

**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
with Independent Auditor's Report**

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hudson County Community College
Jersey City, New Jersey

Report on Financial Statements

We have audited the accompanying financial statements of the Hudson County Community College (the "College"), a component unit of Hudson County, New Jersey, as of and for the fiscal years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. The financial statements of the Hudson County Community College Foundation, Inc, the discretely presented component unit of the College, were audited by other auditors for the years ended June 30, 2021 and 2020, whose report dated [REDACTED], expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Hudson County Community College as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

COVID-19 State of Emergency

As described in Note 13 to the financial statements, the United States Department of Health and Human Services Secretary declared a public health emergency for the United States in response to COVID-19. On March 9, 2020, the Governor of the State of New Jersey issued Executive Order No. 103 (the "Order") declaring a State of Emergency and Public Health Emergency across all 21 counties in New Jersey. The Governor's Order had been subsequently extended, but restrictions have been eased. It is possible that a resurgence in COVID-19 cases could impact the College's programs and functions. Significant uncertainty remains with the ongoing impact of the COVID-19 pandemic that cannot be reasonably estimated. Our opinion is not affected by this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11 and required pension and post-retirement medical benefits information on pages 44 - 47 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are 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 [REDACTED], on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

Bayonne, New Jersey
[REDACTED]

**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Hudson County Community College (the "College") for the fiscal years ending June 30, 2021 with comparative information from previous fiscal years. This discussion has been prepared by management and should be read in conjunction with the financial statements including the notes thereto, which follow this section.

Using the Financial Statements

The College's financial report includes three basic financial statements: The Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These statements are prepared in accordance with accounting principles generally accepted in the United States of America and Government Accounting Standards Board (GASB) pronouncements. The College presents financial statements in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities". The statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus better on the College as a whole. Resources are classified into three net asset categories – unrestricted, restricted and invested in capital assets, net of accumulated depreciation and related debt. The College's financial statements also include the Hudson County Community College Foundation as a discretely presented component unit in accordance with the requirements of Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB Statement No. 39.

Statements of Net Position

The statements of net position present the financial position of the College at the end of the fiscal year and include all assets and liabilities of the College. The difference between total assets and total liabilities (net position) is one indicator of the financial condition of the College, while the change in net position is an indicator of whether the financial condition has improved or declined during the year. The statement states two asset and liability classifications; a) current assets and liabilities that are less than one year and b) non-current assets and liabilities that are more than one year. There are three net position classifications a) investment in capital assets, net of related debt b) restricted assets (expendable and non-expendable) and c) unrestricted assets.

Total net position increased \$10,977,349 to \$162,038,341, which is 7.27% over 2020. Without the pension liability required by GASB Statement No. 68, the total net position increased \$10,682,367 to \$186,166,394, which is 6.09% over 2020.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

A summary of the College's assets, liabilities, and net position on June 30, 2021, 2020, and 2019, respectively:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 53,066,055 | \$ 40,565,402 | \$ 34,486,973 |
| Accounts Receivable | 1,079,731 | 1,400,094 | 1,182,651 |
| Grants Receivable | 3,541,160 | 902,251 | 1,722,231 |
| Due from County of Hudson | 19,699 | 5,349,350 | 5,071,311 |
| Other Receivables | 253,883 | 327,217 | 306,360 |
| Prepaid Expenses and Other Assets | 385,948 | 169,232 | 261,449 |
| Total Current Assets | <u>58,346,476</u> | <u>48,713,546</u> | <u>43,030,975</u> |
| Noncurrent Assets: | | | |
| Security Deposits | 66,924 | 66,924 | 41,714 |
| Capital Assets, Net | 140,174,929 | 142,149,501 | 139,543,597 |
| Total Noncurrent Assets | <u>140,241,853</u> | <u>142,216,425</u> | <u>139,585,311</u> |
| Total Assets | <u>198,588,329</u> | <u>190,929,971</u> | <u>182,616,286</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>3,962,041</u> | <u>3,015,193</u> | <u>2,060,168</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable and Accrued Expenses | 3,215,877 | 3,498,358 | 3,991,167 |
| Accrued Salaries and Benefits | 1,022,764 | 1,095,934 | 1,928,527 |
| Unearned Revenue | 496,651 | 553,539 | 621,203 |
| Unearned Grant Revenue | 3,031,684 | 6,223,216 | 88,251 |
| Other Accrued Liabilities | 822,349 | 427,111 | 388,972 |
| Current Portion of: | | | |
| Compensated Absences | 1,704,962 | 1,541,555 | 1,303,769 |
| Capital Lease Liability | 93,272 | 95,052 | - |
| Total Current Liabilities: | <u>10,387,559</u> | <u>13,434,765</u> | <u>8,321,889</u> |
| Noncurrent Liabilities: | | | |
| Student Deposits | 1,042,708 | 894,652 | 658,376 |
| Compensated Absences | 1,487,129 | 1,492,778 | 1,533,230 |
| Capital Lease Liability | 827,401 | 920,673 | - |
| Net Pension Liability | 19,333,102 | 20,697,319 | 21,622,076 |
| Total Noncurrent Liabilities | <u>22,690,340</u> | <u>24,005,422</u> | <u>23,813,682</u> |
| Total Liabilities | <u>33,077,899</u> | <u>37,440,187</u> | <u>32,135,571</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>7,434,130</u> | <u>5,443,985</u> | <u>3,553,446</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 140,174,929 | 142,149,501 | 139,543,597 |
| Restricted | 72,251 | 72,269 | 87,752 |
| Unrestricted | 21,791,161 | 8,839,222 | 9,356,088 |
| Total Net Position | <u>\$ 162,038,341</u> | <u>\$ 151,060,992</u> | <u>\$ 148,987,437</u> |

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Statement of Revenues, Expenses, and Changes in Net position

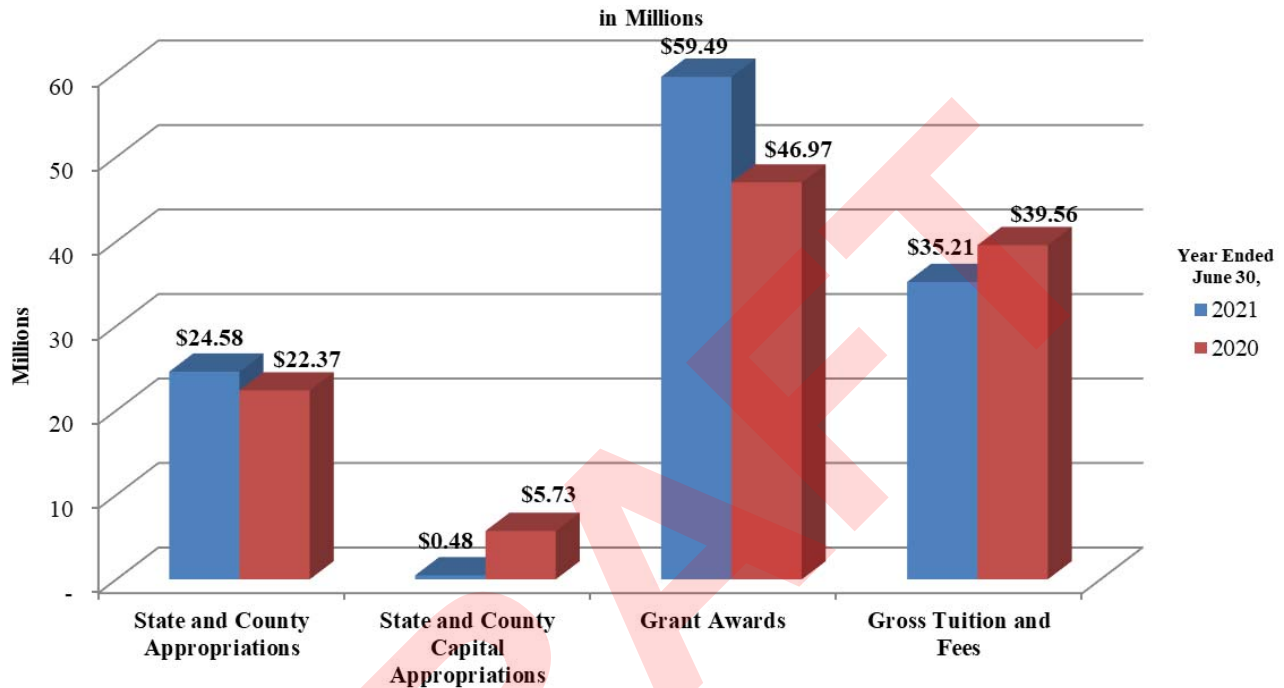
A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2021, 2020, and 2019, respectively:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------------------|------------------------------|------------------------------|
| OPERATING REVENUES | | | |
| Student Tuition and Fees | \$ 35,206,447 | \$ 39,559,258 | \$ 38,211,012 |
| Less: Student Financial Aid | <u>(27,631,737)</u> | <u>(31,416,258)</u> | <u>(29,126,930)</u> |
| | 7,574,710 | 8,143,000 | 9,084,082 |
| Government Grants | 58,848,992 | 45,956,601 | 39,847,949 |
| Local and Private Sponsored Programs | 642,534 | 1,018,241 | 858,982 |
| Other Operating Revenues | <u>692,607</u> | <u>481,893</u> | <u>583,672</u> |
| Total Operating Revenues | <u>67,758,843</u> | <u>55,599,735</u> | <u>50,374,685</u> |
| OPERATING EXPENSES | | | |
| Instructions | 25,821,654 | 26,172,614 | 23,696,920 |
| Academic Support | 4,172,966 | 4,575,206 | 3,317,279 |
| Student Services | 5,216,608 | 5,927,365 | 5,510,691 |
| Institutional Support | 23,949,826 | 24,431,472 | 23,728,176 |
| Operation and Maintenance of Plant | 5,337,042 | 6,187,602 | 6,497,203 |
| Conference Center | 306,127 | 397,085 | 165,638 |
| Student Aid | 11,484,131 | 9,383,226 | 6,924,941 |
| Depreciation | <u>5,595,408</u> | <u>5,052,957</u> | <u>4,809,044</u> |
| Total Operating Expenses | <u>81,883,762</u> | <u>82,127,527</u> | <u>74,649,892</u> |
| Loss from Operations | (14,124,919) | (26,527,792) | (24,275,207) |
| NONOPERATING REVENUES | | | |
| State of New Jersey Appropriations | 6,364,247 | 6,046,217 | 7,035,622 |
| Hudson County Appropriations | 18,219,520 | 16,321,114 | 15,182,432 |
| Interest Income | 35,703 | 502,352 | 628,381 |
| (Loss) on Sale of Property | <u>-</u> | <u>-</u> | <u>(4,625)</u> |
| Total Nonoperating Revenues | <u>24,619,470</u> | <u>22,869,683</u> | <u>22,841,810</u> |
| Net Changes in Net Position Before Capital Appropriations | 10,494,551 | (3,658,109) | (1,433,397) |
| Capital Appropriations | <u>482,798</u> | <u>5,731,664</u> | <u>4,201,682</u> |
| Change in Net Position | 10,977,349 | 2,073,555 | 2,768,285 |
| Net Position, July 1 | <u>151,060,992</u> | <u>148,987,437</u> | <u>146,219,152</u> |
| Net Position, June 30 | <u><u>\$ 162,038,341</u></u> | <u><u>\$ 151,060,992</u></u> | <u><u>\$ 148,987,437</u></u> |

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

The statement of revenues, expenses and changes in net position presents the results of operation for the College as a whole. Revenues, expenses and other changes in net position are reported as either operating or non-operating. Significant recurring sources of college revenue, state and county appropriations and investment earnings, are defined by GASB Statement No. 35 as non-operating.

Comparison of major revenues by source for 2021 and 2020 is as follows:



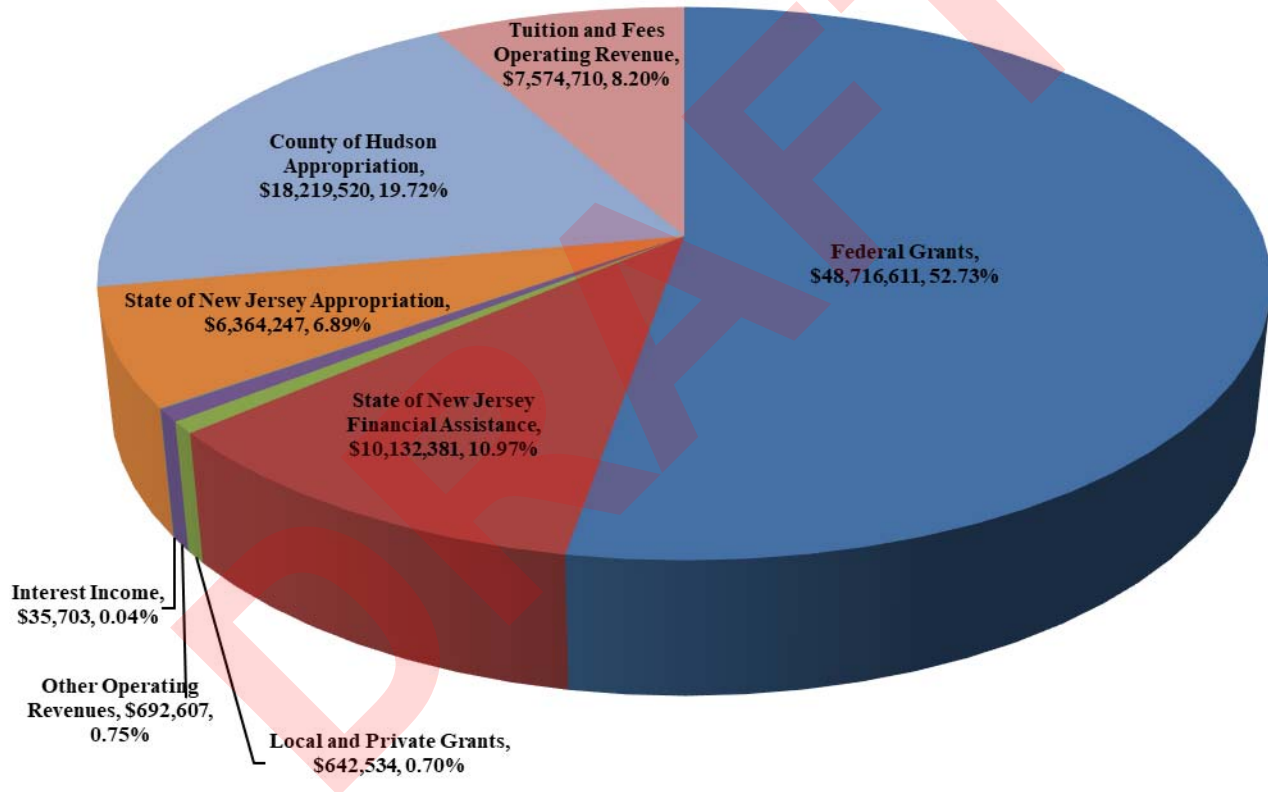
**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Revenue

The College received operating and nonoperating revenue from the following main sources:

- Tuition and Fee Revenue
- Federal Grants
- State of New Jersey Grants
- Local Grants
- State of New Jersey Appropriation, and
- County of Hudson Appropriation

The following is a graphic illustration of revenue by source for the year ended June 30, 2021:

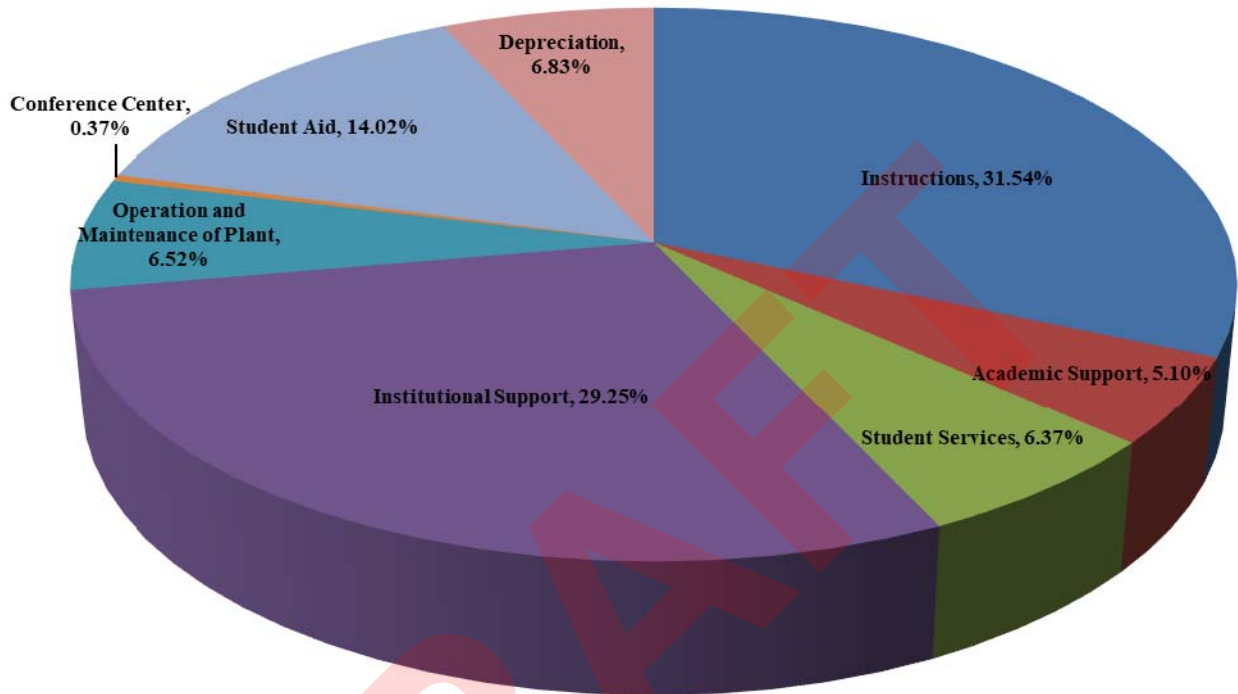


**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

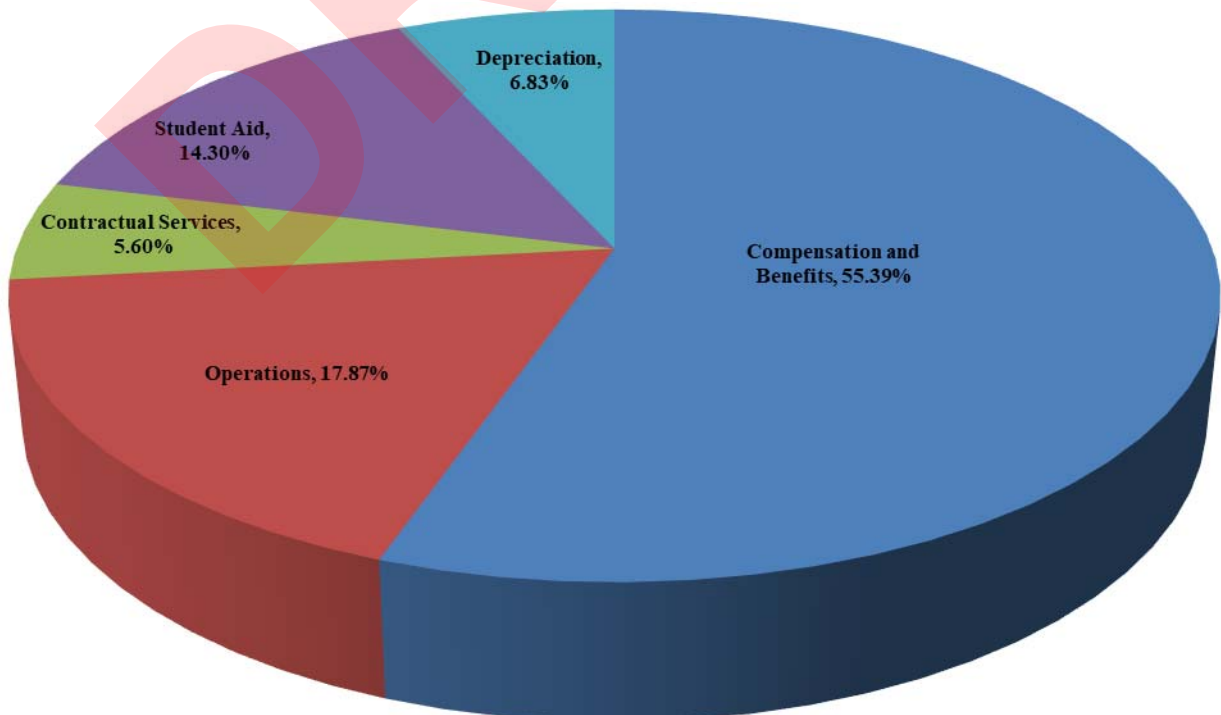
Expenses

A comparison of operating expenses by function and natural classifications for the year ended June 30, 2021 is as follows:

EXPENSES BY FUNCTION



EXPENSES BY NATURAL CLASSIFICATION



**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Capital

In 2021, Hudson County Community College continued to implement the College's Facilities Master Plan.

The goal of the facilities master plan is to meet significant student enrollment growth, implement new academic programs, expand current programs, develop the remaining portion of the college campus and continue to move from lease facilities to college-owned facilities.

The College had \$3,620,836 in capital additions and no disposals during 2021. The capital additions are comprised of building improvements and an investment in equipment.

The College has invested extensively in quality remote learning and social distanced learning. Software for virtual labs, test proctoring on Chromebooks, software for accessibility for students' benefit has been added and increased. Adobe Creative Cloud named licenses were procured for students' use remotely. The College added full video interactive (ITV) classrooms and added video capability in additional spaces. Lavalier microphones were purchased for faculty so that they can be heard clearly via video. Sections of the College's Culinary Conference Center are now outfitted for hybrid instruction.

Other Economic and Financial Considerations

The following is a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) or results of operation (revenues, expenses, and other changes in net position) of the College.

The College student credit enrollments have fluctuated over the years. Total student credit hours in the fiscal year 2021 totaling 153,122 is a decrease of 13.8% when compared to the fiscal year 2020 total student credit hours in the amount of 177,835.

Revenues for State Appropriations in 2021 increased \$318,030 to \$6,364,247, versus a decrease of \$989,405 in 2020 mainly attributed to revenue from State Appropriation being cut 50% for the last three months of the fiscal year 2019-20 due to the impact on state revenue from COVID-19.

Revenues for County Appropriations in 2021 increased \$1,898,406 or 11.63% to \$18,219,520. College tuition did not increase per credit for 2021.

The College received several sources of funding to cover COVID-19 related expenses and lost revenues. The amounts received are broken down as follows:

- \$21,579,107 of COVID-19 Education Stabilization Fund (ESF) comprised of \$947,744 passed through the State of New Jersey Governor's Emergency Education Relief Fund and \$20,631,363 as Higher Education Emergency Relief Funds (HEERF) of which \$5,322,670 was applied to student aid and \$15,308,693 was applied to operations.
- \$3,320,834 of Coronavirus Relief Funds (CRF).
- \$298,099 of COVID-19 FEMA Public Assistance.

The cost of employee pensions (PERS) paid in the past by the State continues to be charged to the College. The pension payable liability in 2021 is \$1,322,862.

The College has a managed services agreement with Ellucian for ERP support. The current contract had an expiration date of December 2021 and was renewed through December 2022.

During 2019, a memorandum of agreement was approved for each of the following four unions: Professional Association, Support Staff Federation, Adjunct Faculty Federation, and Academic Administrative Association. Also, each contract expires in June of 2022. The college will begin negotiations in January 2022.

The College was accredited by the Middle States Accreditations for eight years, through June of 2028.

**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Contacting the Hudson County Community College's Financial Management

The Management Discussion and Analysis of this financial report is designed to provide the reader with a snapshot of the Hudson County Community College's finances. Questions about this report or additional financial information can be requested from the Finance Department located at 26 Journal Square, Jersey City NJ 07306.

DRAFT

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 53,066,055 | \$ 40,565,402 |
| Accounts Receivable | 1,079,731 | 1,400,094 |
| Grants Receivable | 3,541,160 | 902,251 |
| Due from County of Hudson | 19,699 | 5,349,350 |
| Other Receivables | 253,883 | 327,217 |
| Prepaid Expenses and Other Assets | 385,948 | 169,232 |
| Total Current Assets | <u>58,346,476</u> | <u>48,713,546</u> |
| Noncurrent Assets: | | |
| Security Deposits | 66,924 | 66,924 |
| Capital Assets, Net | 140,174,929 | 142,149,501 |
| Total Noncurrent Assets | <u>140,241,853</u> | <u>142,216,425</u> |
| Total Assets | <u>198,588,329</u> | <u>190,929,971</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Pension Liability | <u>3,962,041</u> | <u>3,015,193</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 3,215,877 | \$ 3,498,358 |
| Accrued Salaries and Benefits | 1,022,764 | 1,095,934 |
| Unearned Revenue | 496,651 | 553,539 |
| Unearned Grant Revenue | 3,031,684 | 6,223,216 |
| Other Accrued Liabilities | 822,349 | 427,111 |
| Current Portion of Noncurrent Liabilities: | | |
| Compensated Absences | 1,704,962 | 1,541,555 |
| Capital Lease Liability | 93,272 | 95,052 |
| Total Current Liabilities | <u>10,387,559</u> | <u>13,434,765</u> |
| Noncurrent Liabilities: | | |
| Student Deposits | 1,042,708 | 894,652 |
| Compensated Absences | 1,487,129 | 1,492,778 |
| Capital Lease Liability | 827,401 | 920,673 |
| Net Pension Liability | 19,333,102 | 20,697,319 |
| Total Noncurrent Liabilities | <u>22,690,340</u> | <u>24,005,422</u> |
| Total Liabilities | <u>33,077,899</u> | <u>37,440,187</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Pension Liability | <u>7,434,130</u> | <u>5,443,985</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 140,174,929 | 142,149,501 |
| Restricted for Other Purposes | 72,251 | 72,269 |
| Unrestricted | <u>21,791,161</u> | <u>8,839,222</u> |
| Total Net Position | <u>\$ 162,038,341</u> | <u>\$ 151,060,992</u> |

See Accompanying Notes to Financial Statements

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|------------------------------|------------------------------|
| OPERATING REVENUES | | |
| Student Tuition and Fees | \$ 35,206,447 | \$ 39,559,258 |
| Less: Student Financial Aid | <u>(27,631,737)</u> | <u>(31,416,258)</u> |
| | 7,574,710 | 8,143,000 |
| Federal Awards | 48,716,611 | 31,364,783 |
| State Financial Assistance | 10,132,381 | 14,591,818 |
| Local and Private Sponsored Programs | 642,534 | 1,018,241 |
| Other Operating Revenues | <u>692,607</u> | <u>481,893</u> |
| Total Operating Revenues | <u>67,758,843</u> | <u>55,599,735</u> |
| OPERATING EXPENSES | | |
| Instructions | 25,821,654 | 26,172,614 |
| Academic Support | 4,172,966 | 4,575,206 |
| Student Services | 5,216,608 | 5,927,365 |
| Institutional Support | 23,949,826 | 24,431,472 |
| Operation and Maintenance of Plant | 5,337,042 | 6,187,602 |
| Conference Center | 306,127 | 397,085 |
| Student Aid | 11,484,131 | 9,383,226 |
| Depreciation | <u>5,595,408</u> | <u>5,052,957</u> |
| Total Operating Expenses | <u>81,883,762</u> | <u>82,127,527</u> |
| Loss from Operations | (14,124,919) | (26,527,792) |
| NONOPERATING REVENUES | | |
| State of New Jersey: | | |
| Appropriations | 6,364,247 | 6,046,217 |
| Hudson County Appropriations | 18,219,520 | 16,321,114 |
| Interest Income | <u>35,703</u> | <u>502,352</u> |
| Total Nonoperating Revenues | <u>24,619,470</u> | <u>22,869,683</u> |
| Net (Expense) Revenue and Changes in Net Position Before Capital Appropriations | 10,494,551 | (3,658,109) |
| Capital Appropriations | <u>482,798</u> | <u>5,731,664</u> |
| Change in Net Position | 10,977,349 | 2,073,555 |
| Net Position, July 1 | <u>151,060,992</u> | <u>148,987,437</u> |
| Net Position, June 30 | <u><u>\$ 162,038,341</u></u> | <u><u>\$ 151,060,992</u></u> |

See Accompanying Notes to Financial Statements

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and Fees | \$ 7,838,185 | \$ 7,857,893 |
| Governmental Grants | 53,018,551 | 52,911,546 |
| Nongovernmental Grants and Contracts | 642,534 | 1,018,241 |
| Other Operating Receipts | 765,941 | 461,036 |
| Payments for Employee Salaries and Benefits | (44,392,123) | (37,958,270) |
| Payments to Suppliers | (20,269,593) | (25,013,574) |
| Payments to Students for Financial Aid | (11,484,131) | (9,383,226) |
| Net Cash Used by Operating Activities | <u>(13,880,636)</u> | <u>(10,106,354)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| State of New Jersey Appropriations | 6,364,247 | 6,046,217 |
| Hudson County Appropriations | 23,549,171 | 16,043,074 |
| Student Organization Agency Transactions | 148,056 | 236,276 |
| Net Cash Provided by Noncapital Financing Activities | <u>30,061,474</u> | <u>22,325,567</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | (3,620,836) | (7,658,861) |
| Capital Lease Proceeds | - | 1,063,717 |
| Payment of Capital Lease | (95,052) | (47,992) |
| Net Cash Used by Capital and Related Financing Activities | <u>(3,715,888)</u> | <u>(6,643,136)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Investments | 35,703 | 502,352 |
| Net Cash Provided by Investing Activities | <u>35,703</u> | <u>502,352</u> |
| Net Increase in Cash | 12,500,653 | 6,078,429 |
| Cash, July 1 | 40,565,402 | 34,486,973 |
| Cash, June 30 | <u>\$ 53,066,055</u> | <u>\$ 40,565,402</u> |

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|------------------------|------------------------|
| RECONCILIATION OF LOSS FROM OPERATIONS TO | | |
| NET CASH USED IN OPERATING ACTIVITIES | | |
| Loss from Operations | \$ (14,124,919) | \$ (26,527,792) |
| Adjustments to Reconcile Loss from Operations to | | |
| Net Cash Used by Operating Activities: | | |
| Depreciation Expense | 5,595,408 | 5,052,957 |
| Changes in Assets: | | |
| Accounts Receivable | 320,363 | (217,443) |
| Grants Receivable | (2,638,909) | 819,980 |
| Other Receivables | 73,334 | (20,857) |
| Prepaid Expenses | (216,716) | 92,217 |
| Security Deposits | - | (25,210) |
| Change in Deferred Outflows of Resources: | | |
| Deferred Pension Liability | (946,848) | (955,025) |
| Changes in Liabilities: | | |
| Accounts Payable and Accrued Expenses | 200,317 | (492,809) |
| Accrued Salaries and Benefits | (73,170) | (832,593) |
| Unearned Revenue | (3,248,420) | 6,067,301 |
| Other Accrued Expenses | 395,238 | 5,769,804 |
| Compensated Absences | 157,758 | 197,334 |
| Net Pension Liability | (1,364,217) | (924,757) |
| Change in Deferred Inflows of Resources: | | |
| Deferred Pension Liability | 1,990,145 | 1,890,539 |
| Total Adjustments | <u>244,283</u> | <u>16,421,438</u> |
| Net Cash Used by Operating Activities | <u>\$ (13,880,636)</u> | <u>\$ (10,106,354)</u> |
| Non-cash investing, capital and financing activities: | | |
| (Decrease) Increase in allowance for uncollectible accounts | \$ (2,658,510) | \$ 2,345,703 |
| Capital Assets acquired through Hudson County Appropriations | 482,798 | 5,731,664 |

HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position June 30, 2020 and 2019

[Placeholder]

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 141,723 | \$ 190,327 |
| Restricted cash - Scholarship program | 134,031 | 133,813 |
| Restricted cash - Art program | 34,021 | 24,394 |
| Investments | 1,093,698 | 1,089,379 |
| Property and equipment – net | 29,301 | 40,569 |
| Library and art collection | <u>206,525</u> | <u>206,525</u> |
| Total Assets | <u>\$ 1,639,299</u> | <u>\$ 1,685,007</u> |
| Liabilities | | |
| None | | |
| Net Assets | | |
| Without donor restrictions | \$ 1,025,151 | \$ 1,086,622 |
| With donor restrictions | <u>614,148</u> | <u>598,385</u> |
| Total Net Assets | <u>1,639,299</u> | <u>1,685,007</u> |
| Total Liabilities and Net Assets | <u>\$ 1,639,299</u> | <u>\$ 1,685,007</u> |

See accompanying notes to financial statements.

HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

Statements of Activities and Changes in Net Assets Years Ended June 30, 2020 and 2019

[Placeholder]

| | 2020 | | | 2019 | | |
|---|----------------------------------|----------------------------|--------------|----------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Support | | | | | | |
| Support | \$ 100 | \$ 314,610 | \$ 314,710 | \$ 34,330 | \$ 107,457 | \$ 141,787 |
| Special events (net of expenses of \$105,150 and \$95,465, respectively) | 31,473 | 89,545 | 121,018 | 25,410 | 95,500 | 120,910 |
| Dining programs | 24,170 | - | 24,170 | 19,945 | - | 19,945 |
| Other revenue | - | - | - | 8,688 | - | 8,688 |
| Investment return | 4,319 | - | 4,319 | 7,255 | - | 7,255 |
| Interest | 218 | - | 218 | 245 | - | 245 |
| In kind contribution of services | 164,296 | - | 164,296 | 157,431 | - | 157,431 |
| Total Revenue and Support | 224,576 | 404,155 | 628,731 | 253,304 | 202,957 | 456,261 |
| Net Assets Released from Restrictions | | | | | | |
| Satisfaction of Purpose | 388,392 | (388,392) | - | 217,488 | (217,488) | - |
| Total Revenue and Support | 612,968 | 15,763 | 628,731 | 470,792 | (14,531) | 456,261 |
| Expenses | | | | | | |
| Program services | 484,496 | - | 484,496 | 329,310 | - | 329,310 |
| Management and general | 189,943 | - | 189,943 | 172,510 | - | 172,510 |
| Total Expenses | 674,439 | - | 674,439 | 501,820 | - | 501,820 |
| Change in Net Assets | (61,471) | 15,763 | (45,708) | (31,028) | (14,531) | (45,559) |
| Net Assets – Beginning of Year | 1,086,622 | 598,385 | 1,685,007 | 1,117,650 | 612,916 | 1,730,566 |
| Net Assets – End of Year | \$ 1,025,151 | \$ 614,148 | \$ 1,639,299 | \$ 1,086,622 | \$ 598,385 | \$ 1,685,007 |

See accompanying notes to financial statements.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hudson County Community College (the “College”), a component unit of Hudson County, New Jersey was established as a unit of the New Jersey Master Plan for Higher Education and is one of nineteen New Jersey county colleges. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees) as well as programs and certificates which are designed to prepare students for employment (A.A.S. degrees). The purpose of the College is to offer high quality programs and services which are affordable, accessible, and community centered. All programs and services are designed to meet the educational needs of a diverse community and to promote the economic, technological, cultural, social and civic development of Hudson County and its service areas.

Reporting Entity

The financial statements present the College, (a Component Unit of Hudson County, New Jersey), and it’s discretely presented component unit, Hudson County Community College Foundation, Inc.

Component Unit

The College adopted the GASB Statement, *Determining Whether Certain Organizations Are Component Unit*. The GASB Statement establishes additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity.

The Hudson County Community College Foundation, Inc. (the “Foundation”) was organized under a separate Board of Trustees from the College in 2001 for the benefit of the College, faculty and students of the College, and the community. The primary function of the Foundation is to obtain contributions and award scholarships. The Foundation received a Determination Letter from the Internal Revenue Service concluding that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The resources held by the Foundation can only be used by, or for the benefit of, the College. Therefore, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements. Complete financial statements of the Foundation can obtained from the Hudson County Community College Foundation at 70 Sip Avenue, Jersey City, New Jersey 07306.

Basis of Presentation

The College’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments, including public colleges and universities, through its pronouncements (Statements and Interpretations). The College is also required to follow Accounting Principle Boards (APB) opinions and, Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure, unless those pronouncements conflict with or contradict GASB pronouncements. The College has the option to apply FASB pronouncements and APB opinions issued after that date November 30, 1989 and the College has chosen to do so. The more significant accounting policies established in GAAP and used by the College is discussed below.

The College prepares its financial statements in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis for Public Colleges and Universities*.

Measurement Focus and Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized at the time the liability is incurred, regardless of when the related cash flows take place.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

State and County appropriations the activities of the College are reported as a business-type activity. Business type activities are required to be used for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. State and County appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Accounts Receivable

Accounts receivable primarily consist of tuition and fee charges to students and charge backs due from counties. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets

Capital assets include land, land improvements, buildings and equipment. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method.

Restricted Assets

Restricted assets include assets related to grants such as grants receivable and prepaid expenses paid for by restricted funds. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Grants Receivable

Grants receivable represent amounts expended under grants awarded to the College and have been recorded as current funds revenues as expended.

Unearned Revenue

Tuition and fee revenues collected during the fiscal year which relate to the period after the fiscal year end have been recognized as deferred revenues. In addition, income from federal, state and local grants is deferred and recognized over the periods to which the expenses relate.

Compensated Absences

The College accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

College's employees are granted varying amounts of vacation and sick leave in accordance with the College's personnel policy. Upon termination, employees are paid for accrued vacation. The College's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the College for the unused sick leave in accordance with the College's agreements with the various employee unions. The College policies allow for payments of accumulated sick time, not to exceed \$15,000, to employees with ten years of service or more. In the Statement of Net Position, the liabilities are reported in two components – current (amounts due within one year) and noncurrent (amounts due in more than one year).

The liability for these compensated absences including current and non-current portion amounted to \$3,192,091 and \$3,034,333, respectively, at June 30, 2021 and 2020, representing the College's commitment to fund such costs from future operations.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The College accrues the liability for these compensated absences in the periods that they are earned. The current portion of this liability is based on historical trends.

Long-Term Liabilities

The long-term liabilities consist primarily of accrued compensated absences, capital leases, and net pension liability.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense of the Public Employees Retirement System (PERS) information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements, deferred outflows and/or inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) and/or inflow of resources (revenue) until then. The College has one item that qualifies for reporting in this category which is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

Equity Classifications

Equity is classified as net position and displayed in three components:

Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Revenue Recognition

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense and are recognized in the period earned.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey and the federal government and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement is recorded as deferred revenue in the accompanying financial statements. Revenue from state and county appropriations is recognized in the fiscal year during which the State of New Jersey and Hudson County appropriates the funds to the College.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue

Revenues and expenses are those that serve the College's principal purpose and generally result from exchange transactions, such as payment received for services and payment made for the purchase of goods and services. Operating revenues include: (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the state and county and net investment income.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other Policies

Other significant accounting policies followed in the preparation of the accompanying financial statements are outlined below:

- a) Hudson County is responsible for the issuance of Bonds and Notes for the College's capital expenditures which are financed by Bond Ordinances. Hudson County is also responsible for the payment of interest on issued debt and the retirement of such obligations. Accordingly, the debt is reported in the financial statements of Hudson County and is not included in the accompanying financial statements of the College.
- b) Hudson County adopts capital ordinances to fund certain capital expenditures of the College. The College receives Hudson County Bond monies to fund its plant expenditures. Unexpended money in the current year is generally available for capital expenditures in subsequent years.
- c) The College is exempt from federal income taxes under Internal Revenue Code Section 115.

Date of Management's Review

Management has evaluated all events through [REDACTED], the date these financial statements were available to be issued.

Reclassifications

Certain amounts have been reclassified to the financial statements for the year ended June 30, 2020 to conform to current year presentation.

Recently Issued Accounting Pronouncements to be implemented in future years

The College is currently reviewing the following for applicability and potential impact on the financial statements:

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 but have been postponed by 18 months. Earlier application is encouraged.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements to be implemented in future years (Continued)

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information and is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 but have been postponed by one year. Earlier application is encouraged.

- GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 but have been postponed by one year. Earlier application is encouraged. The College believes this Statement may impact the reporting of certain interest payments previously recorded as capital expenditures.

GASB Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2018 but have been postponed by one year. The College does not believe this Statement will have any effect on future financial statements.

- GASB Statement No. 91, *Conduit Debt Obligations*. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice.

Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2020 but have been postponed by one year.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements to be implemented in future years (Continued)

- GASB Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics and includes specific provisions about the following: (1) the effective date of GASB Statement No. 87, *Leases*, and Implementation Guide 2019-3, *Leases*, reinsurance recoveries, and terminology used to refer to derivative instruments (the requirements of this topic are effective upon issuance); (2) the applicability of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; (3) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; (4) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; (5) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (6) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments.

Effective Date: The requirements related to the application of these topics are for fiscal years beginning after June 15, 2020, unless specifically noted to be effective upon issuance, but have been postponed by one year.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate.

Effective Date: The requirements of this Statement, except for paragraph 11b, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. All requirements have been postponed by one year. Earlier application is encouraged.

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Effective Date: The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the College considers cash and cash equivalents to be currency on hand, demand deposits with banks, and investment accounts and liquid investments with a maturity of three months or less when purchased.

The College has adopted a cash management plan that requires it to deposit public funds into the New Jersey State Cash Management Fund ("NJSCMF") or into institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation ("FDIC") or in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. sec. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

All investments in the NJSCMF are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants by the New Jersey Cash Management Fund. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

All cash and cash equivalents on deposit are partially insured by the Federal Deposit Insurance Corporation (herein referred to as "FDIC") up to \$250,000 for each depository. Deposits in excess of FDIC limits are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act.

As of June 30, 2021 and 2020 the College's deposits are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| New Jersey State Cash Management Fund | \$ 48,803,853 | \$ 36,781,725 |
| Federal Deposit Insurance Corporation - Insured | 250,000 | 250,000 |
| Governmental Unit Deposit Protection Act - Insured | <u>6,303,773</u> | <u>4,228,361</u> |
| | <u>\$ 55,357,626</u> | <u>\$ 41,260,086</u> |

Bank deposits as of the balance sheet are required to be classified as to credit risk. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College. Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it.

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NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution.
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. None of the College's deposits as of June 30, 2021 and 2020 are held in foreign currency.

Under GUDPA, financial institutions are not required to pledge collateral for amounts covered by FDIC insurance. Noninterest-bearing transaction accounts are insured by the Dodd-Frank Deposit Insurance Provision of the FDIC. The amount noted as "GUDPA Insured" above includes deposits covered by the Dodd-Frank Provision as well as GUDPA.

NOTE 3. ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2021 and 2020, the College's accounts and grants receivable were as follows:

| | 2021 | 2020 |
|---------------------------------------|---------------------|---------------------|
| Tuition and Fees | \$ 24,819,353 | \$ 27,798,226 |
| Less: Allowance for Doubtful Accounts | <u>(23,739,622)</u> | <u>(26,398,132)</u> |
| Total Accounts Receivable | <u>\$ 1,079,731</u> | <u>\$ 1,400,094</u> |
| Due from County of Hudson: | | |
| Capital Appropriations | <u>\$ 19,699</u> | <u>\$ 5,349,350</u> |
| Grants Receivable: | | |
| Federal | \$ 3,169,454 | \$ 320,466 |
| State | <u>371,706</u> | <u>581,785</u> |
| Total Grants Receivable | <u>\$ 3,541,160</u> | <u>\$ 902,251</u> |

NOTE 4. CAPITAL ASSETS

Depreciation expense was \$5,595,408 and \$5,052,957 for the years ended June 30, 2021 and 2020, respectively.

The County of Hudson made available to the College the Chapter 12 Bond Program funding for the acquisition, construction, renovation and furnishing of capital projects in the Union City area and the Journal Square area of Jersey City for permanent use by the College.

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NOTE 4. CAPITAL ASSETS (Continued)

The detail of capital asset activity for the year ended June 30, 2021 is as follows:

| | <u>Balance at June 30, 2020</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at June 30, 2021</u> |
|--------------------------------------|-------------------------------------|-----------------------|---------------------|-------------------------------------|
| Capital Assets: | | | | |
| Non-Depreciable: | | | | |
| Land | \$ 13,096,823 | \$ - | \$ - | \$ 13,096,823 |
| Construction in Progress | 125,298 | - | (125,298) | - |
| Total Non-Depreciable | <u>13,222,121</u> | <u>-</u> | <u>(125,298)</u> | <u>13,096,823</u> |
| Depreciable: | | | | |
| Buildings and Improvements | 169,825,161 | 621,598 | - | 170,446,759 |
| Equipment | 4,976,952 | 2,957,573 | - | 7,934,525 |
| Library Books | 425,191 | 166,963 | - | 592,154 |
| Total Depreciable at Historical Cost | <u>175,227,304</u> | <u>3,746,134</u> | <u>-</u> | <u>178,973,438</u> |
| Less: Accumulated Depreciation: | | | | |
| Buildings and Improvements | (42,496,826) | (5,411,115) | - | (47,907,941) |
| Equipment | (3,543,973) | (106,992) | - | (3,650,965) |
| Library Books | (259,125) | (77,301) | - | (336,426) |
| Total Accumulated Depreciation | <u>(46,299,924)</u> | <u>(5,595,408)</u> | <u>-</u> | <u>(51,895,332)</u> |
| Depreciable Capital Assets, Net | <u>128,927,380</u> | <u>(1,849,274)</u> | <u>-</u> | <u>127,078,106</u> |
| Capital Assets, Net | <u>\$ 142,149,501</u> | <u>\$ (1,849,274)</u> | <u>\$ (125,298)</u> | <u>\$ 140,174,929</u> |

The detail of capital asset activity for the year ended June 30, 2020 is as follows:

| | <u>Balance at June 30, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at June 30, 2020</u> |
|--------------------------------------|-------------------------------------|----------------------|-----------------------|-------------------------------------|
| Capital Assets: | | | | |
| Non-Depreciable: | | | | |
| Land | \$ 13,096,823 | \$ - | \$ - | \$ 13,096,823 |
| Construction in Progress | 4,956,527 | 3,034,402 | (7,865,631) | 125,298 |
| Total Non-Depreciable | <u>18,053,350</u> | <u>3,034,402</u> | <u>(7,865,631)</u> | <u>13,222,121</u> |
| Depreciable: | | | | |
| Buildings and Improvements | 158,308,742 | 11,516,419 | - | 169,825,161 |
| Equipment | 4,059,366 | 917,586 | - | 4,976,952 |
| Library Books | 369,106 | 56,085 | - | 425,191 |
| Total Depreciable at Historical Cost | <u>162,737,214</u> | <u>12,490,090</u> | <u>-</u> | <u>175,227,304</u> |
| Less: Accumulated Depreciation: | | | | |
| Buildings and Improvements | (38,027,410) | (4,469,416) | - | (42,496,826) |
| Equipment | (3,034,205) | (509,768) | - | (3,543,973) |
| Library Books | (185,352) | (73,773) | - | (259,125) |
| Total Accumulated Depreciation | <u>(41,246,967)</u> | <u>(5,052,957)</u> | <u>-</u> | <u>(46,299,924)</u> |
| Depreciable Capital Assets, Net | <u>121,490,247</u> | <u>7,437,133</u> | <u>-</u> | <u>128,927,380</u> |
| Capital Assets, Net | <u>\$ 139,543,597</u> | <u>\$ 10,471,535</u> | <u>\$ (7,865,631)</u> | <u>\$ 142,149,501</u> |

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NOTE 5. UNEARNED REVENUES

At June 30, 2021 and 2020, the College's unearned revenues were as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Unearned Student Tuition and Fees | \$ 496,651 | \$ 553,539 |
| Unearned Grant Revenue: | | |
| Federal | \$ 2,676,811 | \$ 6,068,262 |
| State | 97,425 | 114,763 |
| Local | 257,448 | 40,191 |
| Total Unearned Grant Revenue | <u>\$ 3,031,684</u> | <u>\$ 6,223,216</u> |

NOTE 6. LONG-TERM LIABILITIES

During the years ended June 30, 2021 and 2020, the following changes occurred in College's long-term liabilities:

| | <u>Balance at June 30, 2020</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at June 30, 2021</u> | <u>Current Portion</u> | <u>Noncurrent Portion</u> |
|-----------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|----------------------------|-------------------------------|
| Long-Term Liabilities: | | | | | | |
| Capital Lease Obligations | \$ 1,015,725 | \$ - | \$ 95,052 | \$ 920,673 | \$ 93,272 | \$ 827,401 |
| Compensated Absences | 3,034,333 | 163,407 | 5,649 | 3,192,091 | 1,704,962 | 1,487,129 |
| Subtotal | 4,050,058 | 163,407 | 100,701 | 4,112,764 | 1,798,234 | 2,314,530 |
| Net Pension Liability | 20,697,319 | - | 1,364,217 | 19,333,102 | - | 19,333,102 |
| Total Long-Term Liabilities | <u>\$ 24,747,377</u> | <u>\$ 163,407</u> | <u>\$ 1,464,918</u> | <u>\$ 23,445,866</u> | <u>\$ 1,798,234</u> | <u>\$ 21,647,632</u> |
| | <u>Balance at June 30, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at June 30, 2020</u> | <u>Current Portion</u> | <u>Noncurrent Portion</u> |
| Long-Term Liabilities: | | | | | | |
| Capital Lease Obligations | \$ - | \$ 1,063,717 | \$ 47,992 | \$ 1,015,725 | \$ 95,052 | \$ 920,673 |
| Compensated Absences | 2,687,771 | 387,014 | 40,452 | 3,034,333 | 1,541,555 | 1,492,778 |
| Subtotal | 2,687,771 | 1,450,731 | 88,444 | 4,050,058 | 1,636,607 | 2,413,451 |
| Net Pension Liability | 21,622,076 | - | 924,757 | 20,697,319 | - | 20,697,319 |
| Total Long-Term Liabilities | <u>\$ 24,309,847</u> | <u>\$ 1,450,731</u> | <u>\$ 1,013,201</u> | <u>\$ 24,747,377</u> | <u>\$ 1,636,607</u> | <u>\$ 23,110,770</u> |

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NOTE 6. LONG-TERM LIABILITIES (Continued)

Capital Leases

On January 1, 2020, the College entered into an agreement with the County to lease space owned by the County at the College's North Hudson Campus over a twelve year period ending December 31, 2031, at which time the County will transfer ownership of space to the College. The lease payments will range from \$84,186 to \$95,985 from 2020 to 2031. The following is schedule of the future minimum lease payments under the capital lease as of June 30, 2021:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| 2022 | \$ 93,272 |
| 2023 | 91,657 |
| 2024 | 90,120 |
| 2025 | 88,616 |
| 2026 | 87,176 |
| 2027-2031 | 427,740 |
| 2032 | 42,092 |
| | <u>\$ 920,673</u> |

NOTE 7. OPERATING LEASES

The College has entered into various lease agreements for office space. The lease commitments expire at various dates. Rent expense for the years ended June 30, 2021 and 2020 was \$261,849 and \$258,557, respectively.

Future minimum rental commitments under these operating leases approximate the following:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| 2022 | \$ 205,386 |
| 2023 | 211,414 |
| | <u>\$ 416,800</u> |

The College rents property under a month to month agreement. The College reported rental income for the years ended June 30, 2021 and 2020 in the amounts of \$495 and \$15,051, respectively.

NOTE 8. RETIREMENT SYSTEMS

All required employees of the College are covered by either the State of New Jersey Public Employees' Retirement System (PERS) or the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance Company, Lincoln Life Insurance Company, Metropolitan Life Insurance Company, Travelers Life Insurance Company and VALIC. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of New Jersey. The ABP alternatives are administered by a separate Board of Trustees. Generally all employees, except certain part-time employees, participate in one of these plans.

The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides coverage to substantially all full-time employees of the College provided the employee is not a member of another State administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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NOTE 8. RETIREMENT SYSTEMS (Continued)

The following represents the membership tiers for PERS:

| Tier | Definition |
|-------------|---|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Employees eligible for enrollment after June 30, 2007 but before November 2, 2008 |
| 3 | Employees eligible for enrollment after November 1, 2008 but before May 22, 2010 |
| 4 | Employees eligible for enrollment after May 21, 2010 but before June 28, 2011 |
| 5 | Employees eligible for enrollment after June 27, 2011 |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tiers.

According to state law, all obligations of PERS will be assumed by the State of New Jersey should the PERS be terminated.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the PERS. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, members contribute at a rate of 7.5%. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of all retirement systems.

The College's and employees' contributions to PERS for the past three years were as follows:

| Year Ended June 30, | Employer Contribution | | Employee Contributions | Pensionable Wages |
|--------------------------------|---|--|-----------------------------------|------------------------------|
| | Gross College Contribution | Percentage of Covered Payroll | | |
| 2021 | \$ 1,296,924 | 11.54% | \$ 842,670 | \$ 11,235,596 |
| 2020 | 1,117,319 | 10.18% | 748,674 | 10,977,622 |
| 2019 | 1,092,307 | 10.13% | 735,606 | 10,781,964 |

Chapter 78, P.L. 2011, effective June 28, 2011, established employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage.

Under chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

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NOTE 8. RETIREMENT SYSTEMS (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68* require participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

At June 30, 2021 and 2020, the College's proportionate share of net pension liability for PERS was \$19,333,102 and \$20,697,319, respectively.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the College's proportion was 0.11855%, which was an increase of 0.0036% from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the College recognized PERS pension expense of \$1,001,942 and \$1,307,677 respectively.

At June 30, 2021 and 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2021 | | 2020 | |
|---|---|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 352,024 | \$ - | \$ 280,058 | \$ - |
| Changes in assumptions | 558,818 | - | - | 5,117,270 |
| Net differences between projected and actual investment earnings on pension plan investments | - | 7,434,132 | - | 326,715 |
| Changes in proportion | 1,728,337 | - | 1,438,209 | - |
| Total Deferred Outflows and Inflows of resources before College contributions before measurement date | 2,639,179 | 7,434,132 | 1,718,267 | 5,443,985 |
| College contributions subsequent to measurement date | 1,322,862 | - | 1,296,924 | - |
| Total | <u>\$ 3,962,041</u> | <u>\$ 7,434,132</u> | <u>\$ 3,015,191</u> | <u>\$ 5,443,985</u> |

College contributions subsequent to the measurement date for the fiscal years ended June 30, 2021 and 2020 in the amounts of \$1,322,862 and \$1,296,924 are recognized as a reduction of the net pension liability subsequent to their corresponding fiscal years ended.

HUDSON COUNTY COMMUNITY COLLEGE
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NOTE 8. RETIREMENT SYSTEMS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|--------------------------------|-----------------------|
| 2022 | \$ (1,818,045) |
| 2023 | (1,725,009) |
| 2024 | (862,979) |
| 2025 | (304,119) |
| 2026 | (84,801) |
| | <u>\$ (4,794,953)</u> |

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

These actuarial valuations used the following actuarial assumptions applied to all periods in the measurement.

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------------|---------------------------|
| Inflation rate | | |
| Price | 2.75% | 2.50% |
| Wage | 3.25% | 2.50% |
| Salary increase: | 2.00 - 6.00% | 2.00 - 6.00% |
| Through 2026 | based on years of service | based on years of service |
| Thereafter | 3.00 - 7.00% | 3.00 - 7.00% |
| | based on years of service | based on years of service |
| Investment rate of return | 7.00% | 7.00% |

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back four years for males and females. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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NOTE 8. RETIREMENT SYSTEMS (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 and 2020 are summarized in the following table:

| Asset Class | 2021 | | 2020 | |
|----------------------------------|-------------------|--|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return | Target Allocation | Long-Term Expected Real Rate of Return |
| US Equity | 27.00% | 7.71% | 28.00% | 8.26% |
| Non U.S. Developed Market Equity | 13.50% | 8.57% | 12.50% | 9.00% |
| Emerging Market Equity | 5.50% | 10.23% | 6.50% | 11.37% |
| Private Equity | 13.00% | 11.42% | 12.00% | 10.85% |
| Real Assets | 3.00% | 9.73% | 2.50% | 9.31% |
| Real Estate | 8.00% | 9.56% | 7.50% | 8.33% |
| High Yield | 2.00% | 5.95% | 2.00% | 5.37% |
| Private Credit | 8.00% | 7.59% | 6.00% | 7.92% |
| Investment Grade Credit | 8.00% | 2.67% | 10.00% | 4.25% |
| Cash Equivalents | 4.00% | 0.50% | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 1.94% | 5.00% | 2.68% |
| Risk Mitigation Strategies | 3.00% | 3.40% | 3.00% | 4.67% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 78% of the actuarial determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

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

The following presents the College's proportionate share of the net pension liability of the as of June 30, 2021 and 2020 (June 30, 2019 and 2018, respectively Measurement Date), calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

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NOTE 8. RETIREMENT SYSTEMS (Continued)

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. (Continued)

| | 2021 | | |
|--|------------------------------------|--|------------------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| College's proportionate share of PERS net pension liability | \$ 24,337,150 | \$ 19,333,102 | \$ 15,087,030 |

| | 2020 | | |
|--|------------------------------------|--|------------------------------------|
| | 1% Decrease (5.28%) | Current Discount Rate (6.28%) | 1% Increase (7.28%) |
| College's proportionate share of PERS net pension liability | \$ 26,144,077 | \$ 20,697,319 | \$ 16,107,654 |

Pension Plan fiduciary net position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

Payable to the pension plan

At June 30, 2021 and 2020, respectively, the College reported accounts payable to the PERS of \$1,322,862 and \$1,296,924 for the required actuarially determined contribution to PERS for the years ended.

Alternate Benefit Program Information (ABP)

ABP provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and non-contributory requirements are established by the State of New Jersey Retirement and Social Security Law.

Employer contributions to ABP are paid by the State of New Jersey; however, such contributions have not been reflected as revenue and expense in the accompanying financial statements.

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NOTE 8. RETIREMENT SYSTEMS (Continued)

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum federal statutory limit, on a pre-tax basis. Employer contributions are 8%. The State of New Jersey reimburses the College a portion of employer contributions for certain classified positions relating to direct student education. The College's and employees' contributions to ABP for the past three years were as follows:

| <u>Year Ended June 30,</u> | <u>Employer Contributions</u> | | <u>Employee Contributions</u> | <u>Pensionable Salaries</u> |
|--------------------------------|-----------------------------------|-----------------------------|-----------------------------------|---------------------------------|
| | <u>Gross College Paid</u> | <u>State Reimbursed</u> | | |
| 2021 | \$ 1,116,975 | \$ 1,116,975 | \$ 698,110 | \$ 13,962,191 |
| 2020 | 1,089,732 | 1,089,732 | 681,082 | 13,621,648 |
| 2019 | 1,063,153 | 1,063,153 | 664,471 | 13,289,413 |

NOTE 9. POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for county colleges.

State Health Benefit Local Education Retired Employees Plan

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired Plan) is a multiple-employer defined benefit other post-employment benefit (OPEB) plan that is administered by the State on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No 75. The Local Education Retired Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retired from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

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FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 9. POST-RETIREMENT MEDICAL BENEFITS (Continued)

State Health Benefit Local Education Retired Employees Plan (Continued)

Employees Covered by Benefit Terms

The following Local Education Retired Plan employees were covered by benefit terms as of the June 30, 2021 and 2020 (measurement dates June 30, 2020 and 2019, respectively):

| | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|
| Active Plan Members | 216,892 | 216,892 |
| Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments | 148,051 | 148,051 |
| Total | <u>364,943</u> | <u>364,943</u> |

Measurement Focus and Basis of Accounting

The financial statements of the post-retirement health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2020 is \$41.7 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2019 which were rolled forward to June 30, 2020.

Actuarial Methods and Assumptions

In the June 30, 2019 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

HUDSON COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9. POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of **\$1.28 billion** to the OPEB plan in fiscal year 2020.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for PERS and ABP retirees' post-retirement benefits on behalf of the College for the years ended June 30, 2021, 2020 and 2019 were \$1,120,708, \$1,120,708, and \$974,923, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefits Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows or resources, collective deferred inflows of resources and collective OPEB expense excluding the attributable to retiree-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2020. Non-employer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability, attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal years ended June 30, 2021 and 2020, the College recognized OPEB expense of **\$1,243,624** and \$1,243,624, respectively. These amounts have been included as a revenue and expense in the financial statements in accordance with GASB No. 85.

At June 30, 2021 and 2020 the State's proportionate share of the OPEB liability attributable to the College is **\$36,557,556** and \$36,508,693, respectively. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the College at June 30, 2020 and 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2020 and 2019, respectively. At June 2020, the State's share of the OPEB liability attributable to the College was **0.0876%** which was **an increase** of **0.0001%** from its proportion measured as of June 30, 2019 of 0.0875%. At June 2019, the State's share of the OPEB liability attributable to the College was 0.0875% which was an increase of 0.0084% from its proportion measured as of June 30, 2018 of 0.0791%.

HUDSON COUNTY COMMUNITY COLLEGE
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FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions and Other Inputs

The OPEB liability for the June 30, 2020, measurement date was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The OPEB liability for the June 30, 2019, measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

| | <u>2021</u> | <u>2020</u> |
|------------------|---------------------------|---------------------------|
| Inflation rate | | |
| Price | 2.75% | 2.50% |
| Wage | 3.25% | 2.50% |
| Salary increase: | 2.00 - 6.00% | 2.00 - 6.00% |
| Through 2026 | based on years of service | based on years of service |
| Thereafter | 3.00 - 7.00% | 3.00 - 7.00% |
| | based on years of service | based on years of service |

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 and 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2020 was 3.50% and for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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NOTE 9. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The change in the State's proportionate share of the OPEB liability attributable to the College for the fiscal years ended June 30, 2021 and 2020 (measurement dates June 30, 2020 and 2019, respectively) are as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| Balance, July 1 measurement date | \$ 36,508,693 | \$ 36,459,830 |
| Changes recognized for the fiscal year: | | |
| Service cost | 2,362,765 | 2,362,765 |
| Interest on the total OPEB liability | 1,481,591 | 1,481,591 |
| Changes in assumptions | 544,348 | 544,348 |
| Difference between expected actual experience | (3,252,354) | (3,252,354) |
| Gross benefit payments | (1,120,708) | (1,120,708) |
| Contributions from the member | 33,221 | 33,221 |
| Net changes | 48,863 | 48,863 |
| Balance, June 30, measurement date | \$ 36,557,556 | \$ 36,508,693 |

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the College at June 30, 2020 and 2019. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the College for the fiscal years ended June 30, 2020 and 2019 were not provided by the pension system.

Sensitivity of OPEB Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the OPEB liability attributable to the College as of June 30, and 2020, calculated using the discount rate disclosed above, as well as what the State's proportionate share of the OPEB liability attributable to the College would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

| | 2021 | | |
|---|---------------------------------------|---|---------------------------------------|
| | At 1% Decrease (2.50%) | At Current Discount Rate (3.50%) | At 1% Increase (4.50%) |
| State's Proportionate Share of the OPEB Liability Attributable to the College | \$ 43,188,920 | \$ 36,557,556 | \$ 31,289,964 |
| | 2020 | | |
| | At 1% Decrease (2.50%) | At Current Discount Rate (3.50%) | At 1% Increase (4.50%) |
| State's Proportionate Share of the OPEB Liability Attributable to the College | \$ 43,131,194 | \$ 36,508,693 | \$ 31,248,141 |

HUDSON COUNTY COMMUNITY COLLEGE
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NOTE 9. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of total OPEB liability to changes in the healthcare cost trend rates

The following presents the State's proportionate share of the OPEB liability attributable to the College as of June 30, 2020 and 2019, calculated using the healthcare trend rate as disclosed above as well as what the State's proportionate share of the OPEB liability attributable to the College would be if it was calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

| 2021 | | | |
|---|---------------------|---------------------------------------|--------------------|
| | 1 % Decrease | Healthcare Cost Trend Rate | 1% Increase |
| State's Proportionate Share of the OPEB Liability Attributable to the College | \$ 30,121,797 | \$ 36,557,556 | \$ 45,077,180 |
| 2020 | | | |
| | 1 % Decrease | Healthcare Cost Trend Rate | 1% Increase |
| State's Proportionate Share of the OPEB Liability Attributable to the College | \$ 30,081,536 | \$ 36,508,693 | \$ 45,016,929 |

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the College at June 30, 2020 and 2019. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the College at June 30, 2019 and 2018 were not provided by the pension system.

NOTE 10. DISCRETELY PRESENTED COMPONENT UNIT

Organization of the Foundation

The Hudson County Community College Foundation (the "Foundation") is a discretely presented component unit of the College. The Foundation is a private not-for-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features which taken as a whole are not material to the College's financial statements of the College. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the years ended June 30, 2021 and 2020, the Foundation distributed \$ [REDACTED] and \$133,506 respectively, to the College for scholarships. Complete financial statements for the Foundation can be obtained from the Finance Department of the College, Jersey City, New Jersey.

Summary of the Foundation's Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10. DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Summary of the Foundation's Significant Accounting Policies (Continued)

Net Asset Classifications

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not imposed to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity and endowments which are invested to provide income for the granting of scholarships.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Valuation of Investments

Investments are valued at their fair market value.

Library and Art Collection

Accessions are capitalized at cost if purchased and at appraised or fair value at the date of accession if received by donation.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased and fair value when donated. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Property and Equipment and Depreciation (Continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. The estimated lives by asset class follows:

| | |
|--------------------|---------|
| Culinary Equipment | 5 years |
| Office Equipment | 3 years |
| Furniture | 5 years |

Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flows.

Revenue Recognition

Revenue is recognized when earned and consists primarily of contributions and proceeds from special events.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
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FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10. DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Summary of the Foundation's Significant Accounting Policies (Continued)

Income Taxes

The Hudson County Community College Foundation is a non-profit organization exempt from federal income taxes under Internal Revenue Section 501(c)(3). Accordingly, no provisions for federal or state income taxes is reflected in these financial statements.

Concentration of Credit Risk

The financial instruments which potentially subject the Foundation to concentrations of credit risk are cash and investments. The Foundation places its cash and investments with various financial institutions. The amount in any one institution that exceeds the federally insured limit is subject to credit risk. As of June 30, 2021 and 2020, the Foundation had cash and investments totaling \$216,270 and \$216,270, respectively that was not federally insured.

All investments are subject to credit risk.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Functional Expenses

The cost of program and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, direct costs are charged against each program or fundraising activity.

All other costs are determined to be supporting services and are reported as management and general costs.

NOTE 11. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College maintains commercial insurance coverage for property and liability.

For worker's compensation insurance the College belongs to the New Jersey Community College Insurance Pool Worker's Compensation Fund (the "Insurance Pool"). The Insurance Pool was created by agreement among the founding community colleges, on June 24, 1987, a non-profit self-insurance pool, pursuant to the provisions of the New Jersey State Government Regulations Act, Chapter 204, P.L. 1985. Effective July 1, 1987, the Insurance Pool established a Workers' Compensation Fund providing workers' compensation insurance to its members. Premium payments are made to the insurance pool by participating community colleges as determined by the Insurance Pool's independent insurance consultant.

NOTE 12. FINANCIAL DEPENDENCY

One of the College's largest sources of revenue is appropriations from Hudson County and the State of New Jersey. The College is economically dependent on these appropriations to carry on its operations.

NOTE 13. CONTINGENCIES

Litigation

The College maybe party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the College's financial position.

HUDSON COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13. CONTINGENCIES (Continued)

Grants

The College received financial assistance from the State of New Jersey and the U.S. Government in the form of grants and financial assistance. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including expenditure of the funds for eligible purposes. The College is subject to the requirements of the Single Audit Act of 1984, as amended in 1996, which mandates that all revenues and expenditures from the grants and financial assistance are audited in conjunction with the College's financial statements for compliance with grant requirements. As of June 30, 2021, the College estimates that no material liabilities will result from such audits.

COVID-19 State of Emergency

On January 31, 2020, the United States Department of Health and Human Services Secretary declared a public health emergency for the United States in response to COVID-19. On March 9, 2020, the Governor of the State of New Jersey issued Executive Order No. 103 (the "Order") declaring a State of Emergency and Public Health Emergency across all 21 counties in New Jersey. The Governor's Order had been subsequently extended, but restrictions have been eased. It is possible that a resurgence in COVID-19 cases could impact the College's programs and functions. Significant uncertainty remains with the ongoing impact of the COVID-19 pandemic that cannot be reasonably estimated.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through [REDACTED], the date which the financial statements were available to be issued. Nothing has come to our attention except for the following:

Subsequent to the year end, the College experienced a cybersecurity breach in September that led to an erroneous payment of a \$95,760 invoice and the College experienced further attempts to breach the system in recent weeks. Unfortunately, cyber attacks on colleges are a growing national trend. The College notified the proper authorities and contacted insurance carrier. The loss will be covered through insurance less the \$25,000 deductible. The College immediately retained the services of a professional law firm to perform forensic services.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST SEVEN FISCAL YEARS

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| College's proportion of the net pension liability | 0.118554277% | 0.114867150% | 0.109815256% | 0.109004902% | 0.105143518% | 0.103111575% | 0.107551610% |
| College's proportionate share of the net pension liability | \$ 19,333,102 | \$ 20,697,318 | \$ 21,622,076 | \$ 25,374,599 | \$ 31,140,494 | \$ 23,146,482 | \$ 20,136,604 |
| College's covered-employee payroll | 11,235,596 | 10,977,622 | 10,781,964 | 10,589,813 | 10,085,536 | 9,100,123 | 7,411,708 |
| College's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 58.12% | 53.04% | 49.87% | 41.73% | 32.39% | 39.32% | 36.81% |
| Plan fiduciary net position as a percentage of the total pension liability | 172.07% | 188.54% | 200.54% | 239.61% | 308.76% | 254.35% | 271.69% |

Note: The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend is compiled, the College will only present information for those years for which information is available.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF COLLEGE CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST SEVEN FISCAL YEARS

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 1,173,185 | \$ 1,117,319 | \$ 1,092,307 | \$ 985,569 | \$ 903,552 | \$ 934,080 | \$ 886,483 |
| Contributions in relation to the contractually required contribution | <u>1,173,185</u> | <u>1,117,319</u> | <u>1,092,307</u> | <u>985,569</u> | <u>903,552</u> | <u>934,080</u> | <u>886,483</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered-employee payroll | \$ 11,235,596 | \$ 10,977,622 | \$ 10,785,964 | \$ 10,589,813 | \$ 10,085,536 | \$ 9,100,123 | \$ 7,411,708 |
| Contributions as a percentage of covered-employee payroll | 10.44% | 10.18% | 10.13% | 9.31% | 8.96% | 10.26% | 11.96% |

Note: The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend is compiled, the College will only present information for those years for which information is available.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF OPEB LIABILITY
ATTRIBUTABLE TO THE COLLEGE AND RELATED RATIOS
STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN
LAST FOUR FISCAL YEARS

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Balance, July 1 | \$ 36,508,693 | \$ 36,459,830 | \$ 53,569,430 | \$ 54,844,428 |
| Changes reconized for the fiscal year: | | | | |
| Service cost | 2,362,765 | 2,362,765 | 5,256,563 | 6,301,791 |
| Interest on the total OPEB liability | 1,481,591 | 1,481,591 | 2,089,271 | 1,725,757 |
| Changes in assumptions | 544,348 | 544,348 | (4,183,948) | (8,107,453) |
| Difference between expected and actual experience | (3,252,354) | (3,252,354) | (19,330,258) | - |
| Gross benefit payments | (1,120,708) | (1,120,708) | (974,923) | (1,240,782) |
| Contributions from the member | 33,221 | 33,221 | 33,695 | 45,689 |
| Net changes | <u>48,863</u> | <u>48,863</u> | <u>(17,109,600)</u> | <u>(1,274,998)</u> |
| Balance, June 30 | <u>\$ 36,557,556</u> | <u>\$ 36,508,693</u> | <u>\$ 36,459,830</u> | <u>\$ 53,569,430</u> |
| College's proportionate share of OPEB liability | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of OPEB liability | <u>36,557,556</u> | <u>36,508,693</u> | <u>36,459,830</u> | <u>53,569,430</u> |
| Total OPEB liability | <u>\$ 36,557,556</u> | <u>\$ 36,508,693</u> | <u>\$ 36,459,830</u> | <u>\$ 53,569,430</u> |
| College's covered employee payroll | \$ 28,818,289 | \$ 28,561,695 | \$ 24,071,377 | \$ 21,179,626 |
| Total OPEB Liability as a percentage of covered employee payroll | 0.000% | 0.000% | 0.000% | 0.000% |

Note: The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requiement to show information for 10 years in accordance with GASB Statement No. 75. However, until a 10-year trend is compiled, the College will only present information for those years for which information is available.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Public Employees' Retirement System (PERS) | State Health Benefit Local Education Retired Employees OPEB Plan |
|---|---|---|
| Change in benefits | None | None |
| Changes in assumptions: | | |
| Discount rate: | | |
| As of June 30, 2020 | 7.00% | |
| As of June 30, 2019 | 3.50% | 3.50% |
| Municipal bond rate: | | |
| As of June 30, 2020 | 4.25% | |
| As of June 30, 2019 | 3.50% | 3.50% |
| Inflation rate: | | |
| As of June 30, 2020 | | |
| Price | 2.75% | |
| Wage | 3.25% | |
| As of June 30, 2019 | 2.25% | 2.50% |
| Long-term expected rate of return on pension plan investments: | | |
| As of June 30, 2020 | 7.00% | Not Applicable |
| As of June 30, 2019 | 7.00% | Not Applicable |

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Hudson County Community College
Jersey City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hudson County Community College (the "College"), a component unit of Hudson County, New Jersey, which collectively comprise the College's basic financial statements and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated [REDACTED]. The financial statements of the Hudson County Community College Foundation, Inc., the discretely presented component unit of the College, were audited by other auditors for the years ended June 30, 2021 and 2020, whose report dated [REDACTED], expressed an unmodified opinion on those statements.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Bayonne, New Jersey

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

DRAFT

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

The Board of Trustees
Hudson County Community College
Jersey City, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Hudson County Community College's, (the "College") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2021. The College's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Hudson County Community College is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

Bayonne, New Jersey
[Redacted]

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

| Federal Grantor/ Passed through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Expenditures | Passed Through To Subrecipients |
|--|------------------------------------|---|---------------------|--|
| U.S. Department of Justice: | | | | |
| Passed through New Jersey Department of Law and Public Safety | | | | |
| Juvenile Justice and Delinquency Prevention - | | | | |
| Jean Krauss Youth Leadership & Career Development Forums | 16.540 | * | 11,158 | - |
| Total U.S. Department of Justice | | | 11,158 | - |
| U.S. Department of Labor: | | | | |
| Passed through Jersey City Office of Employment and Training | | | | |
| Placement in High Growth and Emerging Industry Sectors: | | | | |
| COVID-19 - WIOA Dislocated Worker | 17.278 | * | 71,068 | - |
| Passed through Bergen Community College | | | | |
| H-1B Job Training Grant (New Jersey Healthworks) | 17.268 | * | 67,828 | - |
| Passed through County College of Morris | | | | |
| H-1B Job Training Grant (New Jersey Healthworks) | 17.268 | * | 66,001 | - |
| Total U.S. Department of Labor | | | 204,897 | - |
| U.S. Department of the Treasury: | | | | |
| Passed through New Jersey office of the Secretary of Higher Education: | | | | |
| Coronavirus Relief Funds | 21.019 | * | 3,320,834 | - |
| Total U.S. Department of the Treasury | | | 3,320,834 | - |
| National Science Foundation: | | | | |
| Northern New Jersey Bridges to the Baccalaureate Degree (NNJ B2B) | 47.076 | * | 50,078 | - |
| Passed through the State University of Rutgers: | | | | |
| Sustainable Pathways from Community Colleges for Urban Youth in STEM | 47.076 | * | 65,777 | - |
| Total National Science Foundation | | | 115,855 | - |
| U.S. Department of Education: | | | | |
| Student Financial Assistance Cluster: | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | 649,066 | - |
| Federal Work Study Programs | 84.033 | N/A | 150,336 | - |
| Federal Pell Grant Program | 84.063 | N/A | 19,130,023 | - |
| Federal Direct Student Loans | 84.268 | N/A | 2,523,167 | - |
| Total Student Financial Assistance Cluster | | | 22,452,592 | - |
| COVID-19 - Education Stabilization Fund (ESF): | | | | |
| Passed through New Jersey office of the Secretary of Higher Education: | | | | |
| Governor's Emergency Education Relief Fund | 84.425C | * | 947,744 | - |
| Higher Education Emergency Relief Fund (HEERF): | | | | |
| HEERF - Student Aid Portion | 84.425E | N/A | 5,322,670 | - |
| HEERF - Institutional Aid Portion | 84.425F | N/A | 15,432,138 | - |
| Total COVID-19 - Education Stabilization Funds | | | 21,702,552 | - |
| Passed through State of New Jersey | | | | |
| Career and Technical Education - Perkins | 84.048A | V048A190030 | 566,000 | - |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | * | 44,624 | - |
| Total U.S. Department of Education | | | 44,765,768 | - |
| U.S. Department of Homeland Security | | | | |
| Passed through State of New Jersey | | | | |
| COVID-19 FEMA Public Assistance | 97.036 | * | 298,099 | - |
| Total U.S. Department of Homeland Security | | | 298,099 | - |
| Total Federal Awards | | | \$ 48,716,611 | \$ - |

* - Information Not Available

N/A - Not Applicable

The accompanying Notes to Schedules of Expenditure of Federal Awards and State Financial Assistance are an integral part of this schedule

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County)
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

| State of New Jersey Grantor/ Pass Through Grantor/ Program or Cluster Title | Grant Account Number | Grant Period | | Expenditures | Cumulative Expenditures |
|---|-------------------------|--------------|----------|---------------|----------------------------|
| | | From | To | | |
| Higher Education Assistance Authority: | | | | | |
| Tuition Aid Grants | 21-100-074-2405-007 | 07/01/20 | 06/30/21 | \$ 4,126,837 | \$ 4,126,837 |
| New Jersey Student Tuition Assistance Reward Scholarship (NJ Stars) Program | 21-100-074-2405-313 | 07/01/20 | 06/30/21 | 92,518 | 92,518 |
| Total Higher Education Assistance Authority | | | | 4,219,355 | |
| Office of the Secretary of Higher Education (OSHE): | | | | | |
| Supplementary Education Program Grant: | | | | | |
| Educational Opportunity Fund: | | | | | |
| Article III - Educational Opportunity Fund Summer | 21-100-074-2401-001 | 07/01/20 | 08/31/20 | 35,824 | 35,824 |
| Article III - Educational Opportunity Fund Program Support | 21-100-074-2401-002 | 07/01/20 | 06/30/21 | 361,910 | 361,910 |
| Total Educational Opportunity Fund | | | | 397,734 | |
| New Jersey Community College Opportunity Grant: | | | | | |
| Community College Opportunity Grant | 21-100-074-2400-061 | 09/15/20 | 08/01/21 | 3,018,922 | 5,792,804 |
| Community College Opportunity Grants - Special Funding | 21-100-074-2400-061 | 09/15/20 | 08/01/21 | 264,885 | 264,885 |
| Total Department of Higher Education | | | | 3,283,807 | |
| Total Department of Higher Education | | | | 3,681,541 | |
| Department of Treasury: | | | | | |
| Higher Education Administration: | | | | | |
| Operational Costs - County Colleges | 21-100-082-2155-015 | 07/01/20 | 06/30/21 | 6,364,247 | 6,364,247 |
| Alternate Benefit Program | 21-100-082-2155-017 | 07/01/20 | 06/30/21 | 987,861 | 987,861 |
| Division of Pensions and Benefits: | | | | | |
| On-Behalf Post Retirement Medical Benefits Contribution | * | 07/01/20 | 06/30/21 | 1,243,624 | 1,243,624 |
| Total Department of Treasury | | | | 8,595,732 | |
| Total State Financial Assistance | | | | 16,496,628 | |
| Less: | | | | | |
| On-Behalf Post Retirement Medical Benefits Contribution | | | | (1,243,624) | |
| Total Subject to Single Audit | | | | \$ 15,253,004 | |

* - Information Not Available

Note: There were expenditures passed through to subrecipients.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Hudson County Community College (the "College"). The College is defined in Note 1 to the College's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other governmental agencies, are included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of Federal Awards and State Financial Assistance of the Collage are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Office of Management and Budget Circular 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. INDIRECT COST METHOD

The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uninform Guidance.

NOTE 4. LOAN PROGRAMS

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and the State of New Jersey Alternative Loan and New Jersey Class Loans and, accordingly, these loans are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program.

NOTE 5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

As explained in note 4, the College is responsible only for the performance and certain administrative duties with respect to the Federal Direct Student Loan Program. Such funding is presented in the schedule of expenditures of federal awards, however, is not presented in the basic financial statements

NOTE 6. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

The amount of \$1,243,624 reported as post-retirement medical benefits represent the OPEB expense amounts incurred by the State on behalf of the College for the year ended June 30, 2021. On-behalf expenditures for the College by the State are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the College's basic financial statements and the amount subject to the State single audit and major program determination.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

FINANCIAL STATEMENT SECTION

A) Type of auditor's report issued: Unmodified

B) Internal control over financial reporting:

1) Material weakness(es) identified? Yes ✓ No

2) Significant deficiencies identified? Yes ✓ None reported

C) Noncompliance material to basic financial statements noted? Yes ✓ No

FEDERAL AWARD SECTION

D) Internal Control over major programs:

1) Material weakness(es) identified? Yes ✓ No

2) Significant deficiencies identified? Yes ✓ None reported

E) Type of auditor's report issued on compliance for major programs: Unmodified

F) Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200 SECTION .516(a) of ? Yes ✓ No

G) Identification of major programs:

| <u>CFDA Number(s)</u> | <u>FAIN Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-----------------------|---|
| 84.007 | * | Student Financial Assistance Cluster: |
| 84.033 | * | Federal Supplemental Educational Opportunity Grants |
| 84.063 | * | Federal Work Study Programs |
| 84.268 | * | Federal Pell Grant Program |
| 84.425C | * | Federal Direct Student Loans |
| 84.425E | * | COVID-19 - Governor's Emergency Education Relief Fund |
| 84.425F | * | COVID-19 - Higher Education Emergency Relief Fund Student Aid |
| 21.019 | * | COVID-19 - Higher Education Emergency Relief Fund Institutional Aid |
| 97.036 | * | COVID-19 - Coronavirus Relief Funds |
| | | COVID-19 - FEMA Public Assistance |

H) Dollar threshold used to distinguish between type A and type B Programs: \$750,000

I) Auditee qualified as low-risk auditee? ✓ yes no

* - Information Not Available

**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditor's Results

STATE FINANCIAL ASSISTANCE SECTION

J) Dollar threshold used to distinguish between type A and type B programs:

\$750,000

K) Auditee qualified as low-risk auditee?

☒ yes ☐ no

L) Internal control over financial reporting:

1) Material weakness(es) identified?

☐ yes ☒ no

2) Significant deficiencies identified that are not considered to be material weaknesses?

☐ yes ☒ none reported

M) Type of auditor's report issued on compliance for major programs:

Unmodified

N) Any audit findings disclosed that are required to be reported in accordance with Applicable N.J. OMB Circular Letter 15-08

☐ yes ☒ no

O) Identification of major programs:

| State Grant/Project Number(s) | Name of State Program |
|-------------------------------|-------------------------------------|
| 21-100-082-2155-015 | Operational Costs - County Colleges |
| 21-100-074-2400-061 | Community College Opportunity Grant |

* - Information Not Available

**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings

(This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.)

No matters were reported.

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**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

(This section identifies audit findings required to be reported by 2 CFR 200 Section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, as applicable.)

FEDERAL AWARDS

No matters were reported.

STATE FINANCIAL ASSISTANCE

No matters were reported.

DRAFT

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2021

(This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, as applicable.)

FINANCIAL STATEMENTS

No matters were reported.

FEDERAL AWARDS

No matters were reported.

STATE FINANCIAL ASSISTANCE

No matters were reported.

DRAFT