major network upgrade, various room renovations, and the purchase of a public safety vehicle.

**Cape Cod Community College's Net Assets**

	<b>June 30</b>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 7,676,134	\$ 8,640,623	\$ 12,297,077
Noncurrent assets	<u>18,502,054</u>	<u>18,316,093</u>	<u>13,113,241</u>
Total assets	<u>\$ 26,178,188</u>	<u>\$ 26,956,716</u>	<u>\$ 25,410,318</u>
Current liabilities	\$ 4,885,205	\$ 4,779,202	\$ 4,254,403
Noncurrent liabilities	<u>1,545,630</u>	<u>1,741,311</u>	<u>1,900,412</u>
Total liabilities	<u>\$ 6,430,835</u>	<u>\$ 6,520,513</u>	<u>\$ 6,154,815</u>
Net Position:			
Invested in capital assets, net of related debt	\$ 13,256,993	\$ 13,175,491	\$ 11,876,580
Restricted, nonexpendable	20,000	20,000	20,000
Unrestricted	<u>6,470,360</u>	<u>7,240,712</u>	<u>7,358,923</u>
Total net position	<u>\$ 19,747,353</u>	<u>\$ 20,436,203</u>	<u>\$ 19,255,503</u>



**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements- Continued**

*Financial Analysis – Continued*

The largest portion of the College's net position reflects its investment in capital assets (e.g., land, buildings, furnishings and equipment) including capital leases, less any related debt, used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, faculty, and administration. Although the College's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not included in the College's financial statements.

The net loss before other revenues of \$908,478 is principally due to using reserves of \$476,989 on several capital projects including a major network upgrade, various room renovations, and the purchase of a public safety vehicle. Fiscal year end accruals also contributed to this loss with increases in compensated absences due employees of \$38,737, accrued payroll of \$104,771, worker's compensation provision \$40,893, capital lease obligations \$79,605 and to unearned revenues primarily due to the STEM starter academy deferral of \$298,855, offset by adjustments to prepaid expenses of \$33,459.

**Cape Cod Community College's Changes in Net Position**

	<b>Fiscal years ended June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total operating revenues	\$ 16,245,667	\$ 17,496,962	\$ 17,460,189
Total operating expenses	<u>31,737,926</u>	<u>31,190,211</u>	<u>30,967,270</u>
Net operating loss	<b>(15,492,259)</b>	(13,693,249)	(13,507,081)
Total net non-operating revenues	<u>14,583,781</u>	<u>14,760,774</u>	<u>14,389,062</u>
Net income (loss) before other revenues	<b>(908,478)</b>	1,067,525	881,981
Capital appropriation	<u>219,628</u>	<u>113,175</u>	<u>7,880</u>
Total increase in net position	<b>(688,850)</b>	1,180,700	889,861
Net position, beginning of year	<u>20,436,203</u>	<u>19,255,503</u>	<u>18,365,642</u>
Net position, end of year	<b>\$ <u>19,747,353</u></b>	<b>\$ <u>20,436,203</u></b>	<b>\$ <u>19,255,503</u></b>

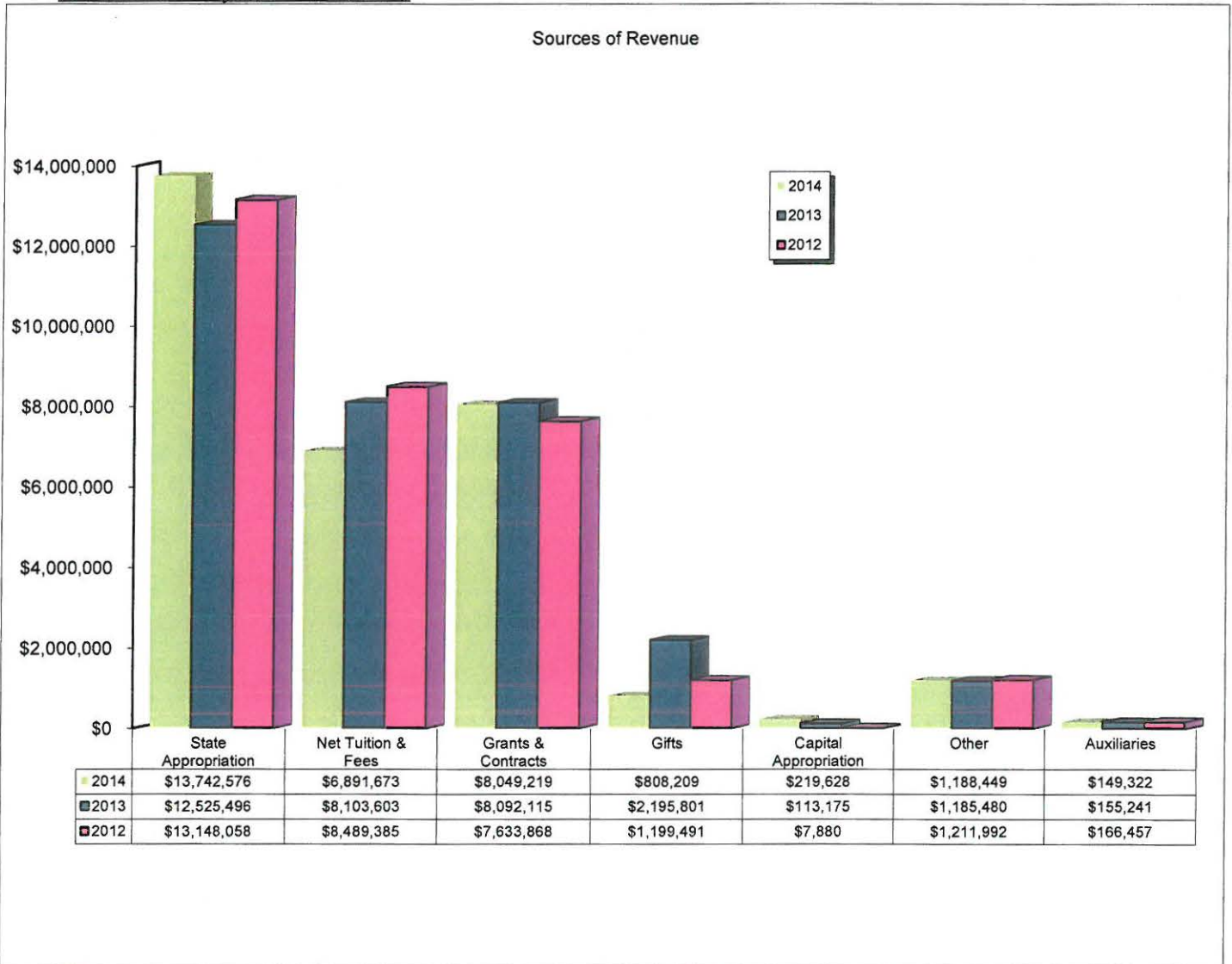
**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements - Continued**

*Financial Analysis – Continued*



**Revenues and Expenses**

The state appropriation of \$13,742,576 fiscal year 2014 reflects a \$1,217,080 increase primarily due to an increase in state funded fringe benefit costs, collective bargaining increases, and funding from the state's new performance funding formula.

**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements - Continued**

*Revenues and Expenses - Continued*

In fiscal year 2014 state appropriations accounted for 45% of operating revenues while net tuition and fees amounted to 22%. In fiscal year 2013 state appropriations accounted for 39% and net tuition and fees 25%; and in fiscal year 2012 state appropriations accounted for 42% and net tuition and fees 27%.

In fiscal year 2014, grant revenues decreased \$42,896 primarily due to a decrease in Pell funds resulting from lower enrollment. Gift revenues decreased \$1,387,592 primarily due to the completion of the dental hygiene renovation project in the prior fiscal year. Net tuition and fee revenue decreased \$1,211,930, primarily due to a 5.8% decline in credit hours enrolled.

Capital appropriations increased \$106,453 in fiscal year 2014 and increased \$105,295 in fiscal year 2013. The increase for fiscal year 2014 is primarily due to a special appropriation of \$95,000 to fund the removal and replacement of asbestos floor tiles in several campus buildings.

Viewed as a percentage of the operating budget, the significant shifts in expenditures include a 5% increase in instruction and a 10% increase in student services. Institutional support increased 18% because of year-end accruals for compensated leave, workers compensation, payroll and state chargebacks estimated by the Commonwealth. The state funded fringe benefit costs increased \$276,537 due to the state fringe benefit rate increase. The College continues to spend over 70% of its operating budget on academic and student related expenditures.

**CAPE COD COMMUNITY COLLEGE**  
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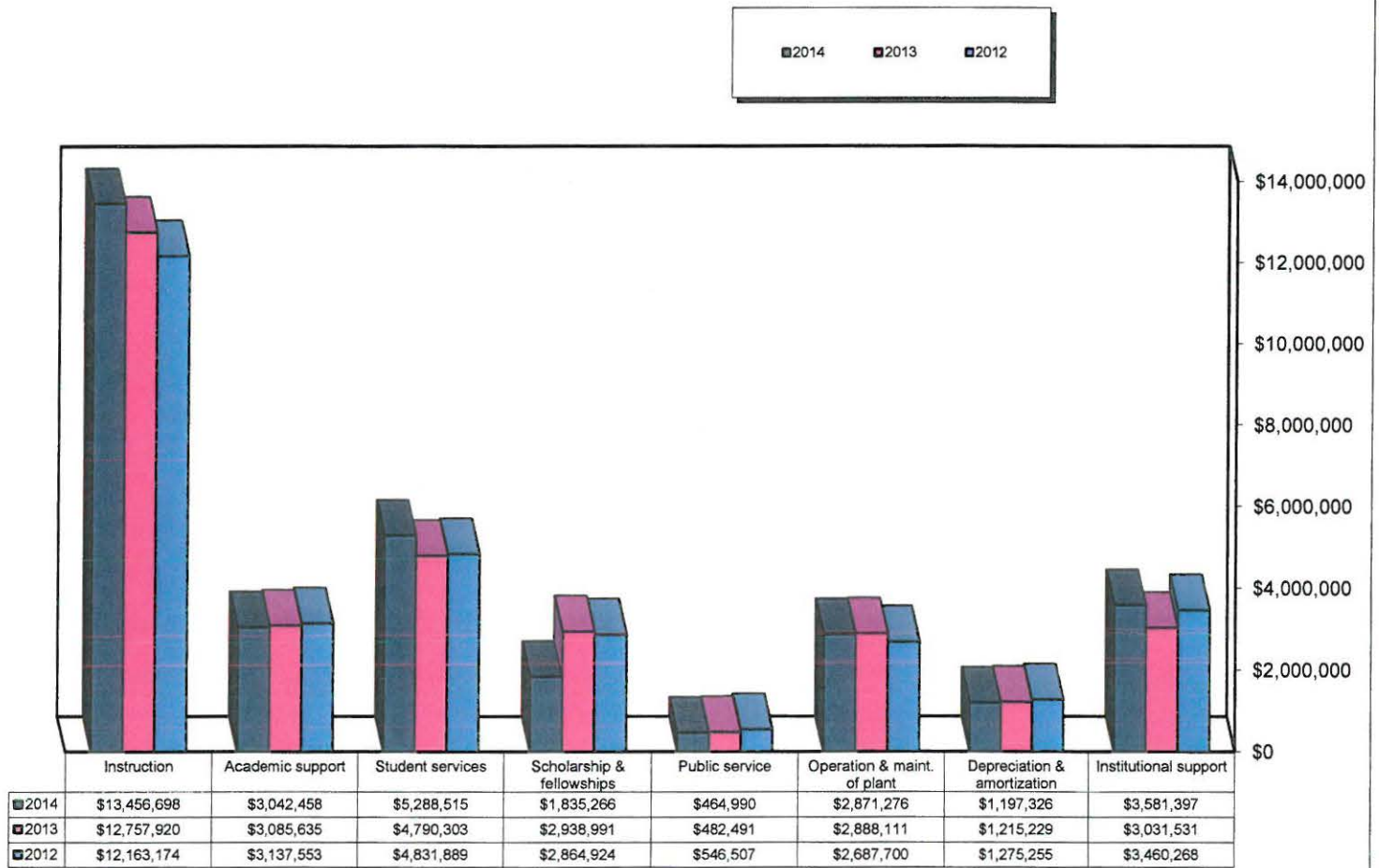
**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements – Continued**

*Revenues and Expenses - Continued*

Expenditures



**CAPE COD COMMUNITY COLLEGE**  
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**Management’s Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Overview of the Financial Statements - Continued**

*Revenues and Expenses – Continued*

Major grants and contracts received by the College for the years ended June 30, 2012 and 2011 included the following:

- **ACCESS** (Adult Collaborative of Cape Cod for Education and Support Services) at the College amounted to \$568,441 and \$568,441 as of June 30, 2014 and 2013, respectively. ACCESS offers small group instruction, individualized tutoring and computer-assisted learning opportunities for adults. Basic literacy and language instruction for beginning readers; preparation for GED (General Education Development Equivalency Diploma) examination and college and career advising are provided by experienced and sensitive staff. Non-native English speakers can enroll in beginning, intermediate, and advanced English language classes. Pronunciation and computer literacy classes are offered as needed. The program is funded by the Massachusetts Department of Elementary and Secondary Education.
- **TRIO Advantage Program** at the College amounted to \$279,381 and \$304,388 as of June 30, 2014 and 2013, respectively. The Advantage Program is a TRIO/Student Support Services program funded by the U.S. Department of Education. The funding cycle is for five years: September 1, 2010 to August 31, 2015 pending annual appropriations by Congress. Our Advantage Program serves 175 participants, two-thirds of whom must be first-generation college and low income, or have a documented disability. One third of the documented disabled must be low income as well. The remaining is either first generation or low income. Services provided include proactive academic advising, career counseling, peer mentoring, individual tutoring, financial/economic literacy, transfer and personal counseling. Community services and cultural events are also part of the program. Off-campus enrichment has included trips to New York and Boston area sites.
- **Financial Aid** awards at the College amounted to \$7,630,716 and \$7,742,968 as of June 30, 2014 and 2013 respectively. Financial aid awards are based upon a student’s financial need and the cost of attendance. In fiscal year 2014, 2,823 students received financial aid.

	2014	2013	2012
The sources of these awards:			
Federal Government	\$ 5,143,784	\$ 5,231,765	\$ 5,005,064
Commonwealth of Massachusetts	1,470,397	1,591,787	1,465,540
Grants and private donations	1,016,535	919,416	960,939
	\$ 7,630,716	\$ 7,742,968	\$ 7,431,543



**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Loss from Operations**

Due to the nature of public higher education, institutions incur a loss from operations. The Massachusetts Department of Higher Education presets tuition rates. The College's Board of Trustees sets student fees and other charges. Commonwealth appropriations to the College funded the majority of the loss from operations not covered by tuition and fees. The College, for the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to offset losses after Commonwealth appropriations.

**Non-operating Revenues and Expenses**

For "non-operating" revenues, the Commonwealth's appropriation increased by 9.7% or \$1,217,080 to \$13,742,576 in fiscal year 2014. The increase is primarily due to a \$276,537 increase in state funded fringe benefit costs, \$343,833 from the new statewide performance-based funding formula, a \$393,071 increase over last year's supplemental appropriation to cover collective bargaining costs, and \$123,712 in additional funds for the Vision project. The appropriation of \$12,525,496 decreased by 4.7% or \$622,562 in fiscal year 2013. The fiscal year 2013 decrease to the appropriation was primarily due an \$831,964 decrease in state funded fringe benefit costs, a \$98,238 9C cut by the Governor during the year and a \$319,734 supplemental appropriation received to cover collective bargaining costs.

State supported tuition remitted to the Commonwealth decreased, from \$392,136 in fiscal year 2013 to \$374,503 in fiscal year 2014 due to a decrease in enrollment. The College was able to retain \$74,577 in non-resident tuition collected during fiscal year 2014, which was then used to pay for personnel expenditures.

**Capital Assets and Noncurrent Liabilities of the College**

**Capital Assets**

The College's investment in capital assets, net of accumulated depreciation as of June 30, 2014 and 2013 amounts to \$14,394,103 and \$14,232,996, respectively. This investment in capital assets includes land, building (including improvements), furnishings and equipment (including the cost of capital leases).

The following capital investments were made during fiscal years 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Building improvements	\$ 732,740	\$ 1,011,297	\$ 321,011
Construction in progress	505,458	573,430	513,208
Furnishings and equipment	120,235	770,257	194,436
	<u>\$ 1,358,433</u>	<u>\$ 2,354,984</u>	<u>\$ 1,028,655</u>

**CAPE COD COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2014 and 2013**

**Capital Assets and Noncurrent Liabilities of the College - Continued**

**Noncurrent Liabilities**

The College's long-term liabilities consist of accruals for compensated absences, workers' compensation, and long-term portions of capital lease obligations for an energy conservation project. The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the Commonwealth's payroll. The long-term portion of capital lease obligations amounted to \$703,505 and \$880,505 net of amortized discount, as of June 30, 2014 and 2013, respectively.

**Economic Factors and Next Year's Tuition and Student Fee Rates**

Economic and budgetary conditions for Cape Cod Community College continue to be challenging. The College's Board of Trustees voted to increase several fees for the upcoming academic year. Tuition and fees will increase to \$171 from \$167 per credit hour. The increase represents \$2 per credit hour for general operations and \$2 per credit hour for facilities maintenance and improvements. The technology fee was changed from a flat \$40 per student per semester to a per credit hour charge of \$4.50. Additional fees were added in the health science programs and courses with science labs to help defray costs. The project forward program fees increased and a transcript fee was also established. Facility usage fees were increased to generate additional revenues.

**Additional Information**

In fiscal year 2015, a conservative operating budget is necessary due to the continuing downward trend in enrollment. A retention committee has identified several areas of focus in an effort to address and improve student retention. Improving enrollment, retention, and completion is critical given the increasing focus on the state's performance-based funding model. The College plans to use a portion of its reserves to complete several projects this year: a public safety office, a veteran's space, and the new boardroom. The college is also looking into the possibility of using a portion of reserves to develop a one-stop center for student services.

**Request for Information**

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mr. Walter Brooks, Vice President – Finance and Operations, Cape Cod Community College, 2240 Iyannough Road, West Barnstable, Massachusetts 02668-1599.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Statements of Net Position**

**June 30, 2014 and 2013**

**CAPE COD COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets

	<u>Primary Government</u>		<u>Component Unit</u>	
	2014	2013	2014	2013
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
<b>Current Assets:</b>				
Cash and equivalents (Note 2)	\$ 5,466,983	\$ 5,764,036	\$ 1,179,394	\$ 379,584
Cash held by state treasurer (Note 3)	989,113	1,171,197	-	-
Accounts receivable, net (Note 4)	1,067,131	1,585,942	20,958	16,564
Pledges receivable (Note 5)	-	-	64,468	66,017
Prepaid and other assets	<u>152,907</u>	<u>119,448</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>	<u>7,676,134</u>	<u>8,640,623</u>	<u>1,264,820</u>	<u>462,165</u>
<b>Non-Current Assets:</b>				
Certificates of deposit (Note 2)	4,087,951	4,063,097	-	1,042,720
Long-term investments	-	-	7,254,752	6,558,580
Pledges receivable (Note 5)	-	-	113,603	120,999
Funds held by others	20,000	20,000	-	-
Capital assets, net of accumulated depreciation (Note 6)	<u>14,394,103</u>	<u>14,232,996</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Assets</b>	<u>18,502,054</u>	<u>18,316,093</u>	<u>7,368,355</u>	<u>7,722,299</u>
<b>Total Assets</b>	<u>\$ 26,178,188</u>	<u>\$ 26,956,716</u>	<u>\$ 8,633,175</u>	<u>\$ 8,184,464</u>

Liabilities and Net Position

<b>Current Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 358,495	\$ 686,461	\$ 450,312	\$ 807,819
Accrued payroll	1,567,759	1,462,988	-	-
Compensated absences (Note 7)	1,676,624	1,582,788	-	-
Workers' compensation (Note 7)	58,401	53,926	-	-
Students' deposits and unearned revenues	475,565	767,614	-	-
Other unearned revenues	394,361	48,425	-	-
Current portion of capital lease obligation (Note 7)	<u>354,000</u>	<u>177,000</u>	<u>-</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>4,885,205</u>	<u>4,779,202</u>	<u>450,312</u>	<u>807,819</u>
<b>Non-Current Liabilities:</b>				
Compensated absences (Note 7)	609,974	665,073	-	-
Workers' compensation (Note 7)	232,151	195,733	-	-
Funds held for others	-	-	20,000	20,000
Capital lease obligations (Note 7)	<u>703,505</u>	<u>880,505</u>	<u>-</u>	<u>-</u>
<b>Total Non-Current Liabilities</b>	<u>1,545,630</u>	<u>1,741,311</u>	<u>20,000</u>	<u>20,000</u>
<b>Total Liabilities</b>	<u>6,430,835</u>	<u>6,520,513</u>	<u>470,312</u>	<u>827,819</u>
<b>Net Position:</b>				
Investment in capital assets, net	13,256,993	13,175,491	-	-
Restricted:				
Nonexpendable	20,000	20,000	5,079,410	4,662,377
Expendable	-	-	2,961,942	2,717,853
Unrestricted (Note 8)	<u>6,470,360</u>	<u>7,240,712</u>	<u>121,511</u>	<u>(23,585)</u>
<b>Total Net Position</b>	<u>19,747,353</u>	<u>20,436,203</u>	<u>8,162,863</u>	<u>7,356,645</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 26,178,188</u>	<u>\$ 26,956,716</u>	<u>\$ 8,633,175</u>	<u>\$ 8,184,464</u>

The accompanying notes are an integral part of the financial statements.

**CAPE COD COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Revenues, Expenses and Changes in Net Position**

**For the Years Ended June 30,**

	Primary Government		Component Unit	
	2014 College	2013 College	2014 Foundation	2013 Foundation
<b>Operating Revenues:</b>				
Tuition and fees	\$ 12,687,123	\$ 12,907,580	\$ -	\$ -
Less: scholarship allowances	(5,795,450)	(4,803,977)	-	-
Net student fees	6,891,673	8,103,603	-	-
Federal, state, local, and private grants and contracts	8,049,219	8,092,115	-	-
Gifts and contributions	-	-	1,102,966	885,000
Auxiliary enterprises	149,322	155,241	-	-
Other sources	1,155,453	1,146,003	-	-
<b>Total Operating Revenues</b>	<b>16,245,667</b>	<b>17,496,962</b>	<b>1,102,966</b>	<b>885,000</b>
<b>Operating Expenses (Note 10):</b>				
Instruction	13,456,698	12,757,920	-	-
Academic support	3,042,458	3,085,635	-	-
Student services	5,288,515	4,790,303	-	-
Scholarships and fellowships	1,835,266	2,938,991	64,821	111,323
Public service	464,990	482,491	-	-
Operation and maintenance of plant	2,871,276	2,888,111	-	-
Institutional support	3,581,397	3,031,531	325,820	313,388
Depreciation and amortization	1,197,326	1,215,229	-	-
<b>Total Operating Expenses</b>	<b>31,737,926</b>	<b>31,190,211</b>	<b>390,641</b>	<b>424,711</b>
<b>Net Operating Income (Loss)</b>	<b>(15,492,259)</b>	<b>(13,693,249)</b>	<b>712,325</b>	<b>460,289</b>
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations - unrestricted (Note 11)	13,441,103	12,313,341	-	-
State appropriations - restricted (Note 11)	301,473	212,155	-	-
Transfers to the college from the foundation	808,209	2,195,801	(808,209)	(2,195,801)
Net investment income	32,996	39,477	902,102	774,023
<b>Total Net Non-Operating Revenues (Expenses)</b>	<b>14,583,781</b>	<b>14,760,774</b>	<b>93,893</b>	<b>(1,421,778)</b>
<b>Net Income Before Other Revenues</b>	<b>(908,478)</b>	<b>1,067,525</b>	<b>806,218</b>	<b>(961,489)</b>
Capital appropriations (Note 11)	219,628	113,175	-	-
<b>Total Increase (Decrease) in Net Position</b>	<b>(688,850)</b>	<b>1,180,700</b>	<b>806,218</b>	<b>(961,489)</b>
Net Position, Beginning of Year	<b>20,436,203</b>	<b>19,255,503</b>	<b>7,356,645</b>	<b>8,318,134</b>
<b>Net Position, End of Year</b>	<b>\$ 19,747,353</b>	<b>\$ 20,436,203</b>	<b>\$ 8,162,863</b>	<b>\$ 7,356,645</b>

The accompanying notes are an integral part of the financial statements.



**CAPE COD COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Statements of Cash Flows**

**For the Years Ended June 30,**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and student fees	\$ 6,585,454	\$ 8,118,395
Grants and contracts	8,946,319	7,509,710
Payments to suppliers	(8,985,906)	(7,730,266)
Payments to employees	(17,035,557)	(16,271,500)
Payments to students	(1,835,266)	(2,938,991)
Other cash receipts	<u>1,286,592</u>	<u>1,239,780</u>
Net Cash Applied to Operating Activities	<u>(11,038,364)</u>	<u>(10,072,872)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriations	11,256,484	10,333,571
Tuition remitted to state	(374,503)	(392,136)
Gifts and contributions	<u>808,209</u>	<u>2,195,801</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,690,190</u>	<u>12,137,236</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital appropriation	219,628	113,175
Purchase of capital assets	(1,358,433)	(2,354,984)
Payments on capital leases	<u>-</u>	<u>(159,156)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(1,138,805)</u>	<u>(2,400,965)</u>
<b>Cash Flows from Investing Activity:</b>		
Interest on investments	<u>8,142</u>	<u>13,611</u>
<b>Net Decrease in Cash and Equivalents</b>	(478,837)	(322,990)
Cash and Equivalents, Beginning of Year	<u>6,935,233</u>	<u>7,258,223</u>
<b>Cash and Equivalents, End of Year</b>	<u>\$ 6,456,396</u>	<u>\$ 6,935,233</u>

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Net Operating Loss to</b>		
<b>Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (15,492,259)	\$ (13,693,249)
Adjustments to reconcile net loss to net cash applied to operating activities:		
Depreciation	1,197,326	1,215,229
Fringe benefits provided by the State	2,860,595	2,584,058
Changes in assets and liabilities:		
Accounts receivable	518,811	(803,172)
Prepaid and other current assets	(33,459)	99,408
Accounts payable and accrued liabilities	(327,666)	331,234
Accrued employee compensation and benefits	184,401	19,528
Students' deposits and other unearned revenues	<u>53,887</u>	<u>174,092</u>
<b>Net Cash Applied to Operating Activities</b>	<b><u>\$ (11,038,364)</u></b>	<b><u>\$ (10,072,872)</u></b>
 <b>Reconciliation of Cash and Equivalents, End of Year</b>		
Cash and equivalents	\$ 5,466,983	\$ 5,764,036
Cash held by State Treasurer	<u>989,113</u>	<u>1,171,197</u>
<b>Total</b>	<b><u>\$ 6,456,096</u></b>	<b><u>\$ 6,935,233</u></b>
 <b>Non-Cash Transactions:</b>		
Fringe benefits provided by the State	<u>\$ 2,860,595</u>	<u>\$ 2,584,058</u>
Capital appropriations	<u>\$ 219,628</u>	<u>\$ 113,175</u>
Reinvested interest on investments	<u>\$ 24,854</u>	<u>\$ 25,866</u>

*The accompanying notes are an integral part of the financial statements.*

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies**

*Organization*

Cape Cod Community College (the "College") is a state-supported comprehensive two-year college that offers an education leading to Associate degrees in the Arts and Sciences, as well as one-year certificate programs. From its primary campus located in West Barnstable, Massachusetts, along with other centers, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies and business fields of study. The College also offers, through the Division of Continuing Education, credit and noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

*Basis of Presentation and Accounting*

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

The College had determined that it functions as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements including the College's discretely presented component unit and required supplementary information. The College presents statements of net position, revenues, expenses and changes in net position, and cash flows on a combined College-wide basis.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Basis of Presentation and Accounting - Continued*

The College's policies for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

Cape Cod Community College Educational Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of Cape Cod Community College, established in November 1983. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College and acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by, or are for, the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Basis of Presentation and Accounting - Continued*

In reliance on the guidance issued by the Massachusetts Department of Higher Education, the College and its discretely presented component unit have classified the prior matching contributions from the Commonwealth of Massachusetts to the Endowment Incentive Program, as well as the underlying gift from the donor, in accordance with either the donor's original intent or this previously issued guidance. Accordingly, these amounts may be classified as restricted nonexpendable, restricted expendable, or unrestricted.

A complete copy of the financial statements for the Foundation can be obtained from the Executive Director of the Cape Cod Community College Educational Foundation, Inc. at 2240 Iyannough Road, West Barnstable, MA 02668-1599.

*Net Position*

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

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

**Restricted - nonexpendable:** Net position subject to externally imposed conditions requiring the College to maintain the funds in perpetuity.

**Restricted - expendable:** Net position that is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

**Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are designated for academic and capital programs and initiatives.

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



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Trust Funds*

In accordance with the requirements of the Commonwealth of Massachusetts, the College's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

*Cash and Equivalents*

The College considers cash held by State Treasurer and all short term debt securities purchased with maturity of three months or less to be cash equivalents.

*Investments*

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

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

*Capital Assets*

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Capital Assets - Continued*

College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The College does not have collections of historical treasures, works of art or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

Capital assets are controlled, but not owned by the College. The College is not able to sell or otherwise pledge its assets, since the assets are owned by the Commonwealth.

*Students' Deposits and Unearned Revenue*

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

*Fringe Benefits*

The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation and certain post-retirement benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers' compensation coverage to its employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

*Compensated Absences*

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2014 and 2013. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2014 and 2013. Upon retirement, these employees are entitled to receive payment for this accrued balance.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

Grants

The College receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

Allowance for Doubtful Accounts

The College periodically evaluates accounts receivable for collectability based on past history and current economic conditions.

Student Fees

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

Income Tax Status

The College is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

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



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 1 - **Summary of Significant Accounting Policies - Continued**

*New Governmental Accounting Pronouncements*

GASB 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting, but does not expect any material impact.

GASB 69, *Government Combinations and Disposals of Government Operations* is required for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting. It does not expect any material impact.

GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB 68 is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 2 - **Cash and Investments**

*Deposits and Investments*

Deposits and investments consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Cash and equivalents (including money market)	\$ <b>5,466,983</b>	\$ 5,764,036
Certificates of deposit	<b><u>4,087,951</u></b>	<u>4,063,097</u>
Total Cash, Equivalents and Investments	\$ <b><u>9,554,934</u></b>	\$ <u>9,827,133</u>

*Custodial Risk*

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balance in excess of amounts insured by the federal Deposit Insurance Corporation (FDIC). Deposits in the banks in excess of the insured amount are uninsured and uncollateralized. The College has a formal deposit policy for custodial credit risk whereby deposits in the bank in excess of the insured amount are insured and collateralized by a third party. Cash, equivalents and investments as of June 30, 2014 and 2013 were secured by irrevocable stand-by letters of credit with the Federal Home Loan Bank of Pittsburg in the amounts of thirteen million and fifteen million dollars, respectively.

*Investment Policy*

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from Federal allocations. The principal objectives of the investment policy are: (1) preservation of capital and safety of principal, (2) minimizing price volatility, (3) liquidity, (4) return on investment, and (5) diversification. The Board of Trustees supports the investments of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding in any or all of the above. The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but it delegates to the President or his designee the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

**CAPE COD COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 2 - **Cash and Investments - Continued**

*Deposit and Investment Maturities*

The College's investments and maturities consist of the following at June 30:

<u>Investment type</u>	2014				
	Investments				
	Investment maturities (in years)				
	<u>Fair value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Money Market	\$ 5,291,399	\$ 5,291,399	\$ -	\$ -	\$ -
Certificate of Deposit	4,087,951	-	4,087,951	-	-
	<u>\$ 9,379,350</u>	<u>\$ 5,291,399</u>	<u>\$ 4,087,951</u>	<u>\$ -</u>	<u>\$ -</u>
2013					
Investments					
Investment maturities (in years)					
<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Money Market	\$ 5,735,399	\$ 5,735,399	\$ -	\$ -	\$ -
Certificate of Deposit	4,063,097	-	4,063,097	-	-
	<u>\$ 9,798,496</u>	<u>\$ 5,735,399</u>	<u>\$ 4,063,097</u>	<u>\$ -</u>	<u>\$ -</u>

*Concentration of Credit Risk*

All of the above investments are at TD Bank, N.A.

*Other Matters*

The College does not have debt investments, foreign currency investments, securities lending transactions or derivative investments.



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 2 - **Cash and Investments - Continued**

*Cape Cod Community College Educational Foundation, Inc.*

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

	2014		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Equity mutual funds	\$ 3,170,662	\$ 5,055,542	\$ 1,884,880
Bond mutual funds	2,200,961	2,199,210	(1,751)
Total investments	\$ 5,371,623	\$ 7,254,752	\$ 1,883,129
	2013		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Equity mutual funds	\$ 3,286,186	\$ 4,587,178	\$ 1,300,992
Bond mutual funds	1,980,430	1,971,402	(9,028)
Total investments	\$ 5,266,616	\$ 6,558,580	\$ 1,291,964

The following schedule summarizes the investment return for the years ended June 30:

	2014	2013
Interest and dividends	\$ 151,201	\$ 158,179
Realized gains	202,742	45,476
Unrealized gains	584,186	602,665
Investment fees	(36,027)	(32,297)
Total investment return	\$ 902,102	\$ 774,023

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 3 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$989,113 and \$1,171,197 at June 30, 2014 and 2013, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 4 - **Accounts Receivable**

The College's accounts receivable include the following at June 30:

	2014	2013
Student accounts receivable	\$ 1,023,819	\$ 1,009,646
Grants receivable	170,064	721,229
Other receivable	248,248	230,067
	1,442,131	1,960,942
Less: allowance for doubtful accounts	(375,000)	(375,000)
Total accounts receivable, net	\$ 1,067,131	\$ 1,585,942

Note 5 - **Pledges Receivable**

The Foundation has pledges receivable as of June 30, which are expected to be realized in the following time periods:

	2014	2013
Less than one year	\$ 64,468	\$ 66,017
Between one and five years	115,600	124,317
	180,068	190,334
Less: discount at 1.738%	(1,997)	(3,318)
Pledges receivable, net	\$ 178,071	\$ 187,016

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

**Note 6 - Capital Assets**

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

		2014				
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress	—	\$ 702,319	\$ 505,458	\$ -	\$ (671,591)	\$ 536,186
Land	—	82,355	-	-	-	82,355
Total not depreciated		784,674	505,458	-	(671,591)	618,541
Capital assets depreciated:						
Building, including improvements	20-40	37,243,174	732,740	-	530,754	38,506,668
Furnishings and equipment (including cost of capital leases)	5-10	5,951,219	120,235	-	140,837	6,212,291
Total depreciated		43,194,393	852,975	-	671,591	44,718,959
Less: accumulated depreciation:						
Building, including improvements		(24,827,655)	(812,013)	-	-	(25,639,668)
Furnishings and equipment		(4,918,416)	(385,313)	-	-	(5,303,729)
Total accumulated depreciation		(29,746,071)	(1,197,326)	-	-	(30,943,397)
Capital assets, net		\$ 14,232,996	\$ 161,107	\$ -	\$ -	\$ 14,394,103

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 6 - **Capital Assets - Continued**

Capital assets of the College consist of the following at June 30, 2013:

	lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress	—	\$ 622,365	\$ 573,430	\$ -	\$ (493,476)	\$ 702,319
Land	—	82,355	-	-	-	82,355
Total not depreciated		<u>704,720</u>	<u>573,430</u>	<u>-</u>	<u>(493,476)</u>	<u>784,674</u>
Capital assets depreciated:						
Building, including improvements	20-40	35,752,797	1,011,297	-	479,080	37,243,174
Furnishings and equipment (including cost of capital leases)	5-10	5,166,566	770,257	-	14,396	5,951,219
Total depreciated		<u>40,919,363</u>	<u>1,781,554</u>	<u>-</u>	<u>493,476</u>	<u>43,194,393</u>
Less: accumulated depreciation:						
Building, including improvements		(24,070,720)	(756,935)	-	-	(24,827,655)
Furnishings and equipment		(4,460,122)	(458,294)	-	-	(4,918,416)
Total accumulated depreciation		<u>(28,530,842)</u>	<u>(1,215,229)</u>	<u>-</u>	<u>-</u>	<u>(29,746,071)</u>
Capital assets, net		<u>\$ 13,093,241</u>	<u>\$ 1,139,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,232,996</u>

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

**Note 7 - Long-Term Liabilities**

Long-term liabilities at June 30, consist of the following:

	2014					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Lease obligations	\$ 1,057,505	\$ -	\$ -	\$ 1,057,505	\$ 354,000	\$ 703,505
Other long-term liabilities:						
Compensated absences	2,247,861	38,737	-	2,286,598	1,676,624	609,974
Workers' compensation	249,659	40,893	-	290,552	58,401	232,151
Total other long term liabilities	<u>2,497,520</u>	<u>79,630</u>	<u>-</u>	<u>2,577,150</u>	<u>1,735,025</u>	<u>842,125</u>
Total long-term liabilities	<u>\$ 3,555,025</u>	<u>\$ 79,630</u>	<u>\$ -</u>	<u>\$ 3,634,655</u>	<u>\$ 2,089,025</u>	<u>\$ 1,545,630</u>

	2013					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Lease obligations	\$ 1,216,661	\$ -	\$ (159,156)	\$ 1,057,505	\$ 177,000	\$ 880,505
Other long-term liabilities:						
Compensated absences	2,163,234	84,627	-	2,247,861	1,582,788	665,073
Workers' compensation	202,244	47,415	-	249,659	53,926	195,733
Total other long term liabilities	<u>2,365,478</u>	<u>132,042</u>	<u>-</u>	<u>2,497,520</u>	<u>1,636,714</u>	<u>860,806</u>
Total long-term liabilities	<u>\$ 3,582,139</u>	<u>\$ 132,042</u>	<u>\$ (159,156)</u>	<u>\$ 3,555,025</u>	<u>\$ 1,813,714</u>	<u>\$ 1,741,311</u>



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 7 - **Long-Term Liabilities - Continued**

Leases

The College leases equipment for an energy conservation project under a 20-year capital lease expiring June 30, 2019, which is funded through guaranteed energy savings. Assets purchased under the guaranteed energy savings agreement were recorded based on guaranteed savings as stipulated in the agreement and are depreciated over their useful lives. Quarterly payments are based on a percentage of calculated energy savings from the equipment purchased from the provider. If payments exceed estimated costs, the difference is charged to plant maintenance on the Statement of revenues, expenses and changes in net position. If savings are less than estimated costs, the provider is obligated to pay 10% of the shortfall, which is recorded as a reduction in plant maintenance. During 2014, the College withheld payments on the capital lease while it renegotiated with the lease holder on its current lease payment structure, the withheld payments are reflected in the current portion of capital lease obligations. The current year difference in capital lease payments charged in excess of the estimated costs is reflected in accrued expenses. The following is a summary of property held under capital leases as of June 30, 2014:

Furnishings and equipment	\$ 3,322,699
Less: accumulated amortization	<u>2,265,194</u>
	<u>\$ 1,057,505</u>

The College subleases office and classroom space for its Hyannis campus center from the Foundation as an operating lease agreement. Rental expense for operating leases was \$202,703 and \$267,106 for the years ended June 30, 2014 and 2013, respectively. The following schedule summarizes future minimum payments due under non-cancelable leases as of June 30, 2014:

Years Ending June 30,	Capital Leases	Operating Leases	Total
2015	\$ 354,000	\$ 200,200	\$ 554,200
2016	177,000	200,200	377,200
2017	177,000	200,200	377,200
2018	177,000	200,200	377,200
2019	172,505	216,883	389,388
2020-2024	-	1,119,452	1,119,452
2025-2029	-	1,009,342	1,009,342
	<u>\$ 1,057,505</u>	<u>\$ 3,146,477</u>	<u>\$ 4,203,982</u>

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 8 - **Unrestricted Net Position**

The College's Board of Trustees has designated unrestricted net position at June 30, as follows:

	2014	2013
Deferred maintenance, adaptation and renewal	\$ 2,588,144	\$ 2,896,285
Instructional and information technology	2,264,626	2,534,249
Academic equipment and materials	1,617,590	1,810,178
Total unrestricted net position	\$ 6,470,360	\$ 7,240,712

Note 9 - **Commitments and Contingencies**

*Federal, State, and Private Contracts and Grants*

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

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

*Litigation*

The College is periodically involved in legal actions arising in the ordinary course of business. Costs for all known claims not covered by insurance, if any, are recognized in the financial statements. Although the ultimate outcome of certain of these actions cannot be determined, management's opinion is that the College has adequate legal defense with respect to each of these actions, and that the amount of any additional liability would not have a material impact on the financial statements.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 10 - **Operating Expenses**

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

	2014	2013
Compensation and benefits	\$ 23,733,195	\$ 22,014,009
Supplies and services	4,972,139	5,021,982
Depreciation and amortization	1,197,326	1,215,229
Scholarships and fellowships	1,835,266	2,938,991
	\$ 31,737,926	\$ 31,190,211

Note 11 - **State Appropriation**

The College's state appropriations are composed of the following at June 30:

	2014	2013
Direct unrestricted appropriations	\$ 10,955,011	\$ 10,121,419
Add: fringe benefits for benefited employees on the state payroll	2,860,595	2,584,058
Less: day school tuition remitted to the state and included in tuition and fee revenue	(374,503)	(392,136)
Total unrestricted appropriations	13,441,103	12,313,341
Restricted appropriations	301,473	212,155
Capital appropriations	219,628	113,175
	\$ 13,962,204	\$ 12,638,671



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 12 - **Retirement Plan**

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance and pension costs (described in the subsequent paragraph) for active employees and retirees are paid through a fringe benefit rate charged to the College by the Commonwealth, and currently the liability is borne by the Commonwealth, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

The Commonwealth is statutorily responsible for the pension benefit of the College's employees who participate in the Massachusetts State Employees' Retirement System (the "Retirement System"). The Retirement System, a single employer defined benefit public employee retirement system, is administered by the State. The College makes contributions on behalf of the employees through a fringe benefit charge assessed by the Commonwealth. Such pension expense amounted to \$1,098,942 and \$854,250 for the years ended June 30, 2014 and 2013, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 72% and 71% of annual total payroll for the College in 2014 and 2013, respectively.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Commonwealth's Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors.

**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 12 - **Retirement Plan - Continued**

The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC administers a plan included within the State Retire Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

The GIC is a quasi-independent state agency governed by an eleven member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2014, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 13 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS) on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.



**CAPE COD COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2014 and 2013**

Note 13 - **Massachusetts Management Accounting and Reporting System - Continued**

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2014 and 2013.

Note 14 - **Pass-Through Grants**

The College distributed \$2,594,149 and \$3,018,653 during 2014 and 2013, respectively, for student loans through the U.S. Department of Education Federal Family Education Loan Program (FFELP). These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

Note 15 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through October 14, 2014, the date for which the financial statements were available for issuance.

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Trustees of  
Cape Cod Community College  
West Barnstable, Massachusetts

We have audited, 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, the financial statements of Cape Cod Community College (the "College"), which comprise the statements of net position as of June 30, 2014 and 2013, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Cape Cod Community College's basic financial statements and have issued our report thereon dated October 14, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

October 14, 2014