Schoolcraft College

Annual Report 2014

On the Cover

Building on last year's vision, the fully renovated Jeffress Center, named in honor of Schoolcraft College's fourth president, Dr. Conway A. Jeffress, features a unique blend of administrative and learning environments, most notably a newly created Bachelor's and Master's degree partnership program with two major universities titled "Schoolcraft to U".

Table of Contents

plante moran

Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Schoolcraft College

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component unit was not audited under *Government Auditing Standards*.

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

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

Opinions

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

To the Board of Trustees
Schoolcraft College

Other Matters

Required Supplemental Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 on our consideration of Schoolcraft College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schoolcraft College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 10, 2014

Management's Discussion & Analysis - Unaudited

The discussion and analysis of Schoolcraft College's financial statements provides an overview of the College's financial position at June 30, 2014 and 2013 and its financial activities for the three years ended June 30, 2014. Management has prepared the financial statements and the related footnote disclosures, along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College.

Using The Annual Report

The annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements, and notes to financial statements. The financial statements report information on the College as a whole. Following the basic financial statements and footnotes are two supplementary schedules, the Consolidating Statement of Net Position and the Consolidating Statement of Revenue, Expenses, and Transfers and Changes in Net Position. These additional schedules are required by the State of Michigan. Though the Governmental Accounting Standards Board does not require this information for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College not disclosed in the basic statements.

In November 2010, Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. As a result, the College is required to include the Schoolcraft College Foundation as a component unit in the financial statements. The Foundation's statement of financial position and statement of activities and changes in net assets have been included on separate pages.

Financial Highlights

The Statement of Financial Position reports the College's financial position for the three years ended June 30, 2014. The Statement of Revenues, Expenses, and Changes in Net Position reports the change in net position for the three years ended June 30, 2014. The College's financial position deteriorated during the years ended June 30, 2014 and 2013 with net position decreasing by $3.1 million and $4.7 million, respectively. The decrease in 2014 is primarily due to decreases in enrollment combined with an increase in retirement and health care costs as well as a modest increase in salaries and wages. The decrease in 2013 is primarily due to decreases in enrollment and property taxes combined with an increase in retirement and health care costs as well as a significant increase in unrealized losses on investments. Following is a summary of the major components of the financial position of the College as of June 30, 2014, 2013 and 2012, in millions:

Financial Position (in millions)

	2014	2013	2012
Current assets	$ 29.1	$ 31.8	$ 49.6
Non-current assets			
Other	25.9	38.2	16.0
Capital assets	104.6	91.7	82.6
Total assets	159.6	161.7	148.2
Current liabilities	14.2	12.2	11.5
Long-term liabilities	17.0	17.9	0.4
Total liabilities	31.2	30.1	11.9
Net position			
Net investment in capital assets	93.3	91.5	82.6
Restricted	0.1	0.1	0.2
Unrestricted	35.0	40.0	53.5
Total net position	$ 128.4	$ 131.6	$ 136.3

Management's Discussion & Analysis - Unaudited

During the year end June 30, 2014 total assets decreased by $2.1 million and total liabilities increased by $1.0 million. The primary changes in assets include a decrease in cash and investments of $14.1 million due to major capital expenditures and the resulting increase in capital assets of $12.9 million, a decrease in property taxes receivable of $378,000, a decrease in state appropriations receivable of $325,000, and a decrease in prepaid expenses and other assets of $216,000. The primary changes in liabilities include an increase in accounts payable of $1.9 million due to timing of construction projects ongoing near year-end and an increase in unearned revenue of $127,000 due to increased tuition and fees approved by the board of trustees for the fall registrations, offset by a decrease in bonds payable including the related premium of $983,000.

During the year end June 30, 2013 total assets increased by $13.5 million and total liabilities increased by $18.2 million. The primary changes in assets include a decrease in cash and investments of $14.9 million due to major capital expenditures and the resulting increase in capital assets of $9.1 million, an increase in restricted cash and investments of $17.9 million due to unspent bond proceeds, and an increase in property taxes receivables of $421,000. The primary changes in liabilities include decreases in unearned revenue of $607,000 due to decreased enrollment for summer and fall registrations, a decrease in accounts payable of $1.7 million due to timing of construction projects ongoing near year-end, an increase in accrued payroll and other compensation of $2.0 million primarily due to the early retirement incentive and MPSERS UAAL stabilization payment, and an increase in bonds payable including the related premium of $18.2 million.

Revenue, Expenses and Change in Net Assets (in millions)

	2014	2013	2012
Operating revenues			
Tuition and fees (net of scholarship allowance)	$ 24.1	$ 22.9	$ 22.2
Federal grants and contracts	1.3	1.3	1.4
State and other grants and contracts	0.9	0.8	0.9
Sales and services of auxiliary activities	8.6	9.5	9.2
Gain on disposal of assets	0.1	0.1	0.1
Miscellaneous	2.9	2.5	2.5
Total operating revenue	37.9	37.1	36.3
Operating expenses			
Instruction	32.6	31.7	29.9
Public services	1.9	2.1	2.2
Instructional support	12.0	11.2	11.0
Student services	24.8	23.5	23.9
Institutional administration	10.2	11.5	9.8
Operation and maintenance of plant	10.7	11.0	10.4
Depreciation	4.0	3.9	3.9
Total operating expenses	96.2	94.9	91.1
Net operating loss	(58.3)	(57.8)	(54.8)
Nonoperating revenues and (expenses)			
State appropriations	14.0	12.7	11.4
Property taxes	22.1	21.7	22.8
Pell grants	17.6	18.9	18.7
Other nonoperating revenues and (expenses) - net	0.5	(1.1)	0.4
Net nonoperating revenues	54.2	52.2	53.3
Other revenues			
Capital grants and contracts	0.9	0.9	0.9
Net decrease in net position	(3.2)	(4.7)	(0.6)
Net position, beginning of year	131.6	136.3	136.9
Net position, end of year	$ 128.4	$ 131.6	$ 136.3

Management's Discussion & Analysis - Unaudited

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and the sale of food by Food Service and Culinary Arts. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes.

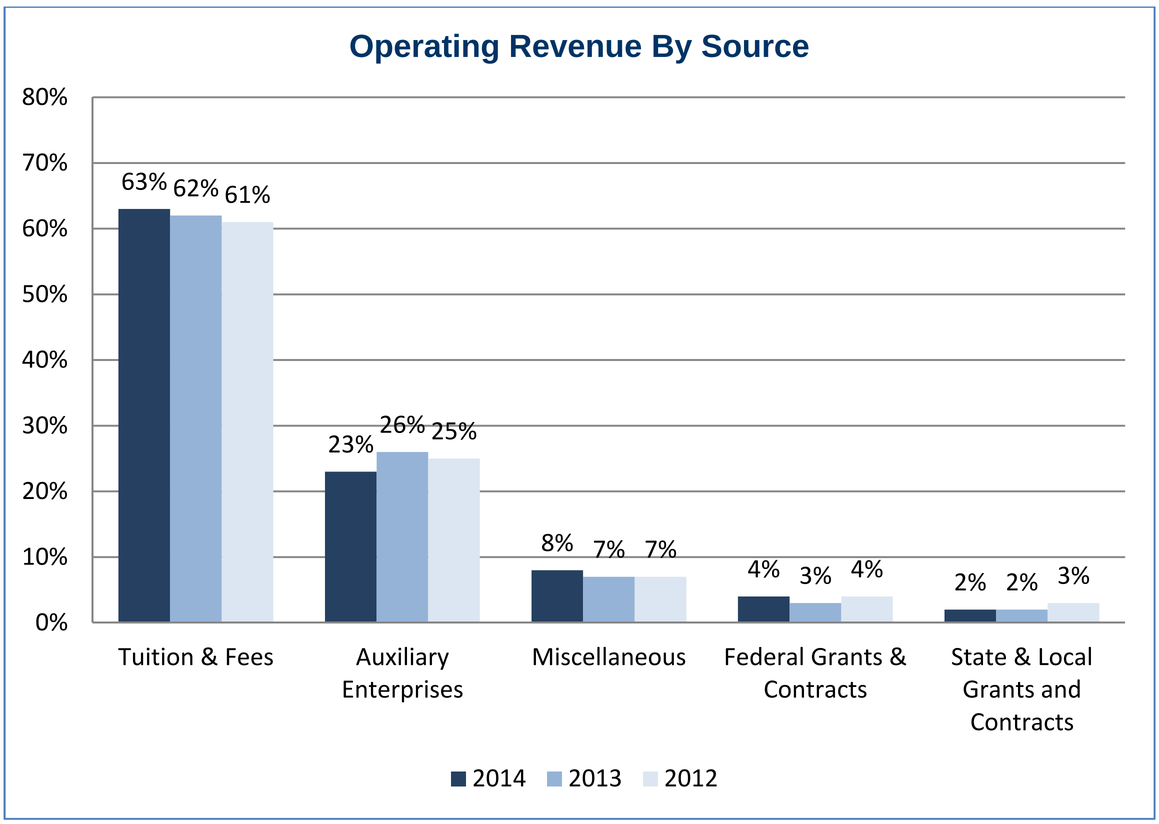
Operating revenue changes were the result of the following for the year ended June 30, 2014:

- Student tuition and fee revenue increased $1.2 million due to tuition and fee increases offset by a slight decrease in Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances increased $223,000 or 0.6% due to tuition and fee increases coupled with relatively flat enrollment. Auxiliary enterprises revenue decreased by $899,000 due to the introduction of book rentals in the bookstore.

Operating revenue changes were the result of the following for the year ended June 30, 2013:

- Student tuition and fee revenue increased $783,000 due to tuition and fee increases offset by a continued increase in Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances increased $1.7 million or 4.7% due to tuition and fee increases coupled with relatively flat enrollment fluctuations.

The following chart illustrates operating revenues by source as a percent of total operating revenue:



Management's Discussion & Analysis - Unaudited

Operating Expenses

Operating expenses are the costs associated with achieving the mission of the college; providing instruction, enrolling and counseling students, maintaining the facilities, and managing the finances.

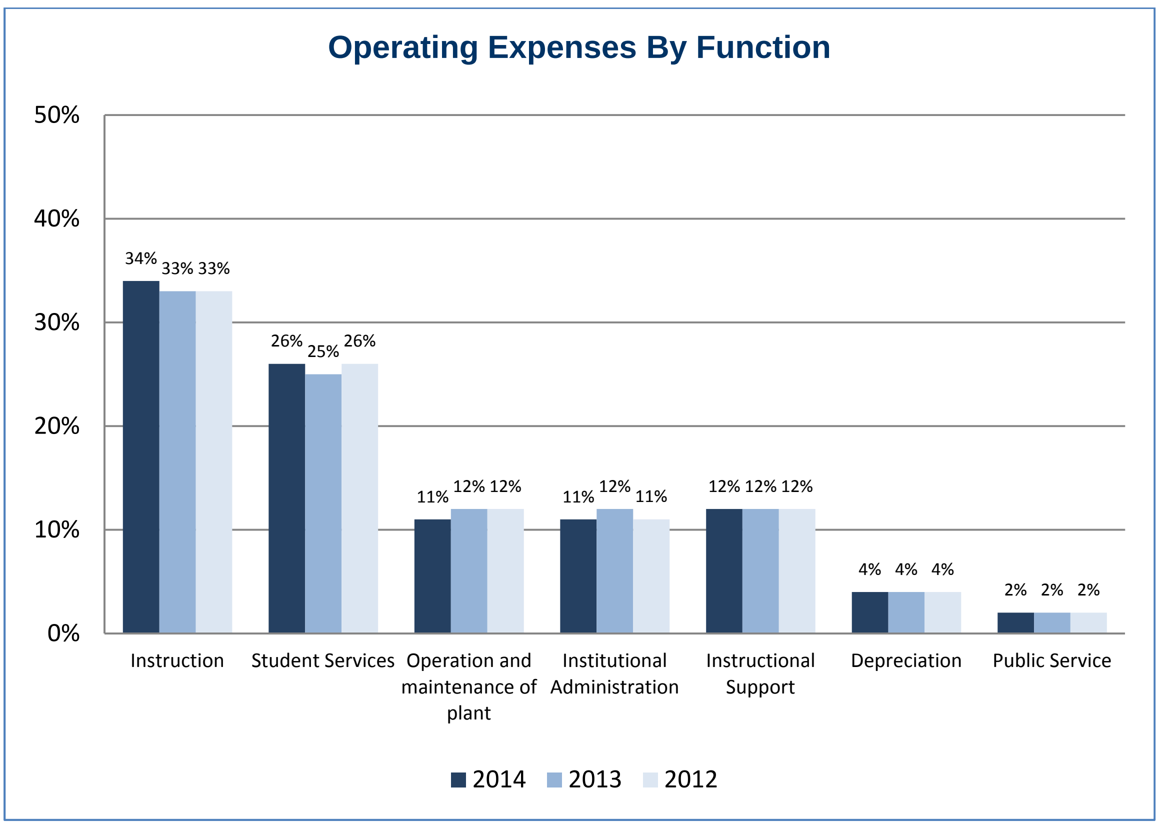
Operating expense changes were the result of the following for the year ended June 30, 2014:

- Operating expenses overall increased 1.37%. Average salary and benefit packages increased moderately due to increases in health care insurance and retirement payments.
- Instruction and instructional support increased 3.81% due to salary and benefit increases.
- Student services increased 5.40% due to salary and benefit increases and additional marketing and promotional efforts undertaken to help increase enrollment
- Institutional administration decreased 11.39% due to the early retirement incentive offered in fiscal year 2013.

Operating expense changes were the result of the following for the year ended June 30, 2013:

- Operating expenses overall increased 4.1%. Average salary and benefit packages increased moderately due to increases in health care insurance and retirement payments.
- Instruction increased 6.2% due to salary and benefit increases.
- Institutional administration increased 17.2% due to the early retirement incentive offered in fiscal year 2013.
- Operation and maintenance of plant increased due to an increase in repair expenses.

The following chart illustrates operating expenses by function as a percent of total operating expenses:



Management's Discussion & Analysis - Unaudited

Non-Operating Revenues

Non-operating revenues represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property taxes, Pell grants, and investment income.

Non-operating revenue changes were the result of the following factors for the year ended June 30, 2014:

- State appropriations increased by $1.3 million. This is primarily due to $1.85 million in payments from the State of Michigan for retirement contributions to the MPSERS plan in an effort to fund the difference between the Colleges capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contribution rate pursuant to MPSERS reform legislation.
- Property taxes increased by $373,000 due to slight increases in property tax values.
- Unrealized losses on investments decreased by $1.5 million as there wasn't fluctuation in interest rates like there were in 2013.
- Pell grant awards decreased by $1.3 million due to a decrease in the number of students qualifying for financial aid.

Non-operating revenue changes were the result of the following factors for the year ended June 30, 2013:

- State appropriations increased by $1.3 million. This is primarily due to a $712,000 payment from the State of Michigan for retirement contributions to the MPSERS plan in an effort to fund the difference between the Colleges capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contribution rate pursuant to MPSERS reform legislation.
- Property taxes decreased by $1.1 million due to the fall of the housing market. The taxable value of property in the three counties decreased by 3.0%. The voter approved 2.27 mills of taxes for operations have remained at the reduced rate of 1.7967 mills due to the Headlee amendment.
- Unrealized losses on investments were $1.5 million, primarily due to sharp increases in interest rates during the 4th quarter of the fiscal year which in turn caused bond prices to fall.
- Pell grant awards increased by $314,000 due to an increase in the number of students qualifying for financial aid.

Other Revenue

Other revenue consists of items that are typically non-recurring, extraordinary, or unusual to the College.

Other revenue changes were the result of the following factors for the year ended June 30, 2014:

- The College received $1,000 more in payments from the Schoolcraft Development Authority.

Other revenue changes were the result of the following factors for the year ended June 30, 2013:

- The College received $18,000 more in payments from the Schoolcraft Development Authority.

Statement of Cash Flows

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

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

The College's cash and cash equivalent position decreased by $10.0 million at June 30, 2014, primarily due to making investments in construction and facilities improvements of $16.7 million offset by

Management's Discussion & Analysis - Unaudited

converting $3.9 million from restricted investments into cash and cash equivalents in connection with the proceeds of the 2013 $18 million bond issuance to fund the aforementioned construction.

Statement of Cash Flows (in millions)

	2014	2013	2012
Cash provided (used) by:			
Operating activities	$ (52.3)	$ (54.1)	$ (49.9)
Noncapital financing activities	54.5	52.3	52.8
Capital and related financing activities	(17.1)	6.0	(11.7)
Investing activities	4.9	(14.9)	-
Net decrease in cash and equivalents	(10.0)	(10.7)	(8.8)
Cash and equivalents - beginning of year	31.0	41.7	50.5
Cash and equivalents - end of year	$ 21.0	$ 31.0	$ 41.7

Capital Assets and Debt Administration:

Capital Assets

The College had $104.6 million and $91.7 million invested in capital assets, net of accumulated depreciation of $53.0 million and $49.1 million at June 30, 2014 and 2013, respectively. Depreciation charges totaled $4.0 and $3.9 million, respectively, for the years then ended.

	2014	2013	2012
Land and land improvements	$ 8.3	$ 8.6	$ 6.8
Buildings and improvements	71.7	67.4	61.0
Equipment	3.0	3.4	4.0
Infrastructure	2.7	3.0	3.2
Construction in progress	18.9	9.3	7.6
	$ 104.6	$ 91.7	$ 82.6

Major capital additions this year include:

	Source of Funds:		
Projects completed this year:	Bond Proceeds	Operating Funds	Total
VistaTech Center upgrades	$ -	$ 194,719	$ 194,719
VistaTech Chiller Replacement	-	1,059,375	1,059,375
Physical educational mechanical upgrade	-	172,652	172,652
Projects started this year or last year:			
The Jeffress Center	9,641,671	1,072,593	10,714,264
McDowell Center repurposing	685,005	-	685,005
CEPD demolition & parking lot	25,148	-	25,148
North ring road	2,502,075	-	2,502,075
The Jeffress Center security and technology upgrades	-	573,066	573,066
McDowell Center security and technology upgrades	-	201,186	201,186
Total major additions	$ 12,853,899	$ 3,273,591	$ 16,127,490

Management's Discussion & Analysis - Unaudited

The College has entered into construction contracts and commitments totaling approximately $21,682,000 for the Jeffress Center, McDowell Center repurposing, CEPD demolition and parking lot, North ring road, and the Jeffress Center and McDowell Center security and technology upgrades. As of June 30, 2014 the College had recorded expenditures relating to these projects totaling $15,215,000. These projects are expected to be completed during the year ending June 30, 2015. The remaining commitments total $6,467,000 of which remaining bond proceeds will fund $5,833,000.

These projects will be primarily funded from the 2013 bond issue as described in the section below. More detailed information about the College's capital assets is presented in the footnotes to the financial statements.

Debt Administration

At year-end, the College had $17.2 million in debt outstanding from the issuance of $18.0 million in general obligation, limited-tax bonds, issued for various construction projects included in the section above, as authorized by the Board of Trustees on March 27, 2013. Bond principal payments are due annually each May through maturity in fiscal year 2028. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 3.0%.

The College's general obligation bond rating was Aa1 by Moody's in May 2013 upon issuance. According to Moody's, at the time of the bond issuance, the strong rating was based upon the College's sizeable tax base located in Southeast Michigan, sound management of financial operations, healthy financial position, and very low debt burden.

Economic Factors Which Will Affect the Future

In 2014/15 the College anticipates receiving State appropriation funding of $12.2 million, $500,000 below the $12.7 million received from the State in 2001/02. At yearly increases of this magnitude, it is expected that it will take four more fiscal years to recover to the 2001/02 funding level. State equalized value and taxable values have increased slightly in the College district along with new construction. Property tax revenue for 2014/2015 will increase by approximately 1% and is estimated to continue increasing at a modest rate for 2015/2016. It is projected that it will take nine more fiscal years to recover to pre-recession property tax revenue levels. The Board has approved an average tuition increase of 2.8%, effective with the Fall 2014 term, and enrollment for the fall semester compared to last year is projected to decrease by approximately 6%.

The College is subject to Section 4 of Michigan Public Act 152 of 2011. This act caps the College's costs related to medical benefits it offers its employees and will help the College contain its medical benefit costs. Once fully implemented in 2015 due to collective bargaining agreements, the College's share of medical benefits will not exceed 80% of the total annual costs of all the medical benefit plans it offers or contributes to for its employees. Savings already realized approximate $998,000 per year. When fully implemented in 2015 the yearly savings are estimated to total approximately $1,300,000.

On September 5, 2012 Public Act 300 (or Senate Bill 1040) was signed into law by the Governor. The law outlines significant reforms to the MPSERS retirement system that will dramatically affect the expected retirement rates paid by the College as well as the benefits provided to MPSERS participants. In connection with Public Act 300, the College's MPSERS contribution rate will be capped at 25.78% for 2014/15 until further legislation is enacted. Under these rates, this represents a cumulative increase from 2004/05 of approximately 95%. During that same period of time, the cumulative CPI for the United States increased 25.64%. If MPSERS had limited increases to the CPI figures over that period, the current actual rate would be <u>18.68%</u>. Schoolcraft's recurring revenue streams are relegated to increase tied to the CPI rate. Contributions to MPSERS using the adjusted CPI figure of 18.68% would net the college a recurring savings of approximately $2.5 million annually. Unfortunately, the MPSERS contribution rate has increased beyond the CPI and the MPSERS plan still has unfunded pension and postemployment benefit liabilities totaling approximately $24.3 billion and $13.4 billion, respectively.

GASB pronouncement number 68 addresses the accounting and financial reporting of the unfunded pension liability and will be effective for the College's year ending June 30, 2015. According to College estimates, the College's portion of the unfunded pension liability is approximately $101 million as of June

Management's Discussion & Analysis - Unaudited

30, 2014. A future GASB pronouncement is expected to address the unfunded postemployment health care benefit. The College estimates that its share of the unfunded postemployment benefit liability is approximately $56 million as of June 30, 2014.

Current retirement contribution rates are unsustainable long term and will require structural changes to the MPSERS Plan or College operations in order for the College to be able to continue to provide affordable and effective services.

Statement of Net Position

	As of June 30 2014	As of June 30 2013
Assets		
Current Assets		
Cash and cash equivalents - Note 2	$ 20,561,191	$ 22,333,663
Short-Term investments - Note 2	502,937	501,518
Property taxes receivable, net of allowance for doubtful accounts of $44,600 in 2014 and $58,900 in 2013	263,328	641,718
State appropriation receivable	2,532,134	2,857,131
Accounts receivable, net of allowance for doubtful accounts of $1,005,190 in 2014 and $595,390 in 2013	1,972,532	2,249,383
Accrued interest receivable	102,303	102,297
Federal and state grants receivable	479,275	480,147
Student loans receivable, net of allowance for doubtful accounts of $0 in both 2014 and 2013	16,050	16,050
Inventories	1,912,646	1,645,323
Prepaid expenses and other assets	732,349	948,131
Total Current Assets	29,074,745	31,775,361
Noncurrent Assets		
Restricted cash and investments - Note 1	5,833,416	17,944,957
Long-term investments - Note 2	20,070,713	20,287,583
Property and equipment - Note 7	104,638,611	91,721,811
Total Assets	159,617,485	161,729,712
Liabilities		
Current Liabilities		
Current portion of debt obligations - Note 9	1,007,544	970,000
Accounts payable	3,467,579	1,550,761
Accrued interest payable	59,215	57,548
Accrued payroll and other compensation	5,379,350	5,471,996
Deposits	52,324	25,515
Unearned revenue	4,202,530	4,075,645
Contingent liabilities - Note 5	10,772	64,100
Total Current Liabilities	14,179,314	12,215,565
Noncurrent Liabilities		
Long-term debt obligations - Note 9	16,195,977	17,216,065
Accrued severance pay - Note 9	797,387	725,765
Total Liabilities	31,172,678	30,157,395
Net Position		
Net investment in capital assets	93,268,505	91,480,703
Restricted for:		
Expendable restricted grants	127,243	124,463
Unrestricted - Note 1	35,049,059	39,967,151
Total Net Position	$ 128,444,807	$ 131,572,317

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Net Assets

	As of June 30	
	2014	2013
Assets		
Cash and cash equivalents	$ 114,908	$ 80,818
Marketable securities	14,686,321	12,506,983
Assets held under charitable remainder unitrust agreement	104,034	99,478
Accounts receivable	1,363	3,770
Contributions receivable - net	36,146	41,064
Cash surrender value - life insurance policy	10,537	6,868
Prepaid expenses	5,338	21,941
Total Assets	$ 14,958,647	$ 12,760,922
Liabilities And Net Assets		
Liabilities		
Payable to Schoolcraft College	$ 51,506	$ 53,663
Other liabilities	4,912	10,756
Deferred revenue	1,000	-
Liability under charitable remainder unitrust and gift annuity agreements	59,729	44,406
Total Liabilities	117,147	108,825
Net Assets		
Unrestricted		
Board designated	3,445,295	2,399,348
Undesignated	566,390	435,924
Temporarily restricted	3,876,100	2,882,271
Permanently restricted	6,953,715	6,934,554
Total Net Assets	14,841,500	12,652,097
Total Liabilities And Net Assets	$ 14,958,647	$ 12,760,922

The accompanying notes are an integral part of these statements.

Statement of Revenue, Expenses and Changes in Net Position

	Years Ended June 30	
	2014	2013
Operating Revenue		
Tuition and fees (Net of scholarship allowances of $14,259,915 in 2014 and $15,214,187 in 2013)	$ 24,112,805	$ 22,935,937
Federal grants and contracts	1,313,905	1,282,861
State and local grants and contracts	794,277	647,982
Nongovernmental grants	76,391	71,344
Auxiliary enterprises	8,647,879	9,547,229
Gain on disposal of assets	14,623	54,816
Miscellaneous	2,918,798	2,533,688
Total Operating Revenue	37,878,678	37,073,857
Operating Expenses		
Instruction	32,578,521	31,726,238
Public service	1,902,375	2,092,160
Instructional support	12,007,329	11,224,141
Student services	24,803,425	23,533,753
Institutional administration	10,157,451	11,463,384
Operation and maintenance of plant	10,727,095	10,950,992
Depreciation	4,044,942	3,926,134
Total Operating Expenses	96,221,138	94,916,802
Operating Loss	(58,342,460)	(57,842,945)
Nonoperating Revenue and (Expenses)		
State appropriations	14,064,425	12,727,407
Property tax levy	22,106,576	21,734,020
Interest Income	520,402	421,176
Unrealized loss on investments	(3,483)	(1,548,277)
Pell grants	17,655,030	18,965,548
Net Nonoperating Revenues	54,342,950	52,299,874
Loss Before Other Revenue	(3,999,510)	(5,543,071)
Other Revenue		
Capital gifts and grants	872,000	871,000
Decrease in Net Position	(3,127,510)	(4,672,071)
Net Position		
Net Position - Beginning of Year	131,572,317	136,244,388
Net Position - End of Year	$ 128,444,807	$ 131,572,317

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Activities and Changes in Net Assets

	Years Ended June 30	
	2014	2013
Revenue		
Gifts and contributions	$ 882,819	$ 508,078
Fund-raising events	146,192	152,981
Investment income	602,989	515,655
Change in cash surrender value of life insurance policy	3,668	(68,982)
Realized and unrealized gains on investments	1,379,029	994,914
Increase (decrease) in actuarial value of charitable remainder unitrust agreement	1,221	(992)
Total Revenue	3,015,918	2,101,654
Expenses		
Scholarships	268,370	293,829
Other College support	290,536	130,739
Fund-raising expenses	43,279	37,341
Administrative expenses	224,330	205,171
Total Expenses	826,515	667,080
Increase in Net Assets	2,189,403	1,434,574
Net Assets - Beginning of Year	12,652,097	11,217,523
Net Assets - End of Year	$ 14,841,500	$ 12,652,097

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Years Ended June 30	
	2014	2013
Cash Flows From Operating Activities		
Tuition and fees	$ 24,543,350	$ 22,360,378
Grants and contracts	2,185,445	2,000,470
Payments to suppliers	(46,871,232)	(47,303,578)
Payments to employees	(43,730,075)	(43,235,652)
Auxiliary enterprise charges	8,647,879	9,547,229
Other	2,933,421	2,588,504
Net Cash Used For Operating Activities	(52,291,212)	(54,042,649)
Cash Flows From Noncapital Financing Activities		
Local property taxes	22,484,966	21,313,477
Pell grants	17,672,780	19,044,939
William D. Ford Direct Lending receipts	13,823,063	13,940,773
William D. Ford Direct Lending disbursements	(13,825,240)	(13,952,009)
State appropriations	14,389,422	11,957,060
Net Cash Provided by Noncapital Financing Activities	54,544,991	52,304,240
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(16,972,162)	(13,059,050)
Principal paid on capital debt	(970,000)	-
Proceeds from issuance of debt - net of bond premium amortization	-	18,186,065
Capital grant and gift proceeds	872,000	871,000
Net Cash (Used For) Provided by Capital and Related Financing Activities	(17,070,162)	5,998,015
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investment	4,846,054	10,500,000
Interest on investments	520,396	392,586
Purchase of investments	(502,937)	(25,792,704)
Net Cash Provided by (Used For) Investing Activities	4,863,513	(14,900,118)
Net Decrease In Cash And Cash Equivalents	(9,952,870)	(10,640,512)
Cash And Cash Equivalents - Beginning Of Year	30,987,433	41,627,945
Cash And Cash Equivalents - End Of Year	$ 21,034,563	$ 30,987,433

The accompanying notes are an integral part of these statements.

Statement of Cash Flows (continued)

	Years Ended June 30	
	2014	2013
Statement of Net Position Classifications Of Cash And Cash Equivalents		
Cash and cash equivalents	$ 20,561,191	$ 22,333,663
Restricted cash and cash equivalents	473,372	8,653,770
Total Cash And Cash Equivalents	$ 21,034,563	$ 30,987,433
Reconciliation Of Net Loss To Net Cash Used For Operating Activities:		
Operating loss	$ (58,342,460)	$ (57,842,945)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	4,044,942	3,926,134
Gain on disposal of assets	14,623	54,816
(Increase) decrease in assets:		
Accounts receivable, net	276,851	25,511
Federal and state grant receivable	872	(1,717)
Student loans receivable	-	(16,050)
Inventories	(267,323)	(238,024)
Prepaid assets and other current assets	215,782	19,231
Increase (decrease) in liabilities:		
Accounts payable	1,684,492	(1,714,669)
Accrued interest payable	1,667	57,548
Accrued payroll and other compensation	(92,646)	2,002,913
Accrued severance pay	71,622	328,173
Deposits	26,809	5,975
Unearned revenue	126,885	(607,045)
Contingent liabilities	(53,328)	(42,500)
Net Cash Used For Operating Activities	$ (52,291,212)	$ (54,042,649)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1 - Reporting Entity, Basis of Presentation and Significant Accounting Policies

Reporting Entity

Schoolcraft College (College) is a community college located in Southeast Michigan. The main campus is located in Livonia and the Radcliff Center is located in Garden City. Founded in 1961 and named after Henry Rowe Schoolcraft, a nineteenth century writer, historian, scientist and educator, it is governed by a seven member Board of Trustees elected for six year overlapping terms.

As required by generally accepted accounting principles, these financial statements present the College and its component unit, Schoolcraft College Foundation, described below. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational and financial relationships with the College.

Schoolcraft College Foundation (Foundation) is discretely reported as a part of the College reporting entity (although it is a separate legal entity established as a 501(c)3 not–for–profit corporation and governed by its own Board of Governors). Separate financial statements of the Foundation are available by contacting Schoolcraft College Foundation, 18600 Haggerty Rd, Livonia, Michigan 48152-2696.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board Statement (GASB) No. 35 and the State of Michigan *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001.*

The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or part by fees charged to external parties for goods and services.

Significant Accounting Policies

<u>Measurement Focus and Basis of Accounting</u>

The financial statements have been prepared on the accrual basis, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

<u>Investments</u>

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

<u>Restricted Cash and Investments</u>

Restricted cash and investments consist of unspent bond proceeds which are restricted for capital expenditures.

<u>Property and Equipment</u>

Property and equipment are recorded at cost or, if acquired by gift, at the fair market value as of the date of acquisition. Depreciation is provided for on a straight-line basis over the estimated useful life of the assets.

<u>Inventories</u>

Inventories are stated at the lower of cost or market using the first-in, first-out method and consist of books, food and supplies.

<u>Unearned Revenue</u>

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2014 is for the summer 2014 semester which began June 30, 2014 and for the fall 2014 semester which begins August 25, 2014.

<u>Accrued Severance Pay</u>

Accrued severance pay represents the accumulated liability to be paid under the College's current severance pay policy. Under the College's policy, certain employees earn severance pay based on length of service with the College.

<u>Bond Issuance Costs</u>

Bond issuance costs are expensed when incurred.

Notes to Financial Statements

Net Position
GASB No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

Unrestricted Net Position
Unrestricted net position represents net position that is not subject to externally imposed restrictions. A portion of the unrestricted net position has been designated for certain future expenditures and contingent liabilities of the College. While these items are not actual liabilities, they do represent commitments of College resources at June 30, 2014 and 2013 and the Board of Trustees believes that provision should be made for these future expenditures. These designations are as follows:

	2014	2013
Designated for:		
Facilities master plan proposed projects	$ 6,724,500	$ 3,630,000
Scholarships	291,380	276,232
Technology replacements	945,000	1,305,000
Major maintenance & renovation	10,520,000	15,630,000
Instructional and student support systems	750,000	750,000
Instructional equipment	2,357,830	2,525,000
Auxiliary activities	1,898,711	2,566,096
Personnel commitments, self insurance reserves and working capital	6,073,745	5,954,652
Reserve for executive orders	2,500,000	2,500,000
Debt service costs	1,383,275	1,368,615
Unrestricted and unallocated	1,604,618	3,461,556
Total Unrestricted Net Position	$ 35,049,059	$ 39,967,151

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

Restricted Net Position - Expendable
Net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time.

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

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

Property tax revenue levied for general operating purposes was $22,464,539 and $22,474,472 based on $1.7967 of tax per $1,000 of taxable property value in the community college taxing district for the years ended June 30, 2014 and 2013.

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

Subsequent Events
The financial statements and related disclosures include evaluation of events up through and including September 10, 2014, which is the date the financial statements were available to be issued.

Notes to Financial Statements

Upcoming Accounting Pronouncement

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions (such as the College's participation in the MPSERS plan) to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. Under GASB 68, the College's pension liability will be computed on a different basis than the current actuarial accrued liability, and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. However, if the College approximates the liability based on the actuarial accrued liability and allocates it based on covered payroll, the College's estimated liability is $101 million and $88 million as of June 30, 2014 and 2013, respectively. The provisions of this Statement are effective for financial statements for the year ended June 30, 2015.

Note 2 - Deposits and Investments

The College's deposits and investments are included on the balance sheet under the following classifications:

	2014	2013
Cash and cash equivalents	$ 21,034,563	$ 30,987,433
Short-term investments	5,676,801	7,310,924
Long-term investments	20,256,893	22,769,364
Total	$ 46,968,257	$ 61,067,721

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

	Fair Market Value	Less Than One Year	1-5 Years	More Than 5 Years
Certificate of deposit	$ 502,937	$ 502,937	$ -	$ -
United States treasuries	5,360,043	5,173,864	186,179	-
Federal government agency bonds	20,070,714	-	-	20,070,714
Total	$ 25,933,694	$ 5,676,801	$ 186,179	$ 20,070,714

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

	Fair Market Value	Less Than One Year	1-5 Years	More Than 5 Years
Certificate of deposit	$ 501,518	$ 501,518	$ -	$ -
Certificate of Deposit Account Registry Service	4,640,000	4,640,000	-	-
United States Treasuries	4,651,187	2,169,406	2,481,781	-
Federal government agency bonds	20,287,583	-	-	20,287,583
Total	$ 30,080,288	$ 7,310,924	$ 2,481,781	$ 20,287,583

Notes to Financial Statements

The above amounts are classified by GASB Statement Number 3 in the following categories:

	2014	2013
Bank deposits (checking & savings accounts and certificates of deposit)	$ 20,480,722	$ 22,271,306
Institutional money market fund	473,272	8,392,778
Petty cash and cash on hand	39,613	20,090
Governmental short-term pooled investment funds	543,893	543,784
Federal government agency bonds	20,070,714	20,287,583
Certificate of Deposit Account Registry Service	-	4,640,000
United States treasuries	5,360,043	4,912,180
Total	$ 46,968,257	$ 61,067,721

Deposits

The above deposits were reflected in the accounts of the bank at June 30, 2014 and 2013 (without recognition of checks written but not yet cleared or of deposits in transit) at $21,365,777 and $23,575,497 respectively. Of this amount $1,000,000 and $1,250,000 respectively was covered by federal depository insurance and $20,365,777 and $22,325,497 respectively was uninsured and uncollateralized. The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each financial institution it deposits College funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The College is authorized by Michigan Public Act 331 of 1966, as amended through 2012, and by resolution of the Board of Trustees to invest surplus monies in bonds, bills and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers acceptances, commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits and certain repurchase agreements. The College has no investment policy that would further limit its investment choices.

The College participates in the Certificate of Deposit Account Registry Service ("CDARS") to manage restricted investment credit risk. The College's sole CDARS Network member, The Private Bank, places funds into CD's issued by other members of the CDARS Network in increments at or below the standard Federal Depository Insurance Company ("FDIC") maximum of $250,000 so that both principal and interest are eligible for FDIC insurance.

The credit quality rate of the governmental short-term pooled investment funds as rated by Moody's Investor Service at June 30, 2014 was Aaa.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments at June 30, 2014 and 2013 were invested as follows:

	2014	2013
Federal government-backed securities	77%	68%
United States treasuries	21%	15%
Various financial institutions up to FDIC limit via CDARS	0%	15%
Certificate of deposit	2%	2%

Notes to Financial Statements

Custodial Credit Risk

The College's investments are all in the name of the College. The investments are custodied with each bank they were purchased from. Therefore, custodial risk is limited.

Schoolcraft College Foundation Investments

Investments at June 30, 2014 are comprised of mutual funds, bond and exchange traded funds with a fair market value of $14,686,321 and at June 30, 2013 is comprised of mutual funds, bond and exchange traded funds with a fair market value of $12,506,983.

Note 3 - Retirement Plans and Postemployment Benefits

Defined Benefit Pension Plan

The College participates in the Michigan Public Schools Employee's Retirement System (MPSERS), a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan covering substantially all college employees. MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. MPSERS also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report may be obtained by writing to Office of Retirement Services, PO Box 30171, Lansing, MI 48909-7671 or at www.mighigan.gov/orsschools.

Pension Benefits

Employer contributions to MPSERS for pension benefits result from the effects of implementing the School Finance Reform Act. Under these procedures, each employer is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rates for plan members ranged from 15.44 percent to 18.34 percent of covered payroll for the period from July 1, 2013 through June 30, 2014 based on plan option selected. The plan options include Basic Member Investment Plan (MIP) with Premium Subsidy, Pension Plus with Premium Subsidy, Pension Plus with PHF, Pension Plus to DC with PHF, Basic MIP to DC with Premium Subsidy, Basic MIP to DC with PHF, and Basic MIP with PHF. Beginning February 1, 2013 employees could transition to a defined contribution plan (DC), and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF), depending upon their date of hire and retirement plan election. Basic plan members contribute 0% to 7% and Member Investment Plan members contribute 3.9% to 9.4% of gross wages. College required and actual contributions to MPSERS for the years ended June 30, 2014, 2013 and 2012 were approximately $5,624,000, $5,549,000, and $5,301,000 respectively.

Postemployment Benefits

Under the MPSERS' Act, all retirees participating in the MPSERS' Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the current monthly premium amount for the health, dental and vision coverage's. MPSERS annually sets the required employer contribution rate to fund these benefits on a pay-as-you-go basis. Employer contributions ranged from 5.52 percent to 6.45 percent of covered compensation for the year ended June 30, 2014. College required and actual contributions to MPSERS for the years ended June 30, 2014, 2013 and 2012 were approximately $3,303,000, $3,259,000, and $3,005,000 respectively.

Defined Contribution Plan

Full-time faculty, administrators and full-time classified employees may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Under ORP, the College contributes 12.00%, and the participant contributes 4.00% of the participant's compensation. Compensation covered under the plan for the year ended June 30, 2014 was approximately $5,078,000, resulting in contributions of approximately $609,400 and $203,100 for the College and employee, respectively. Compensation covered under the plan for the year ended June 30, 2013 was approximately $3,672,000, resulting in contributions of approximately $440,600 and $146,900 for the College and employee, respectively.

Notes to Financial Statements

Note 4 - Related Party Transaction

Schoolcraft Development Authority, Inc. (SDA), a not-for-profit corporation, was established by the College to direct College land development activities and operates and acts exclusively for the charitable and educational purposes that support the College. The College leases approximately 62 acres of land under a lease for approximately 17 acres that expires in 2061 and a lease for approximately 45 acres that expires in 2077 to the SDA. The leases require annual payments of $1 and require the SDA to pay the College its revenue in excess of expenses. The revenue realized by the College from the ground lease is to be used for the purpose of financing capital improvements. At the end of the lease term all improvements revert to the College. During the years ended June 30, 2014 and 2013 $872,000 and $871,000 respectively was received from the SDA.

SDA assets are immaterial to the College and are not included in the financial statements of the College. Separate financial statements of the SDA are available by contacting Schoolcraft Development Authority, Inc., 18600 Haggerty Rd, Livonia, Michigan 48152-2696.

Note 5 - Risk Management

The College is exposed to various risks of loss related to property loss, general liability, errors and omissions, workers' compensation as well as medical benefits provided to employees. The College purchased commercial insurance for medical benefits, is self-insured for vision benefits and is partially insured for workers' compensation to a maximum of $400,000 for each claim and, in the aggregate, for claims up to $450,000 for the one-year insurance policy period expiring June 30, 2014. The College has purchased commercial insurance for medical benefits, is self-insured for vision benefits and is partially insured for workers' compensation to a maximum of $400,000 for each claim and, in the aggregate, for claims up to $1,000,000 for the two-year insurance policy period expiring June 30, 2016.

The Michigan Community College Risk Management Authority (MCCRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operated as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MCCRMA, which MCCRMA uses to pay claims up to the retention amounts, the ultimate liability for those claims remains with the College.

The College and nineteen other Michigan community colleges have formed MCCRMA to provide liability, vehicle physical damage and property and crime insurances. The College is responsible for a self-insured retention (SIR) of $27,000 per occurrence and $81,000 in the aggregate. Claims in excess of the SIR are covered by the Authority and are reinsured through third party insurance carriers, up to coverage limits of $15 million for liability, $300,000 per vehicle and $650,000 per disaster for vehicle physical damage, and $242 million aggregate for property and crime coverage of buildings and personal property. The College made contributions during the years ended June 30, 2014 and 2013 to the Authority of approximately $307,000 and $270,000 respectively for insurance coverage.

Changes in the estimated liability for the year are as follows:

	2014	2013
Estimated liability, Beginning of Year	$ 64,100	$ 106,600
Estimated claims incurred including changes in estimates	(53,328)	(42,500)
Estimated liability, End of Year	$ 10,772	$ 64,100

Note 6 - Commitments, Contingencies and Capital Outlay

The College is involved in various legal proceedings which have arisen in the normal course of operations. Management does not believe that the ultimate resolution of these proceedings will have a material effect on the College's financial position.

The College has entered into construction contracts and commitments totaling approximately $21,682,000 for the Jeffress Center and the McDowell Center repurposing including the related voice-over IP and security enhancements to these buildings, as well as the CEPD demolition and North Ring Road. As of June 30, 2014 the College had recorded expenditures relating to these projects totaling $15,215,000. The projects are expected to be completed at various points during the year ending June 30, 2015.

Notes to Financial Statements

Note 7 - Property and Equipment

The following tables presents the changes in the various fixed asset class categories for the years ended June 30, 2014 and June 30, 2013:

Year ended June 30, 2014	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	$ 1,831,228	$ -	$ -	$ 1,831,228	
Construction in Progress	9,332,503	16,127,491	(6,551,330)	18,908,664	
Total Nondepreciable Capital Assets	11,163,731	16,127,491	(6,551,330)	20,739,892	
Depreciable Capital Assets					
Land Improvements	10,989,283	-	-	10,989,283	10-30
Buildings and Improvements	99,099,233	6,551,330	-	105,650,563	10-40
Infrastructure	5,080,664	-	-	5,080,664	20
Furniture, Fixtures and Equipment	14,534,085	844,671	(185,930)	15,192,826	5-7
Total Depreciable Capital Assets	129,703,265	7,396,001	(185,930)	136,913,336	
Total Capital Assets	140,866,996	23,523,492	(6,737,260)	157,653,228	
Less Accumulated Depreciation					
Land Improvements	4,211,692	305,143	-	4,516,835	
Buildings and Improvments	31,733,585	2,241,227	-	33,974,812	
Infrastructure	2,102,460	234,454	-	2,336,914	
Furniture, Fixtures and Equipment	11,097,448	1,264,118	(175,510)	12,186,056	
Total Accumulated Depreciation	49,145,185	4,044,942	(175,510)	53,014,617	
Total Capital Assets, Net	$ 91,721,811	$ 19,478,550	$ (6,561,750)	$ 104,638,611	

Notes to Financial Statements

Year ended June 30, 2013	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	$ 1,831,228	$ -	$ -	$ 1,831,228	
Construction in Progress	7,645,797	12,201,165	(10,514,459)	9,332,503	
Total Nondepreciable Capital Assets	9,477,025	12,201,165	(10,514,459)	11,163,731	
Depreciable Capital Assets					
Land Improvements	8,862,239	2,127,044	-	10,989,283	10-30
Buildings and Improvements	90,711,819	8,387,414	-	99,099,233	10-40
Infrastructure	5,080,664	-	-	5,080,664	20
Furniture, Fixtures and Equipment	14,016,627	857,886	(340,428)	14,534,085	5-7
Total Depreciable Capital Assets	118,671,349	11,372,344	(340,428)	129,703,265	
Total Capital Assets	128,148,374	23,573,509	(10,854,887)	140,866,996	
Less Accumulated Depreciation					
Land Improvements	3,942,000	269,692	-	4,211,692	
Buildings and Improvments	29,704,194	2,029,391	-	31,733,585	
Infrastructure	1,862,416	240,044	-	2,102,460	
Furniture, Fixtures and Equipment	10,024,332	1,387,007	(313,891)	11,097,448	
Total Accumulated Depreciation	45,532,942	3,926,134	(313,891)	49,145,185	
Total Capital Assets, Net	$ 82,615,432	$ 19,647,375	$ (10,540,996)	$ 91,721,811	

Note 8 - Federal Loan Programs

The College participates in the U.S. Department of Education William D. Ford direct lending program and disbursed $13,825,240 and $13,952,009 for the years ended June 30, 2014 and 2013, respectively, for student loans. These distributions and related funding source are not included as expenses and revenue in the accompanying financial statements because they are considered agency transactions.

Note 9 - Long-Term Liabilities

Long-Term liability activity for the years ended June 30, 2014 and 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Year ended June 30, 2014					
Accrued Severance Pay	$ 725,765	$ 216,227	$ 144,605	$ 797,387	$ -
Bonds Payable	18,186,065	-	982,544	17,203,521	1,007,544
Total Long Term Liabilities	$ 18,911,830	$ 216,227	$ 1,127,149	$ 18,000,908	$ 1,007,544
Year ended June 30, 2013					
Accrued Severance Pay	$ 397,592	$ 358,459	$ 30,286	$ 725,765	$ -
Bonds Payable	-	18,188,155	2,090	18,186,065	970,000
Total Long Term Liabilities	$ 397,592	$ 18,546,614	$ 32,376	$ 18,911,830	$ 970,000

Notes to Financial Statements

Accrued Severance Pay – The College provides termination benefits to certain employees upon departure from the College resulting from years of service under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible and certain assumptions used to determine probability of reaching the criteria required for eligibility.

Bonds Payable – During 2013, the College issued $18.0 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on March 27, 2013. The total amount of $17,203,521, including unamortized bond premium of $173,521, was outstanding as of June 30, 2014. The total amount of $18,186,065, including an original bond premium of $186,065, was outstanding as of June 30, 2013. Bond principal payments are due annually each May through maturity in fiscal year 2028. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 3.0%.

As of June 30, 2014 bond maturities are as follows:

Year	Principal	Interest	Total
2015	$ 1,007,544	$ 388,275	$ 1,395,819
2016	1,037,544	368,375	1,405,919
2017	1,072,544	347,875	1,420,419
2018	1,102,544	326,675	1,429,219
2019	1,132,544	304,875	1,437,419
2020 - 2024	6,197,719	1,174,275	7,371,994
2025 - 2028	5,653,084	418,225	6,071,309
	$ 17,203,521	$ 3,328,575	$ 20,532,096

Capitalized Interest – Total capitalized interest related to the bonds was $222,393 and $0 for the years ended June 30, 2014 and 2013, respectively.

Cash Paid for Bond Issuance Costs – Cash paid for bond issuance costs was $0 and $83,790 for the years ended June 30, 2014 and 2013, respectively.

Note 10 - Schoolcraft College Foundation

Schoolcraft College Foundation (Foundation) is a separate legal entity established as a 501(c)3 not–for–profit corporation and governed by its own Board of Governors to accept, collect, hold and invest donations made for the promotion of educational and cultural activities. The College receives support from the Foundation whose bylaws require that the Foundation's net assets be used solely for the benefit of Schoolcraft College. During the years ended June 30, 2014 and 2013 the College and its students received support from the Foundation of approximately $559,000 and $425,000 respectively. The College provides supervisory and clerical staff and office space to the Foundation at no charge. One member of the College Board of Trustees, the College president and the College Executive Director of Development & Governmental Relations are ex-officio members of the Foundation Board of Governors.

The Foundation financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the College's financial report to account for these differences.

Consolidating Statement of Net Position

As of June 30, 2014 (With Comparative Totals for 2013)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	Combined Total 2014	Combined Total 2013
Assets									
Current Assets									
Cash and cash equivalents	$ 4,253,952	$ 1,789,923	$ 76,974	$ -	$ -	$ 14,388,018	$ 52,324	$ 20,561,191	$ 22,333,663
Short-term investments	304,245	94,663	4,071	-	-	99,958	-	502,937	501,518
Property taxes receivable	263,328	-	-	-	-	-	-	263,328	641,718
State appropriation receivable	2,532,134	-	-	-	-	-	-	2,532,134	2,857,131
Federal and state grants receivable	-	-	-	479,275	-	-	-	479,275	480,147
Accounts receivable	1,585,647	125,090	261,795	-	-	-	-	1,972,532	2,249,383
Accrued Interest Receivable	102,303	-	-	-	-	-	-	102,303	102,297
Student loans receivable	-	-	-	-	16,050	-	-	16,050	16,050
Inventories	333,153	-	1,579,493	-	-	-	-	1,912,646	1,645,323
Prepaid expenses and other assets	732,349	-	-	-	-	-	-	732,349	948,131
Due from (to) other funds	198,988	-	-	(198,988)	-	-	-	-	-
Total Current Assets	10,306,099	2,009,676	1,922,333	280,287	16,050	14,487,976	52,324	29,074,745	31,775,361
Noncurrent Assets					-				
Long-term investments	12,133,693	3,781,448	162,612	-	-	3,992,960	-	20,070,713	20,287,583
Restricted cash and investments	-	-	-	-	-	5,833,416	-	5,833,416	17,944,957
Property and Equipment:									
Land and improvements	-	-	-	-	-	8,303,677	-	8,303,677	8,608,818
Infrastructure	-	-	-	-	-	2,743,749	-	2,743,749	2,978,204
Buildings and improvements	-	-	-	-	-	71,675,751	-	71,675,751	67,365,648
Equipment	-	-	-	-	-	3,006,772	-	3,006,772	3,436,638
Construction in progress	-	-	-	-	-	18,908,662	-	18,908,662	9,332,503
Total Property and Equipment	-	-	-	-	-	104,638,611	-	104,638,611	91,721,811
Total Assets	22,439,792	5,791,124	2,084,945	280,287	16,050	128,952,963	52,324	159,617,485	161,729,712

Consolidating Statement of Net Position (Continued)

As of June 30, 2014 (With Comparative Totals for 2013)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	Combined Total 2014	Combined Total 2013
Liabilities									
Current Liabilities									
Current portion of debt obligations	$ -	$ -	$ -	$ -	-	$ 1,007,544	$ -	1,007,544	$ 970,000
Accounts payable	652,070	68,334	57,024	70,418	-	2,619,733	-	3,467,579	1,550,761
Accrued interest payable	-	-	-	-	-	59,215	-	59,215	57,548
Accrued payroll and other compensation	5,139,593	27,921	129,210	82,626	-	-	-	5,379,350	5,471,996
Deposits	-	-	-	-	-	-	52,324	52,324	25,515
Unearned revenue	3,966,211	236,319	-	-	-	-	-	4,202,530	4,075,645
Contingent liabilities	10,772	-	-	-	-	-	-	10,772	64,100
Total Current Liabilities	9,768,646	332,574	186,234	153,044	-	3,686,492	52,324	14,179,314	12,215,565
Noncurrent Liabilities									
Long-term debt obligations	-	-	-	-	-	16,195,977	-	16,195,977	17,216,065
Accrued severance pay	797,387	-	-	-	-	-	-	797,387	725,765
Total Liabilities	10,566,033	332,574	186,234	153,044	-	19,882,469	52,324	31,172,678	30,157,395
Net Position									
Net investment in capital assets	-	-	-	-	-	93,268,505	-	93,268,505	91,480,703
Restricted for									
Expendable restricted grants	-	-	-	127,243	-	-	-	127,243	124,463
Unrestricted	11,873,759	5,458,550	1,898,711	-	16,050	15,801,989	-	35,049,059	39,967,151
Total Net Position	$ 11,873,759	$ 5,458,550	$ 1,898,711	$ 127,243	$ 16,050	$ 109,070,494	$ -	$ 128,444,807	$ 131,572,317

Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position

For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	Combined Total 2014	Combined Total 2013
Revenue									
Operating Revenue									
Tuition and fees (Net of scholarship allowances of $14,259,915 in 2014 and $15,214,187 in 2013)	$ 37,161,284	$ 1,211,436	$ -	$ -	$ -	$ -	$ (14,259,915)	$ 24,112,805	$ 22,935,937
Federal grants and contracts	-	-	-	1,313,905	-	-	-	1,313,905	1,282,861
State and local grants and contracts	16,560	-	-	777,717	-	-	-	794,277	647,982
Nongovernmental grants	-	25,000	-	51,391	-	-	-	76,391	71,344
Auxiliary enterprises	-	-	9,668,933	-	-	-	(1,021,054)	8,647,879	9,547,229
Indirect cost recoveries	128,187	-	-	-	-	-	(128,187)	-	-
Gain on disposal of assets	-	-	-	-		14,623	-	14,623	54,816
Miscellaneous	548,103	2,392,708	10,925	99,173	-	7,588	(139,699)	2,918,798	2,533,688
Total Operating Revenue	37,854,134	3,629,144	9,679,858	2,242,186	-	22,211	(15,548,855)	37,878,678	37,073,857
Expenses									
Operating Expenses									
Instruction	31,215,540	1,085,281	-	610,816	-	-	(333,116)	32,578,521	31,726,238
Public services	1,084,867	1,338,263	-	429,986	-	-	(950,741)	1,902,375	2,092,160
Instructional support	11,327,749	209,310	-	627,286	-	-	(157,016)	12,007,329	11,224,141
Student services	10,176,056	1,013,363	9,612,742	18,412,177	-	-	(14,410,913)	24,803,425	23,533,753
Institutional administration	10,334,022	47,896	-	-	-	-	(224,467)	10,157,451	11,463,384
Operation and maintenance of plant	8,875,907	70,581	-	-	-	1,253,209	527,398	10,727,095	10,950,992
Depreciation expense	-	-	-	-	-	4,044,942	-	4,044,942	3,926,134
Total Operating Expenses	73,014,141	3,764,694	9,612,742	20,080,265	-	5,298,151	(15,548,855)	96,221,138	94,916,802
Operating Income (Loss)	(35,160,007)	(135,550)	67,116	(17,838,079)	-	(5,275,940)	-	(58,342,460)	(57,842,945)

Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position (Continued)

For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	Combined Total 2014	Combined Total 2013
Nonoperating Revenue and (Expenses)									
State appropriations	$ 14,064,425	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,064,425	$ 12,727,407
Property tax levy	22,106,576	-	-	-	-	-	-	22,106,576	21,734,020
Interest income	274,031	-	-	-	-	246,371	-	520,402	421,176
Unrealized gain (loss) on investments	107,227	-	-	-	-	(110,710)	-	(3,483)	(1,548,277)
Pell Grants	-	-	-	17,655,030	-	-	-	17,655,030	18,965,548
Net Nonoperating Revenue	36,552,259	-	-	17,655,030	-	135,661	-	54,342,950	52,299,874
Income (Loss) Before Other Revenue and Expenses	1,392,252	(135,550)	67,116	(183,049)	-	(5,140,279)	-	(3,999,510)	(5,543,071)
Other Revenue									
Capital gifts and grants	-	-	-	-	-	872,000	-	872,000	871,000
Total Other Revenue	-	-	-	-	-	872,000	-	872,000	871,000
Increase (Decrease) in Net Position	1,392,252	(135,550)	67,116	(183,049)	-	(4,268,279)	-	(3,127,510)	(4,672,071)
Transfers In (Out)	(1,373,959)	726,261	(734,501)	185,829	-	1,196,370	-	-	-
Net Increase (Decrease) in Net Position	18,293	590,711	(667,385)	2,780	-	(3,071,909)	-	(3,127,510)	(4,672,071)
Net Position - Beginning of Year	11,855,466	4,867,840	2,566,096	124,463	16,050	112,142,402	-	131,572,317	136,244,388
Net Position - End of Year	$ 11,873,759	$ 5,458,551	$ 1,898,711	$ 127,243	$ 16,050	$ 109,070,493	$ -	$ 128,444,807	$ 131,572,317