BOOK ENTRY ONLY

Ratings:
See "BOND RATINGS" herein

In the opinion of Co-Bond Counsel, under existing law and assuming continuing compliance by the Authority and the College with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, that relate to the Bonds, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Co-Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax. See "TAX EXEMPTION" herein.

Northampton Community College

$37,965,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)
College Revenue Bonds
(Northampton County Area Community College Project)
Series of 2020

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The State Public School Building Authority (the "Authority"), College Revenue Bonds (Northampton County Area Community College Project), Series of 2020 (the "Bonds"), are being issued to refund the Authority's outstanding College Revenue Bonds (Northampton County Area Community College Project), Series of 2011. Interest on the Bonds is payable on March 1, 2021 and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are issuable only in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

The Bonds, when issued, will be registered in the name of CEDE & CO., as nominee for the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be recorded in book-entry only form in the denominations of $5,000 or any multiple thereof. Principal and interest on the Bonds are payable directly to CEDE & CO. for redistribution to DTC Participants (as defined herein) and in turn to Beneficial Owners (as defined herein). Purchasers of the Bonds will not receive physical delivery of certificates representing their ownership interests in the Bonds purchased. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with the broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bonds. See "THE BONDS---Book-Entry Only System" herein.

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").

BAM

The Bonds are subject to redemption prior to maturity as further described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE SECURED UNDER THE PROVISIONS OF A TRUST INDENTURE AND A LOAN AGREEMENT, AS EACH IS REFERRED TO HEREIN AND ARE PAYABLE SOLELY FROM THE FUNDS HELD UNDER THE TRUST INDENTURE AND FROM THE PAYMENTS TO BE RECEIVED BY THE AUTHORITY FROM THE COLLEGE PURSUANT TO THE LOAN AGREEMENT AND THE NOTE AND BY THE TRUSTEE PURSUANT TO THE DISBURSEMENT AGREEMENT AS DESCRIBED HEREIN. NEITHER THE PRINCIPAL OF THE BONDS, NOR THE INTEREST ACCRUING THEREON, SHALL EVER CONSTITUTE A GENERAL INDEBTEDNESS OF THE AUTHORITY OR AN INDEBTEDNESS OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER OR SHALL EVER CONSTITUTE OR GIVE RISE TO A GENERAL PECUNIARY LIABILITY OF THE AUTHORITY OR A PECUNIARY LIABILITY OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF, NOR WILL THE BONDS BE, OR DEEMED TO BE, AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered for delivery when, as and if issued by the Authority and received by the Underwriters and subject to receipt of an approving legal opinion of Reed Smith LLP and Turner Law, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Barley Snyder LLP, Lancaster, Pennsylvania, for the College by its counsel, King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, and for the Underwriters by their counsel, Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania. It is expected that the Bonds will be available for delivery to DTC on or about December 17, 2020.

Janney

PNC

Official Statement Dated: November 12, 2020

$37,965,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)

College Revenue Bonds
(Northampton County Area Community College Project)
Series of 2020

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021	$2,830,000	5.000%	0.400%	100.943%	85732M5Y9
2022	2,805,000	5.000	0.420	105.501	85732M5Z6
2023	2,945,000	5.000	0.510	109.834	85732M6A0
2024	3,090,000	5.000	0.580	114.016	85732M6B8
2025	3,245,000	5.000	0.660	117.970	85732M6C6
2026	3,410,000	5.000	0.820	121.257	85732M6D4
2027	3,575,000	5.000	0.920	124.553	85732M6E2
2028	3,755,000	5.000	1.030	127.500	85732M6F9
2029	3,945,000	4.000	1.260*	120.059*	85732M6G7
2030	4,100,000	4.000	1.390*	119.007*	85732M6H5
2031	4,265,000	4.000	1.510*	118.046*	85732M6J1

†The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, the College or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority, the College nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.
*Yield/Price to Optional Redemption Date of September 1, 2028.

STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)

BOARD MEMBERS

Honorable Thomas W. Wolf
Governor of the Commonwealth of Pennsylvania .... President

Honorable Wayne Langerhole, Jr.
Designated by the President Pro Tempore of the Senate .... Vice President

Honorable Andrew E. Dinniman
Designated by the Minority Leader of the Senate .... Vice President

Honorable Curtis G. Sonney
Designated by the Speaker of the House of Representatives .... Vice President

Honorable Joseph M. Torsella
State Treasurer .... Treasurer

Honorable Curtis M. Topper
Secretary of General Services .... Secretary

Honorable Anthony M. DeLuca
Designated by the Minority Leader of the House of Representatives .... Board Member

Honorable Eugene A. DePasquale
Auditor General .... Board Member

Honorable Noe Ortega
Acting Secretary of Education .... Board Member

EXECUTIVE DIRECTOR
Eric Gutshall

AUTHORITY COUNSEL
Barley Snyder LLP
Lancaster, Pennsylvania
(Appointed by the Office of General Counsel)

CO-BOND COUNSEL
Reed Smith LLP
Philadelphia, Pennsylvania

Turner Law P.C.
Philadelphia Pennsylvania
(Appointed by the Office of General Counsel)

COLLEGE AND FOUNDATION COUNSEL
King, Spry, Herman, Freund & Faul, LLC
Bethlehem, Pennsylvania

TRUSTEE
The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

UNDERWRITERS
Janney Montgomery Scott LLC
Philadelphia, Pennsylvania

PNC Capital Markets LLC
Philadelphia, Pennsylvania

UNDERWRITERS' COUNSEL
Saul Ewing Arnstein & Lehr LLP
Philadelphia, Pennsylvania

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Harrisburg, Pennsylvania

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

No dealer, broker, salesperson or other person has been authorized by the Authority or the College to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement. Such other information or representations, if given or made, must not be relied upon as having been authorized by the Authority or the College. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the dates of the information contained herein.

The Authority has not prepared or assisted in the preparation of this Official Statement except for the statements under the captions "THE AUTHORITY" and "ABSENCE OF LITIGATION — The Authority." The Authority has reviewed only the information contained herein under such captions and approved only such information for use within the Official Statement.

Certain information contained in this Official Statement has been obtained from the College, The Depository Trust Company and other sources that are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or may be relied on as, a promise or representation by the Authority or the Underwriters. The information herein relating to the College and its affairs and condition has been provided by the College, and neither the Authority nor the Underwriters make any representation with respect to or warrants the accuracy of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information

The order and placement of materials in this Official Statement, including the appendices hereto, are not to be deemed a determination of relevance, materiality or importance. The Official Statement, including the appendices, must be considered in its entirety.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the Authority or the College include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the Authority or the College. Such forward-looking statements speak only as of the date of this Official Statement. The Authority and the College disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's or the College's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix D – Form of Municipal Bond Insurance Policy".

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Official Statement

Relating to

$37,965,000
STATE PUBLIC SCHOOL BUILDING AUTHORITY
(Commonwealth of Pennsylvania)

College Revenue Bonds
(Northampton County Area Community College Project)
Series of 2020

INTRODUCTION

This Official Statement which includes the cover page and inside cover hereof and the Appendices hereto, provides certain information relating to the $37,965,000 principal amount of the State Public School Building Authority (the "Authority") College Revenue Bonds (Northampton County Area Community College Project), Series of 2020 (the "Bonds"). The Bonds are being issued under a Trust Indenture dated as of April 1, 1993 (as previously amended and supplemented, the "Existing Indenture"), as further supplemented by an Eleventh Supplemental Trust Indenture dated as of December 1, 2020 (the "Eleventh Supplemental Indenture", and collectively with the Existing Indenture, the "Indenture"), entered into by the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee").

The Bonds are being issued pursuant to the State Public School Building Authority Act, approved by the General Assembly of the Commonwealth of Pennsylvania on July 5, 1947, P.L. 1217, as amended (the "Act"). The Authority is a body corporate and politic created in 1947 by the Act. See "The Authority" herein for certain additional information concerning the Authority. Under the Act, the Authority is constituted a public corporation and governmental instrumentality, having perpetual existence, for the purpose of acquiring, financing, refinancing, constructing, improving, maintaining and operating public school and educational broadcasting facilities, and furnishing and equipping the same for use as part of the public school system of the Commonwealth of Pennsylvania (the "Commonwealth") under the jurisdiction of the Pennsylvania Department of Education (the "Department of Education"). Under the Act and Article XIX-A of the Public School Code, Act of July 1, 1985, P.L. 103, No. 31, Section 1 et seq., as amended (the "Community College Act") the Authority also has for its purpose the acquiring, financing, refinancing, construction, improvement, furnishing, equipping, maintenance and operation of community college buildings.

The Northampton County Area Community College (the "College") is a community college offering nearly 100 degree and certificate programs. See "NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE" herein for certain additional information concerning the College.

PURPOSE OF THE BOND ISSUE

The Bonds are being issued by the Authority on behalf of the College to: (1) refund the Authority's outstanding College Revenue Bonds (Northampton County Area Community College Project), Series of 2011 (the "2011 Bonds") issued in the original principal amount of $70,585,000 (of which $46,275,000 currently remains outstanding) and (2) pay the costs and expenses of issuing and insuring the Bonds (the "2020 Project").

The 2011 Bonds were originally used to provide funds for the acquisition, development and construction of a new campus of the College in Monroe County, Pennsylvania, which was completed in the fall of 2013.

Upon issuance of the Bonds, a portion of the proceeds will be deposited in an escrow account for the 2011 Bonds with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") under an Escrow Deposit Agreement by and among the Authority, the College and the Escrow Agent, and such proceeds will be held in cash and/or invested in direct obligations of the United States of America ("Government Obligations"), the principal of which, together with cash and any investment earnings thereon, will be in an amount sufficient to pay all principal and interest coming due on the 2011 Bonds to and including March 1, 2021 and to redeem on March 1, 2021 all 2011 Bonds maturing after that date at a redemption price of 100% of the principal amount of the 2011 Bonds to be redeemed plus accrued interest to the redemption date, pursuant to the optional redemption provisions of the 2011 Bonds.

Escrow Verification

When the Bonds are issued, Robert Thomas CPA, as verification agent, will deliver a report indicating that it has verified the arithmetic accuracy of the mathematical computations of the adequacy of the cash and the maturing principal amounts of, and the interest on, the Government Obligations to pay all principal and interest coming due on the 2011 Bonds to and including March 1, 2021 and to redeem on March 1, 2021 all 2011 Bonds maturing after that date at a redemption price of 100% of the principal amount of the 2011 Bonds to be redeemed.

Sources and Uses of Funds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

SOURCES OF FUNDS	**Total**
Par Amount	$37,965,000.00
Original Issue Premium	6,462,357.05
Available Indenture Funds	3,646,057.43
Total Sources of Funds	$48,073,414.48
USES OF FUNDS	
Escrow Fund for the 2011 Bonds	$47,507,894.61
Costs of Issuance(1)	565,519.87
Total Uses of Funds	$48,073,414.48

*Includes Underwriters' discount, legal fees, Trustee fees, financial advisor fees, bond insurance premium, rating agency fees, escrow agent fees, printing costs and miscellaneous expenses.

THE AUTHORITY

The Authority and the Pennsylvania Higher Educational Facilities Authority (PHEFA) (together, the "Authorities") share an executive, fiscal and administrative staff, and operate under a joint administrative budget. The Authority serves as a conduit issuer for school districts, community colleges and technical schools and intermediate units in the Commonwealth and has issued, and will continue to issue, multiple series of bonds to finance various projects. Each such series of bonds is or will be secured by instruments and collateral separate and apart from other series, including the Bonds.

Under the Act, the Authority members are the Governor of the Commonwealth, the State Treasurer, the Auditor General, the Secretary of Education, the Secretary of the Department of General Services, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate and the Minority Leader of the House of Representatives. The President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives and the Minority Leader of the House of Representatives may designate any member of his or her legislative body to act as a member of the Authority in his or her stead. The members of the Authority serve without compensation but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The powers of the Authority are exercised by a governing body consisting of the members of the Authority acting as a board.

The Bonds are being issued by the Authority on behalf of the College pursuant to the Act, the Indenture and a resolution adopted by the Authority on October 29, 2020. The Authority has and will continue to issue bonds/notes for other eligible institutions and projects in the Commonwealth. None of the revenues of the Authority pledged to payment of the Bonds will be pledged to the payment of any other of its bonds/notes.

The following are key staff members of the Authority who are involved in the administration of the financing and projects:

Eric Gutshall
Executive Director

Mr. Gutshall was appointed by Governor Wolf as Executive Director of the Authority and PHEFA on December 9, 2019. He previously served as Governor Wolf's Secretary of Intergovernmental Affairs and as Director of Constituent Services. He obtained his Bachelor of Science degree in Business Administration from Central Pennsylvania College and his Master of Public Administration from the University of Pennsylvania.

Beverly M. Nawa
Director of Operations

Ms. Nawa serves as the Director of Operations of both the Authority and PHEFA. She has been with the Authorities since 2004. She served as Acting Executive Director from October 2018 to December 2019. Ms. Nawa is a graduate of Alvernia University with a bachelor's degree in business administration.

David Player
Comptroller and Director of Financial Management

Mr. Player serves as the Comptroller and Director of Financial Management of both the Authority and PHEFA. He has been with the Authorities since 1999. Mr. Player is a graduate of The Pennsylvania State University and a Certified Public Accountant.

THE BONDS

Description of the Bonds

The Bonds are being issued by the Authority for the benefit of the College.

The Bonds will be dated and will bear interest from the date of delivery thereof at the rates set forth on the inside cover page hereof. Interest on the Bonds is payable on March 1, 2021 and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption. The Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds when issued, will be registered in the name of Cede & Co., as a nominee for the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. While the Bonds are in the Book-Entry Only System, references to the "owner" or the "registered owner" as described herein are to Cede & Co., as registered owner for DTC. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant (as defined herein) to receive notices or communications with respect to matters described herein. See "Book-Entry Only System" herein.

The Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof. While all of the Bonds are held in Book-Entry Only form, payments thereon shall be made to Cede & Co., as holder thereof. See "Book-Entry Only System" below. At all other times, the principal of the Bonds, and the premium, if any, payable upon redemption thereof, are payable at the designated corporate trust office of the Trustee, and the interest thereon is payable by check mailed by the Trustee on each Interest Payment Date to the persons who were the registered owners of the Bonds on the registration books maintained by the Trustee, at the close of business on the fifteenth (15th) day of the calendar month (whether or not a business day) immediately preceding such Interest Payment Date ("regular record date"), irrespective of any transfer or exchange of any Bond subsequent to such regular record date and prior to such interest payment date, unless the Authority defaults in the payment of interest due on such Interest Payment Date. In the event of any such default, any defaulted interest will be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered owners of the Bonds not fewer than ten (10) days and not more than fifteen (15) days preceding such special record date.

The Bonds may be transferred or exchanged by the registered owner thereof only upon presentation thereof to the Trustee, accompanied by a duly executed instrument of transfer by the registered owner thereof or his authorized representative in form and with guaranty of signature satisfactory to the Trustee, and, in the case of a transfer, containing written instructions as to the details of such transfer. Neither the Authority nor the Trustee will be required to issue, exchange or transfer any of the Bonds during the period between the record date and the related interest payment date or during the fifteen (15) days preceding the mailing of any notice of redemption of Bonds or to transfer any of the Bonds selected for redemption in whole or in part. The person in whose name any Bond is registered shall be deemed the owner thereof by the Authority and the Trustee, and any notice to the contrary shall not be binding upon the Authority or the Trustee.

No service charge will be made to the Bondholders of the Bonds for any exchange or transfer, but the Authority may require payment of a sum sufficient to pay any tax or other governmental charge that may be imposed in relation thereto. In the event any Bond is mutilated, lost, stolen, or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of like tenor and denomination in accordance with the provisions of the Indenture, and the Authority and the Trustee may charge the registered owner of such Bond with its reasonable fees and expenses and require indemnity in connection therewith.

Book-Entry Only System

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system have been obtained from DTC. The Authority (sometimes herein referred to in this section as the "Issuer"), the College, the Financial Advisor, and the Underwriters make no representation as to the accuracy of such information.

DTC will act as securities depository for the Bonds (sometimes referred to in this section as the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System. a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities: DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit bas agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Trustee. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer or the College take responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE COLLEGE NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Neither the Authority, the College nor the Trustee shall have any responsibility or obligation to any DTC Participant or Indirect Participant with respect to:

i. the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Bonds;

ii. the delivery to any DTC Participant or Indirect Participant or any other Person, other than the registered owner of a Bond, as shown in the Bond Register, of any notice with respect to any Bond, including, without limitation, any notice of redemption;

iii. the selection by DTC or any DTC Participant or Indirect Participant of any person to receive payment in the event of a partial redemption of Bonds;

iv. the payment to any DTC Participant or Indirect Participant or any other Person other than the registered owner of a Bond, as shown in the Bond Register, of any amount with respect to the principal of, redemption price, or interest on, any Bond; or

v. any consent given by DTC as registered owner.

Prior to the discontinuation of the book-entry only system as described herein, the Authority and the Trustee may treat DTC and any successor securities depository to be the absolute owner of the Bonds for all purposes, including, without limitation:

(i) the payment of principal of redemption price or interest on the Bonds;

(ii) giving notices of redemption and other matters with respect to the Bonds;

(iii) registering transfers with respect to the Bonds; and

(iv) the selection of Bonds for redemption.

The Beneficial Owners of the Bonds have no right to a securities depository for the Bonds. DTC or any successor securities depository may resign as depository for the Bonds by giving notice to the Trustee and the Authority and discharging its responsibilities under applicable law. In addition, the Authority, or the Authority at the request of the College, may remove DTC or a successor securities depository for any reason at any time. In such event, the Authority shall: (i) appoint a securities depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, notify the prior securities depository of the appointment of such successor depository and transfer separate bond certificates to such successor securities depository; or (ii) notify the securities depository of the availability through the securities depository of bond certificates and transfer one or more separate bond certificates to Depository Participants having Bonds credited to their accounts at the securities depository. In such event, such Bonds shall no longer be restricted to being registered in the registration books of the Authority in the name of the securities depository or its nominee, but may be registered in the name of the successor securities depository or its nominee, or in whatever name or names the Depository Participants receiving such Bonds shall designate, in accordance with the provisions of the Indenture.

Discontinuance of Book-Entry Only System

The book-entry only system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Authority determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the Authority appoints a successor securities depository), Bonds will then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Authority or the Trustee for the accuracy of such designation. Whenever DTC requests the Authority or the Trustee to do so, the Authority or the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

THE AUTHORITY, THE COLLEGE AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Redemption Provisions

The Bonds are subject to redemption as follows:

Optional Redemption:

The Bonds maturing on or after March 1, 2029, are subject to optional redemption prior to maturity by the Authority at the direction of the College, in whole or, from time to time, in part, at any time on and after September 1, 2028 at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. Any partial redemption may be in any order of maturity (or separate interest rate within a maturity) and in any principal amount within a maturity as designated by the College. The Bonds to be redeemed within a maturity will be selected by the Trustee by lot.

Extraordinary Optional Redemption

In the event that all or a portion of the College's facilities are condemned, damaged or destroyed under certain conditions specified in the Indenture, the Bonds are subject to redemption by the Authority at the direction of the College in whole or in part at any time, from and to the extent of property insurance proceeds or condemnation awards or proceeds of any conveyance in lieu of condemnation which are directed or required to be applied to the redemption of the Bonds pursuant to the Indenture and the Loan Agreement, upon payment of a redemption price of 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the date fixed for redemption. The Bonds shall be selected for redemption in any order of maturity directed by the College and within any maturity by lot.

Notice of Redemption

Notice of any redemption, identifying the Bonds or portions thereof to be redeemed, shall be given not more than sixty (60) nor fewer than thirty (30) days prior to the redemption date, by first class United States mail (postage prepaid) to the registered owners of the Bonds to be redeemed at their registered addresses shown on the Bond Register maintained by the Trustee. Failure to mail any such notice or any defect in the mailed notice or the mailing thereof shall not affect the validity of any proceedings for the redemption of other Bonds for which notice shall be duly given. Any notice mailed as provided in the Indenture shall be conclusively presumed to be duly given, whether or not such registered owner receives the notice.

No further interest shall accrue on the principal of any Bonds called for redemption after the date fixed for redemption if notice of redemption has been duly mailed and redemption moneys have been deposited with or made available to the Trustee on or prior to the date set for redemption and the holders of such Bonds shall have no rights with respect to such Bonds except to receive payment of the redemption price thereof and unpaid interest accrued to the date fixed for redemption.

If, at the time of mailing notice of optional redemption, there shall not have been deposited with the Trustee, or the Trustee shall not have transferred, moneys sufficient to redeem the Bonds called for redemption, such notice shall state that it is subject to the deposit or transfer of the redemption moneys with the Trustee not later than the opening of business on the date fixed for redemption, and that such notice shall be of no effect unless such moneys are so deposited or transferred.

Manner of Redemption

If a Bond is of a denomination larger than $5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by $5,000, each $5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

DEBT SERVICE REQUIREMENTS ON THE COLLEGE'S DEBT

The following table sets forth, for the periods indicated, the debt service requirements on the College's debt upon issuance of the Bonds (totals may not add up due to rounding).

Fiscal Year (June 30)	Debt Service on Existing Debt*	Principal or Sinking Fund Redemptions of the Bonds	Interest on the Bonds	Total Debt Service on the Bonds	Total College Debt Service
2021	$4,780,163	$2,830,000	$364,892	$3,194,892	$7,975,055
2022	3,530,188	2,805,000	1,633,650	4,438,650	7,968,838
2023	3,530,081	2,945,000	1,493,400	4,438,400	7,968,481
2024	3,534,475	3,090,000	1,346,150	4,436,150	7,970,625
2025	3,523,975	3,245,000	1,191,650	4,436,650	7,960,625
2026	2,357,600	3,410,000	1,029,400	4,439,400	6,797,000
2027	2,355,850	3,575,000	858,900	4,433,900	6,789,750
2028	2,355,350	3,755,000	680,150	4,435,150	6,790,500
2029	2,360,850	3,945,000	492,400	4,437,400	6,798,250
2030	2,356,850	4,100,000	334,600	4,434,600	6,791,450
2031	2,352,250	4,265,000	170,600	4,435,600	6,787,850
2032	2,350,500	--	--	--	2,350,500
2033	2,354,000	--	--	--	2,354,000
2034	2,357,250	--	--	--	2,357,250
TOTAL	$40,099,382	$37,965,000	$9,595,792	$47,560,792	$87,660,174

*See "NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE -- Outstanding Debt" herein. Excludes debt service on the 2011 Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SECURITY AND SOURCES OF PAYMENT

The Authority will enter into a Loan Agreement dated as of December 1, 2020 (the "Loan Agreement") with the College pursuant to which the Authority will lend the proceeds of the Bonds to the College. Under the Loan Agreement, the College will agree to repay such loan in such amounts and at such times as will provide sufficient funds to meet the debt service requirements on the Bonds. The College will deliver its general obligation promissory note dated as of December 1, 2020 (the "Note") to the Authority evidencing its obligations under the Loan Agreement. The Authority, at the time of the settlement for the Bonds, will assign all its right (except the right to indemnification, the right to payment of certain fees and expenses, if any, and the right to receive notices), title and interest in the Note and Loan Agreement and the payments thereunder to the Trustee.

The Bonds (together with all other bonds issued under the Indenture) will be secured under the Indenture by the assignment and pledge to the Trustee of the payments under the Note and the Loan Agreement and certain funds held under the Indenture; provided, that the 2020 Bonds Debt Service Account and the 2020 Bonds Gaming Funds Account (each as described below) and the moneys therein will be held and applied for the sole and exclusive benefit of the owners of the Bonds. See "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE -- The Indenture -- Debt Service Fund" below.

The full faith and credit of the College has been pledged for the timely payment of all amounts due under the Note. The payments due under the Note are payable from the College's general revenues from whatever source derived. See "Local Sponsor Obligation," "Commonwealth Obligation" and "Gaming Funds" below. The College has assigned to the Trustee all of its right, title and interest to the Annual Gaming Payments (described below) payable by Monroe County, Pennsylvania ("Monroe County") to the College under the Disbursement Agreement (described below) and all of its rights under the Disbursement Agreement to enforce the same. The College has no taxing power.

NEITHER THE COLLEGE NOR THE AUTHORITY HAS ANY TAXING POWER. NEITHER THE GENERAL CREDIT OF THE AUTHORITY NOR THE CREDIT OR TAXING POWER OF THE UNITED STATES OF AMERICA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF PRINCIPAL OF, OR THE INTEREST ON, THE BONDS; NOR SHALL ANY OF THE BONDS BE DEEMED OBLIGATIONS OF THE UNITED STATES OF AMERICA, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF.

No Recourse

No recourse shall be had for the payment of the principal of, the interest on, or the premium (if any) payable upon the redemption of, any Bond, or for any claim based thereon or on the Indenture or on any indenture supplemental thereto, against any member, officer, or employee, past, present, or future, of the Authority, or of any successor body, as such, either directly or through the Authority or any such successor body, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of the members, officers or employees being released as a condition of and as consideration for the execution of the Indenture and the issue of the Bonds.

Additional Bonds

The College may have additional bonds issued on its behalf under the Indenture on parity with the Bonds (other than with respect to certain funds under the Indenture as provided therein). In connection with the issuance of additional bonds under the Indenture, additional funds may be established under the Indenture to which the holders of the Bonds may have no claims or right. The College may also issue other debt outside of the Indenture that is not secured by any funds or property pledged under the Indenture. For a description of the conditions under which such additional bonds may be issued under the Indenture, see "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE – The Indenture" herein.

College Budget and Funding Structure

The College's annual operating and capital budget is set by the College Board of Trustees and approved by the Local Sponsor (as defined below). Management of the College's approved budget, as set forth by the College Board of Trustees, is the responsibility of the College administration. The President and other staff members assume responsibility for fiscal control in their respective areas of responsibility.

Community colleges in the Commonwealth, pursuant to Article XIX-A of the Public School Code, Act of July 1, 1985, Pl L. 103, No. 31, Section 1, *et seq.*, as amended (24 P.S. Section 19-1901A, *et seq.* (the "Community College Act"), are organized and supported by local sponsors in accordance with a community college plan approved by the State Board of Education. The local sponsors of the College consist of the following eight member school districts: Bangor Area, Bethlehem Area, Easton Area, Nazareth Area, Northampton Area, Pen Argyl Area, Saucon Valley Area and Wilson Area (collectively the "Local Sponsor" and individually a "Sponsoring District"). The Community College Act provides for funding for community colleges from three sources: the Commonwealth, the Local Sponsor (each member of which is authorized to impose a tax for such purpose up to five mills annually), and student tuition charges, in each case subject to certain formulas and limits. For the fiscal year ending June 30, 2021, the budgeted shares of each funding source with respect to the College are as follows: the Commonwealth, 22%; the Local Sponsor, 8%: and tuition and other revenues of the College, 70%.

The Commonwealth makes payments as described under "Commonwealth Obligation" below.

The Community College Act authorizes, but does not require, the governing body of each school district or municipality comprising a local sponsor of a community college to levy annual taxes (up to five mills) on subjects of taxation as prescribed by law in such school district or municipality for the purpose of establishing, operating and maintaining a community college. The tax levy authorized is in excess of and beyond the millage fixed or limited by law, subject to certain limiting provisions of the Community College Act. None of the Sponsoring Districts comprising the Local Sponsor has levied such a tax with respect to the College.

Local Sponsor Obligation

Operating Costs: The Community College Act stipulates that the Community College Plan of the Local Sponsor (the "Plan") shall set forth a financial program for the operation of the community college. The Plan shall provide that the local sponsor shall appropriate or provide to the community college an amount at least equal to the community college's annual operating costs less the student tuition and less the Commonwealth's payment as described below. The Plan shall provide that one-half of the annual capital expenses shall be appropriated or provided by the local sponsor to the community college. The local sponsor's appropriation for annual operating costs and annual capital expenses may in part be represented by real or personal property or services made available to the community college. Of a college's total annual operating costs, up to one third may be collected from students in the form of tuition and the balance is to be provided by the local sponsor and the Commonwealth.

Capital Expenses: The Local Sponsor is obligated under the Community College Act to pay one-half of the College's annual capital expenses; however, for the fiscal year ending June 30, 2021, the Local Sponsor is budgeted to contribute $175,000 in total to the College for capital expenses, while the College's remaining capital expenditures are funded through capital fees assessed upon non-sponsored students on a per credit basis and other revenues. The Commonwealth is also responsible for one-half of the annual capital expenses from funds appropriated for such purposes to the extent that said capital expenses have been approved by the Department of Education. See "Commonwealth Obligation" below.

The College's operating and capital budgets are each subject to approval by the Sponsoring Districts constituting the Local Sponsor. Once approved, the budgets obligate each of the Sponsoring Districts to comply with their operating and capital funding requirements under the Community College Act. There can be no assurance that the College's budgets will be approved by the Sponsoring Districts of the Local Sponsor.

Commonwealth Obligation

The Community College Act provides for reimbursement by the Commonwealth of a portion of annual operating costs and a portion of annual approved capital expenses of community colleges.

Operating Costs: Operating revenues derived from the Commonwealth of Pennsylvania under the Community College Act are allocated in the current fiscal year based on the previous year's level of full time equivalents ("FTE's") .

For the fiscal year 2019-2020, each community college received payments based on the number of FTE's in the fiscal year 2018-2019 year. The College received a 2.3% increase from the previous fiscal year. The total operating allocation in fiscal year 2019-2020 was $16,949,761 and that same amount is anticipated in fiscal year 2020-21.

Capital Expenses: The Community College Act provides that the Commonwealth will pay to a community college on behalf of the local sponsor on account of its capital expenses (including debt service) an amount equal to one-half of such college's annual capital expenses from funds appropriated for that purpose to the extent that said capital expenses have been approved for such reimbursement by the Department of Education. The project was approved in 2007 by the Department of Education at a level of approximately $2.8 million per year which represents 50% of the annual debt service of the 2011 Bonds. In September of 2020, the Department of Education approved the refinancing of the original debt and also agreed to continue to support the College at the same annual debt service amount.

All Community College Subsidies in the Commonwealth are subject to appropriation by the General Assembly. Although the Constitution of the Commonwealth provides that "the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth", the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various community colleges throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth's ability to make such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in interim borrowing by certain community colleges pending the authorization and payment of Commonwealth aid. Consequently, there can be no assurance that financial support from the Commonwealth for community colleges, either for capital projects or education programs in general, will continue at present levels or that moneys will be payable to a community college if indebtedness of such community college is not paid when due.

Direct Payment of Commonwealth Appropriations to Trustee

Provisions of the Community College Act require that, should any community college fail to make its required debt service payment with respect to a general obligation note such as the Note, the Secretary of Education is required to withhold from such community college out of any subsidy payment of any type due such community college from the Commonwealth, an amount equal to the debt service payment owed by such community college. Any amounts so withheld from the College for debt service payments on Bonds are payable to the Trustee under the Indenture. Based on the College's maximum anticipated annual debt service after issuance of the Bonds and the amount of Commonwealth operating and capital expense appropriations currently budgeted by the College, the Commonwealth coverage of the College's maximum anticipated debt service would currently be approximately two times. This provision does not apply to the Annual Gaming Payments (defined below) which are paid as described below under "Gaming Revenues."

Gaming Revenues

In 2011, the Authority issued on behalf of the College its $70,585,000 College Revenue Bonds, Series of 2011 (the "2011 Bonds") to finance the acquisition and construction of a new campus in Monroe County, Pennsylvania. Pursuant to Pennsylvania legislation and a Disbursement Agreement (the "Disbursement Agreement") dated as of December 22, 2010, between the College and Monroe County, certain tax assessment revenues received by Monroe County from the Commonwealth of Pennsylvania on account of certain gaming activities carried on in Monroe County have been paid over to the Trustee for application to the payment of debt service on the 2011 Bonds and will continue to be paid over to the Trustee for application to the payment of debt service on the Bonds.

Act 1 of 2010 ("Act 1") of the Pennsylvania General Assembly amended Title 4 (Amusements) of the Pennsylvania Consolidated Statutes to provide that a slot machine licensee is required to pay over certain local share assessments of its revenue to the Department of Revenue of the Commonwealth (the "Department"). Pursuant to Act 1, the Department is required to make quarterly distributions from the local share assessments as follows: for a Category 2 licensed facility (i.e., a casino) located in a county of the fifth class: (A) 1 percent of the gross terminal revenue (i.e., slot machine revenue) from such facility (the "Monroe County One Percent") would be paid as follows: (i) beginning in 2010, \$2,400,000 annually (the "Annual Gaming Payment") for twenty (20) years to such county for purposes of funding debt service related to the construction of a community college campus located within the county; and (ii) to the extent not distributed under clause (i), to a restricted receipts account with the Commonwealth Financing Authority to make certain grants within Monroe County more particularly described in Act 1; and (B) 1 percent of the gross terminal revenue from such facility would be paid to a restricted receipts account with the Commonwealth Financing Authority to make certain grants within certain counties other than Monroe County more particularly described in Act 1. Monroe County is a Pennsylvania county of the fifth class, and Mount Airy Casino Resort, a privately owned casino located in Monroe County, is the only Category 2 licensed facility located in a county of the fifth class in Pennsylvania.

In addition, under Act 71 of 2004 ("Act 71") of the Pennsylvania General Assembly, Paradise Township, as the township in which Mount Airy Casino Resort is located, is due 2% of the gross terminal revenue of Mount Airy Casino Resort or \$10,000,000 annually, whichever is greater (the "Municipal Host Fee"); provided that the Municipal Host Fee will only be paid to Paradise Township in an amount up to 50% of its total budget for fiscal year 2003-2004, adjusted for inflation in subsequent years, with the remaining Municipal Host Fee (the "Excess Municipal Host Fee"), if any, to be divided evenly between payments to the restricted receipts accounts established under clause (A)(ii) (the "Monroe County Excess Municipal Host Fee") and clause (B) above.

In a lawsuit filed by Mount Airy #1, LLC d/b/a Mountain Airy Casino Resort ("Mount Airy") against the Pennsylvania Department of Revenue, Mount Airy challenged the constitutionality of the municipal portion of the local share assessment required pursuant to Section 1403(c) of the Pennsylvania Race Horse Development and Gaming Act, 4 Pa.C.S. Section 1101 *et seq.* (the "Gaming Act"), which section levies a local share assessment against all licensed casinos' gross slot machine revenue. Mount Airy claimed the local share assessment violated the Uniformity Clause of the Pennsylvania Constitution by requiring certain casinos to pay a minimum amount of tax, regardless of how much gaming revenue they produced. Pursuant to Section 1403(d) of the Gaming Act, licensees must pay a local share assessment, which consists of two parts: the county local share assessment of 2% of its gross terminal revenues and the municipal local share assessment of either 2% of its gross terminal revenue or a lump sum of \$10,000,000, whichever is greater. The Pennsylvania Supreme Court held that the local share assessment was a non-uniform tax prohibited by the Pennsylvania Constitution and therefore struck down Subsections 1403(c)(2)'s county local share assessment and (c)(3)'s municipal local share assessment from the Gaming Act.

On October 26, 2017, the Pennsylvania General Assembly enacted Act 42 of 2017 ("Act 42"), which amended the calculation of the Municipal Host fee to remove the 2% assessment of gross terminal revenue and requires that \$10,000,000 be distributed to local municipalities. Act 42 also enacted a slot machine operation fee on all casinos, with the exception of Category 3 casinos, that will be distributed to local municipalities to offset any potential negative budgetary impacts as result of Act 42. Under Act 42, a county of the fifth class will still receive the Annual Gaming Payments as previously described and required by Act 1.

The College currently receives and expects to continue to receive the Annual Gaming Payments, which will be used to pay debt service on the Bonds.

Pursuant to the Disbursement Agreement, the Annual Gaming Payments received by Monroe County will continue to be paid over to the Trustee and will be applied to pay debt service on the Bonds. Under the Disbursement Agreement, Monroe County will transfer the Annual Gaming Payments to the Trustee to be deposited in the 2020 Bonds Gaming Funds Account under the Indenture. The Annual Gaming Payments are currently paid by the Commonwealth in quarterly installments. The College has assigned to the Trustee all of its right, title and interest to the Annual Gaming Payments payable under the Disbursement Agreement and all of its rights under the Disbursement Agreement to enforce the same.

For more information regarding the application of funds in the 2020 Bonds Gaming Funds Account and the Gaming Funds Reserve which the College may establish therein, see SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE – The Indenture – 2020 Bonds Gaming Funds Account" below.

Under the provisions of Act 71, Act 1 and Act 42, the receipt of the Annual Gaming Payments is dependent on a Category 2 licensed facility being located in Monroe County and generating sufficient gross terminal revenue to make such Annual Gaming Payments. There can be no assurance that a Category 2 licensed facility will continue to be located in Monroe County and will continue to generate sufficient gross terminal revenue to make such Annual Gaming Payments. In addition, there can be no assurance that the provisions of Act 1 and Act 71 described above will not be altered or repealed or that the Commonwealth's funding mechanism for the Annual Gaming Payments described above will not be otherwise altered. The holders of the Bonds will have no lien on the Annual Gaming Payments until they are deposited into the 2020 Bonds Gaming Funds Account established under the Indenture. Whether or not Annual Gaming Payments are received, the obligation of the College to make payments under the Loan Agreement in respect of the debt service on the Bonds is a general obligation of the College for which the College will pledge its full faith and credit.

2020 Bonds Project is not Fully Funded by the Commonwealth and the Local Sponsor

As further described above, the Local Sponsor has not agreed to make any payments with respect to the debt service on the Bonds, and the Commonwealth will only make payments with respect to capital reimbursement approved by the Department of Education. The College anticipates financing remaining debt service on the Bonds from the Annual Gaming Payments, College reserves, capital fees paid by students from non-sponsoring school districts, fundraising and other available moneys. There can be no assurance that such funds will be sufficient to pay debt service on the Bonds as and when due.

Certain Legislation may be Subject to Modification

Certain legislation affecting the security for the Bonds, such as the Community College Act, Act 1, Act 42 and Act 71, may be subject to modification by the Pennsylvania General Assembly at any time in the future.

No Debt Service Reserve Fund

The Bonds will not be secured by a debt service reserve fund. See, however, "SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT AND THE INDENTURE – The Indenture – 2020 Bonds Gaming Account" regarding the ability of the College to establish at its option a gaming funds reserve.

Effect of Bankruptcy on Security for the Bonds

Bankruptcy proceedings and equity principles may delay or otherwise adversely affect the enforcement of bondholders' claim to moneys owed them as unsecured claimants.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505,326,114 million, $158,098,580 million and $347,227,534 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

SUMMARIES OF CERTAIN PROVISIONS
OF THE LOAN AGREEMENT AND THE INDENTURE

The following pages contain descriptions of certain provisions of the Loan Agreement and the Indenture. The Bonds are secured by the Indenture and are payable from payments due from the College under the Loan Agreement. These descriptions are brief summaries and do not purport to be and should not be regarded as complete statements of the terms of either the Loan Agreement or the Indenture or as complete synopses thereof. Reference is made to the documents in their entirety, copies of which may be obtained from the Trustee, for a complete statement of the terms and conditions therein.

The Loan Agreement

In connection with the issuance of Bonds, the Authority will enter into the Loan Agreement with the College, pursuant to which the Authority will loan the proceeds of the Bonds to the College. The Loan Agreement requires the College to make loan repayments to the Authority in the amounts sufficient to make debt service payments on Bonds. The obligation of the College to make these loan repayments under the Loan Agreement is evidenced by the Note.

Representations, Warranties and Covenants: The College makes certain representations, warranties and covenants under the Loan Agreement, including without limitation, with respect to the existence and authority of the College, the enforceability of the Loan Agreement and Note and the absence of material litigation.

Source of Debt Service Payments: The debt service payments are payable by the College from its revenues from whatever source derived. The College covenants to budget for each fiscal year during the term of the Loan Agreement the loan payments required to be paid to the Authority with respect to the Note and the Loan Agreement.

Assignment of Loan Agreement: The loan payments shall be paid by the College directly to the Trustee under an assignment by the Authority to the Trustee of such payments for the benefit and security of the Bondholders under the Indenture.

Unconditional Obligation: The obligation of the College to make the payments required by the Loan Agreement are absolute and unconditional. The payments are required to be made in full directly to the Trustee, as assignee, when due without delay or diminution for any cause whatsoever and without right of set-off for default on the part of the Authority under the Loan Agreement.

Events of Default: Any one or more of the following events shall constitute an "Event of Default" under the Loan Agreement: (a) the College fails to make any payment required under the Note; (b) the College shall fail or refuse to comply with certain tax covenants set forth in the Loan Agreement; (c) the College shall default in the due and punctual performance of any other of the covenants and agreements contained in the Loan Agreement and such default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the College by the Authority or the Insurer; or (d) if an Event of Default shall have occurred and be continuing under the Indenture and as a result of such Event of Default the Bonds shall have been declared due and payable by acceleration in accordance with the Indenture.

Remedies: If an Event of Default has occurred and is continuing:

(a) The Authority (or the Trustee as its assignee) may, in addition to its other rights and remedies as may be provided in the Loan Agreement or may exist at the time at law or in equity, exercise any one or more of the following remedies: (i) upon notice to the College, declare all sums due or to become due under the Loan Agreement and under the Note to be immediately due and payable; or (ii) by suit, action or proceeding at law or in equity, enforce all rights of the Authority, and require the College to carry out any agreements with or for the benefit of the owners of the Bonds and to perform its duties under the Act, the Loan Agreement and the Note.

(b) Upon the occurrence of an Event of Default described in paragraph (a) under "Events of Default" above, the Authority shall, in addition to the exercise of any other remedy under the Loan Agreement, notify the Secretary of the Department of Education of such Event of Default and request the Secretary, in accordance with the appropriate provisions of Pennsylvania law, notify the College of its obligations under the Loan Agreement and to withhold out of any appropriation due the College under the Pennsylvania School Code an amount equal to the sum or sums owing by the College to the Authority under the Loan Agreement and under the Note, and shall pay over the amount so withheld to the Trustee, as sinking fund depository for the Note, on behalf of the Authority.

The Indenture

Limited Obligations of the Authority: **The Bonds are limited obligations of the Authority and are secured by a pledge and assignment to the Trustee of the loan payments from the College under the Loan Agreement and certain funds and accounts held by the Trustee under the Indenture. The Authority has no taxing power. Neither the general credit of the Authority or the general credit and the taxing power of the United States of America, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal of or interest on the Bonds; nor shall the Bonds be deemed to be obligations of the United States of America, Commonwealth of Pennsylvania or any political subdivision thereof.**

Pledge of Certain Revenues: The Authority has pledged to the Trustee, in the Indenture, a security interest in all loan payments, and other sums payable under the Loan Agreement (other than payments for certain fees and expenses of the Authority), for the benefit and security of the registered owners of all bonds (including the Bonds) issued under the Indenture, except as described under "Debt Service Fund" below.

Revenue Fund: All loan payments are required to be deposited in the Revenue Fund established with the Trustee at the times set forth in the Indenture. All moneys in the Revenue Fund are required to be transferred by the Trustee at the times set forth in the Indenture to the various other Funds established under the Indenture. The Eleventh Supplemental Indenture creates a 2020 Bonds Revenue Account in the Revenue Fund with respect to the Bonds.

Debt Service Fund: There is established under the Indenture a Debt Service Fund and within such Fund a 2020 Bonds Debt Service Account and a 2020 Bonds Gaming Funds Account. The Trustee shall transfer to the 2020 Bonds Debt Service Account first from the 2020 Bonds Gaming Funds Account (to the extent of any moneys therein in excess of any Gaming Funds Reserve) and second from the 2020 Bonds Revenue Account (to the extent of the moneys therein): (i) on or before the second business day immediately preceding each March 1 and September 1, commencing March 1, 2021, moneys in an amount sufficient to make the interest payments due on the Bonds on each such date; and (ii) on or before the second business day immediately preceding March 1 of each year, commencing March 1, 2021, moneys in an amount sufficient to make the principal payments due on the Bonds on each such date. The 2020 Bonds Debt Service Account and the 2020 Bonds Gaming Funds Account and the moneys therein will be held and applied for the sole and exclusive benefit of the owners of the 2020 Bonds.

Deposit of Loan Payments and Annual Gaming Payments. Upon receipt of moneys payable to or deposited with the Trustee under the Loan Agreement or the Note, the Trustee shall deposit such moneys in the 2020 Bonds Revenue Account. Upon receipt of Annual Gaming Payments transferred to the Trustee under the Disbursement Agreement, the Trustee shall deposit such moneys in the 2020 Bonds Gaming Funds Account.

2020 Bonds Gaming Funds Account: So long as no Event of Default under the Loan Agreement has occurred and remains continuing, the College may from time to time, by written notice to the Authority and the Trustee, designate a portion of the amount on deposit or to be on deposit in the 2020 Bonds Gaming Funds Account as a reserve (such portion so designated being referred to as the "Gaming Funds Reserve"), in which event the Trustee shall not transfer any portion of the Gaming Funds Reserve to the 2020 Bonds Debt Service Account without written direction from the College unless the remaining available amount in the 2020 Bonds Gaming Funds Account not in the Gaming Funds Reserve, together with the amount available in the 2020 Bonds Revenue Account, will be insufficient to make the required transfers to the 2020 Bonds Debt Service Account described below, in which event the Trustee shall, without any direction from the College, transfer from the Gaming Funds Reserve to the 2020 Bonds Debt Service Account the amount necessary to cure such insufficiency. If any Event of Default under the Loan Agreement has occurred and remains continuing, the amount of the Gaming Funds Reserve shall be deemed to be zero, and all amounts in the 2020 Bonds Gaming Funds Account may be applied to pay debt service on the Bonds without direction from the College.

The College is not required to establish or maintain a Gaming Funds Reserve, and, if established, to replenish any draws from the Gaming Funds Reserve.

Rebate Fund: The Authority will periodically determine the sum (if any) required to be deposited in the Rebate Fund and direct the College to deposit such sum therein. The Authority will direct the Trustee to pay to the United States Government the sums on deposit in the Rebate Fund at the times and in the amounts (if any) required by the Internal Revenue Code of 1986, as amended.

Investment of Funds: Moneys held in the funds and accounts established under the Indenture may and, upon instructions of the College shall, be wholly or partially deposited and redeposited in interest-bearing deposit accounts or time certificates of deposit with the commercial department of the Trustee or any other authorized depository, which deposits, to the extent not insured, shall be secured as provided by the Indenture; or invested or reinvested by the Trustee at the direction of the College solely in obligations which meet the requirements set forth in the Indenture, subject to limitations provided in the Indenture.

Additional Bonds: The Indenture permits, under certain circumstances and conditions, the issuance of additional bonds under the Indenture for the purposes of refunding any series of outstanding bonds of the Authority issued on behalf of the College or any obligation of the College, completing a project and financing additional projects.

Events of Default: The following, among others, shall constitute events of default under the Indenture: (a) payment of principal or interest on bonds outstanding under the Indenture shall not be paid when due, (b) there shall be default under the Loan Agreement or other loan agreements pledged under the Indenture, (c) an order shall be entered appointing a receiver for the College facilities or revenues, (d) the Authority defaults in performance of other covenants under the Indenture which continues for 30 days after notice from the Trustee, or (e) the Authority shall default in any agreement made with the holders of the bonds issued under the Indenture.

Remedies: The Act which governs the Authority provides certain remedies to the Bondholders in the event of default or failure on the part of the Authority to fulfill its covenants.

Under the Indenture, if any event of default occurs, the Trustee may enforce and, upon written request of the holders of 25% in principal amount of bonds outstanding under the Indenture accompanied by indemnity as provided in the Indenture, shall enforce, for the benefit of all Bondholders, all their rights of bringing a suit, action or proceeding at law or in equity and of having a receiver appointed. For a more complete statement of rights and remedies of the Bondholders and for limitations thereon, reference is made to the Indenture. In addition, if any event of default under the Indenture occurs, the Trustee may, and upon the written request of the holders of 25% in principal amount of bonds outstanding under the Indenture shall, declare the principal of all such bonds to be due and payable immediately.

Modifications and Amendments: Amendments to the Indenture are permitted without consent of bondholders for certain purposes, including the imposition of additional restrictions and conditions respecting the issuance of bonds; the addition of covenants and agreements by the Authority; the modification of the Indenture to conform the same with governmental regulations (so long as the rights of the holders of bonds issued thereunder are not adversely affected thereby); the curing of any ambiguity, defect or inconsistency in the Indenture; and the making of provision for matters which are necessary or desirable and which do not adversely affect the interests of bondholders. Certain other modifications may be made to the Indenture, but only with the consent of the owners of not less than 66 2/3% in principal amount of outstanding bonds issued thereunder or, if less than all series of bonds outstanding are affected thereby, with the consent of the owners of not less than 66 2/3% in principal amount of each series outstanding so affected thereby; provided, however, that no such modification or amendment shall be made, without the consent of the owner of every bond affected thereby, which would (a) extend the fixed maturity date of any bond, or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, (b) permit the creation by the Authority of any lien prior to or on a parity with the lien of the Indenture upon any part of the revenues of the Authority pledged under the Indenture, or (c) reduce the aforesaid percentage of bonds, the owners of which are required to consent to any such modification or alteration.

Defeasance: Bonds for the payment or redemption of which the Trustee shall hold (through deposit by the Authority or otherwise and whether at or prior to the maturity or the redemption date of such Bonds), in trust and irrevocably set aside exclusively for such payment or redemption, any combination of moneys, government obligations and pre-refunded municipal obligations, which are not unsatisfactory to the Trustee and which mature as to principal and interest in such amounts and at such times as to provide sufficient moneys to make such payment or redemption, shall be deemed to have been paid within the meaning of the Indenture.

Certain Rights of the Insurer. Under the Indenture, any amendments or supplements to the Indenture or the Loan Agreement shall require the prior written consent of the Insurer with the exception of amendments or supplements (a) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or (b) to grant or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Bonds, or (c) to add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed, or (d) to add to the covenants and agreements of the Authority or the College in the Indenture or the Loan Agreement other covenants and agreements thereafter to be observed by the Authority or the College or to surrender any right or power therein reserved to or conferred upon the Authority or the College; or (e) to issue additional parity debt in accordance with the requirements set forth in the Indenture. Any amendment, supplement, modification to, or waiver of, any of the Indenture or the Loan Agreement that requires the consent of holders of the Bonds or adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer. In addition, upon the occurrence and continuance of a default or an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture or the Loan Agreement. No default or event of default in respect of the Bonds may be waived without the Insurer's written consent. Upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole owner of the Bonds for all purposes under the Indenture and the Loan Agreement, including, without limitation, for purposes of exercising remedies and approving amendments. The Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration of the Bonds.

BONDHOLDERS' RISKS

The Bonds are limited obligations of the Authority and are payable solely from payments made pursuant to the Loan Agreement and from certain funds held by the Trustee pursuant to the Indenture. **No representation or assurance can be given to the effect that the College will generate sufficient revenues to meet the College's payment obligations under the Loan Agreement.**

Future legislation, regulatory actions, economic conditions, changes in private philanthropy, changes in the number of students in attendance at the College, competition or other factors could adversely affect the College's ability to generate revenues. Neither the Underwriters nor the Authority has made any independent investigation of the extent to which any of these factors could have an adverse impact on the revenues of the College. Without limiting the foregoing, subsidies in the Commonwealth are subject to appropriation. **See "SECURITY AND SOURCES OF PAYMENT - All Community College Subsidies in the Commonwealth are Subject to Appropriation by the General Assembly**." herein

Potential Effects of Bankruptcy

If the College were to file a petition for relief under Chapter 11 of the United States Code, as amended (the "Bankruptcy Code"), the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the College and its property. If the bankruptcy court so ordered, the College's property, including its revenues, could be used for the benefit of the College despite the claims of its creditors (including the Trustee.)

In a bankruptcy proceeding, the College could file a plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder.

Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and does not discriminate unfairly.

Enforceability of Remedies

The remedies available to Bondholders upon an Event of Default under the Indenture or the Loan Agreement are in many respects dependent upon judicial action which is subject to discretion or delay. Under existing law and judicial decisions, including specifically the Bankruptcy Code, the remedies specified in the Indenture or the Loan Agreement may not be readily available or may be limited. A court may decide not to order specific performance.

The various legal opinions to be delivered concurrently with the original delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws or legal or equitable principles affecting creditors' rights.

No Liens on College Facilities or Revenues

The College has not given or granted a mortgage lien or other security interest or encumbrance upon any facilities or revenues of the College to secure its payment obligations under the Loan Agreement, except for payments of Gaming Funds received by the College under the Disbursement Agreement.

Tax-Exempt Status

The ongoing tax-exempt status of interest on the Bonds is conditioned, under relevant provisions of the Code, on compliance by the College with various requirements set forth in Sections 141and 148 of the Code, requiring, among other things that are not more than ten percent of the proceeds of the Bonds be applied to any "private business use," and that certain investment earnings in respect of the Bonds be subject to non- arbitrage requirements imposed under Section 148 of the Code, including requirements to perform certain rebate computations and to make certain rebate payments of arbitrage earnings, all as further provided in the Code and applicable regulations, rulings and decisions. Failure to comply with such requirements could result in the inclusion of interest on the Bonds in gross income of the owners thereof, for federal income taxation purposes, retroactive to the date of issuance of the Bonds.

Bond Insurance Risk Factors

The College has purchased the Policy to guarantee the scheduled payment of principal and interest on the Bonds. As such, the following are risk factors relating to the bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds which is recovered from the Bondholder as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATING" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the College, the Underwriters nor the Authority have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the College to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the revenues or operations of the College to an extent that cannot be determined at this time.

(a) Changes in the demand for higher education in general or for programs offered by the College in particular.

(b) Competition from other educational institutions.

(c) Higher interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.

(d) Increasing costs of compliance with governmental regulations, including accommodations for handicapped or special needs students, and costs of compliance with the changes in such regulations.

(e) A decline in the market value of the College's investments or a reduction in the College's ability to generate unrestricted revenue from its investments.

(f) Increased costs and decreased availability of public liability insurance.

(g) Employee strikes and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.

(h) Cost and availability of energy.

(i) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the College to its employees.

(j) The occurrence of natural disasters, including floods and hurricanes and pandemics and similar events, which might damage the facilities of the College, interrupt service to such facilities or otherwise impair the operation and ability of such facilities to produce revenue.

The foregoing is NOT an exhaustive list of all possible factors that could adversely impact the ability of the College to make payments on the Note and under the Loan Agreement.

Recent Events Relating to COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and is currently affecting many parts of the world, including the United States and the Commonwealth. Governor Tom Wolf declared a state of emergency in the Commonwealth on March 6, 2020, as amended and renewed. As of July 3, 2020, all counties in the Commonwealth are now in the green phase, which eases most restrictions by lifting the stay-at-home and business closure orders. No assurance can be given that the Commonwealth or any particular county in the Commonwealth will remain in the green phase or not return to a more restrictive phase as conditions warrant as determined by the Pennsylvania Department of Health.

It is anticipated that continued spread of COVID-19 and impact on social interaction, travel, economics and financial markets will adversely affect the College's operations and financial condition. However, because of the unknown duration and trajectory of the COVID-19 pandemic and evolving nature of the federal, state, and local responses thereto, the College cannot presently predict with reasonable degree of certainly the extent to which the pandemic will affect the College's financial conditions or operations.

Potential impacts include, but are not limited to, the following:

- A portion of the College's operations depends on student tuition and fees, and the inability to retain a material number of students may have a material impact on the College's results of operations and financial condition.
- A portion of the College's revenue comes from the Pennsylvania Department of Education and the Commonwealth. The ability for the Commonwealth to continue funding the College at historical levels may be impacted by overall declines in the Commonwealth's state income taxes, sales taxes, and other taxes and revenues.
- A portion of the College's revenues comes from eight local sponsoring school districts. These revenues may be impacted by fiscal challenges faced by school districts in general, including the pandemic's impact on the collection rate of property taxes as well as other economically sensitive revenues such as earned income tax or realty transfer tax.
- The relative geographic concentration of the College's potential students could expose the College to risks associated with regional demographics, local and regional economics, and other local and regional adverse conditions.
- The ability of international students to (i) travel to the College's campus or (ii) obtain necessary student visas may continue to be limited by governmental limitations on travel from other countries or to the United States.
- The College's operations face operating hazards and potential interruptions from the COVID-19 pandemic and other health emergencies, including related governmental-imposed limitations on operations, which could limit the enrollment students and result in unplanned losses of revenue and/or higher than anticipated operating expenses. The College could face materially adverse effects on its net operating income to the extent COVID-19 and governmental response thereto cause a material decline in its results of operations.
- Government and non-governmental funding and sponsored research and philanthropic grants and gifts could be reduced.
- The College's ability to comply with governmental mandates may limit its ability to operate its business as currently anticipated.
- Costs of maintaining the current online curriculum, compliance with new governmental mandates, laws and regulations, as well as potential liabilities arising from re-opening on campus instruction, and capital expenditures required to fulfill its mission may each materially adversely affect future financial performance and results of operations.
- The College's ability to forecast future financial conditions or results of operations and future revenues and expenses may be limited due to current facts and circumstances and historical performance, which may or may not be applicable to future performance and results of operations.
- Adverse effects on financial markets may adversely affect the returns on and value of the College's or Foundation's (herein after defined) investments and endowment performance and market values.

The College is monitoring developments and directives of federal, state and local officials to determine what additional precautions and procedures may need to be implemented by the College in connection with the continuing COVID-19 pandemic and the return to traditional on-campus instruction. The full impact of COVID-19 and the scope of any adverse impact on College finances and operations cannot be fully determined at this time due to the dynamic nature of the outbreak, including uncertainties relating to its duration and severity, as well as what actions may be taken by governmental authorities and other institutions to contain or mitigate its impact.

For further discussion see "NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE- COVID-19 Matters".

Cyber Security

The College relies on a large and complex technology environment to conduct its various operations. As a result, the College faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the College has invested in multiple forms of cybersecurity and operational safeguards. Specifically, the College has an extensive security system in place, including network firewalls, virtual private networks, multi-factor authentication and established administrative rights and restrictions, with varying level of approvals, implemented entity-wide, for access to network drives and applications that are reviewed regularly to ensure proper internal control and protections and provide relevant employees and staff with cyberattack training. In addition, the College maintains insurance coverage for cyberattacks and related events.

NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE

The College is a public, comprehensive two-year coeducational institution with its main campus located in Bethlehem Township on an attractive 165-acre campus which commenced operation in the fall of 1967. It is one of fourteen community colleges in the Commonwealth operating in accordance with the provisions of the Community College Act. The College also has a downtown Bethlehem campus, The Fowler Family Southside Center, that houses both credit and noncredit classes and is the home for the adult literacy program. Another comprehensive site for the College is located in Tannersville, Monroe County, offering mainly credit classes to approximately 2,400 students. The College also has leased space in Wayne County (primarily dedicated to offering adult literacy classes and also serving as an outreach office for credit and noncredit classes), the Lehigh Valley Industrial Park in Hanover Township (offering industrial arts programs) and Pocono Corporate Center East in Coolbaugh Township (specializing in training for the truck driving program and offering both credit and noncredit classes). The College also has a number of smaller sites with specialized offerings. In addition, to accommodate its many students from other counties and foreign students, the Foundation has constructed two student residence halls and an apartment complex on the College's main campus.

Governing Structure

A fifteen-member Board of Trustees governs the College's operations. Trustees are appointed to a six-year term by the representatives of the eight Sponsoring Districts (between one and four for each Sponsoring District) and, with respect to representatives from non-sponsoring entities outside of Northampton County, the Board of Trustees may appoint a trustee for a term of two years. Currently, there is one representative from Monroe County as a non-sponsoring entity. Trustees may serve more than one term upon reappointment by the Sponsoring Districts and the Board of Trustees. The terms of office of each Trustee expires on June 30. Officers of the Board of Trustees are elected annually by their peers in August.

In addition to electing Trustees, each of the Sponsoring Districts selects members of its School Board to a Delegate Body which acts as an advisory board to the College.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The names, offices and terms of the current members of the Board of Trustees are set forth below:

College Counsel
King, Spry, Herman, Freund & Faul, LLC

Officers of Northampton County Area Community College

Name	Office
Robert R. Fehnel	Chairperson, Board of Trustees
Bruce A. Palmer	Vice Chairperson, Board of Trustees
Mary L. Sharp-Ross	Secretary, Board of Trustees
Nicholas F. Politi, Jr.	Asst. Secretary/Treasurer, Board of Trustees
Dr. Mark Erickson	President
Dr. Carolyn Bortz	Vice President, Academic Affairs
James Dunleavy	Vice President, Finance & Operations
Lauren Loeffler	Vice President, Community Education/Dean
Dr. Sedgwick Harris	Vice President, Student Affairs & Enrollment
Sharon Beales	Vice President, Institutional Advancement
Dr. David Ruth	Vice President, Administrative Affairs/Chief of Staff

Mission Statement

Recognizing that students are the primary reason that the College exists, it seeks to provide excellent, accessible and comprehensive learning experiences in partnership with the dynamic, diverse communities it serves.

Accreditation

The College is accredited by the Middle States Commission on Higher Education. It is also approved and registered by the Department of Education. The College is authorized to award the associate in arts, associate in science and associate in applied science degrees. Several of the departments of the College have special accreditation for their programs. The Nursing program has full accreditation by the National League for Nursing and full approval by the Pennsylvania Board of Nurse Examiners. The programs in Dental Assisting and Dental Hygiene are accredited by the Commission on Dental Accreditation of the American Dental Association, a specialized accrediting body recognized by the Council on Post-Secondary Accreditation and by the United States Department of Education. Radiography program is fully accredited by the Joint Review Committee of Education in Radiologic Technology. The Funeral Service Education program has been granted full accreditation by the Commission of Schools of the American Board of Funeral Service Education, Incorporated. The College's business programs are accredited by the Association of

Collegiate Business School and Program, and the automotive technology program is certified by the National Automotive Technicians Education Foundation and the National Institute for Automotive Excellence. The Veterinary Technician Program is accredited by the American Veterinary Medical Association and the Committee on Vet Tech Education and Activities. The Early Childhood Program is accredited by the National Association for the Education of Young Children. The College's Paralegal Studies program is accredited by the American Bar Association.

Budgetary Procedures

The College's annual budget preparation is coordinated by the Vice President for Finance and Operations in consultation with the President and the President's Cabinet, and then approved by the Board of Trustees. Once the Board of Trustees approves the budget, it is forwarded to the Sponsoring Districts for their review and board approval, normally in March or April of each year. Revenues to support the budget come from the Sponsoring Districts, student tuition, grants and contracts, the Foundation, auxiliary enterprises and the Commonwealth.

The Sponsoring Districts are billed for their share of the operating budget based on a five year weighted average of students attending the College from their district, and annually for a portion of the capital budget. For the fiscal year ending June 30, 2021, the Sponsoring Districts are budgeted to contribute an aggregate of $175,000 to the College for capital expenses. The Sponsoring Districts are invoiced for their share of the operating budget on a monthly basis. The funding level is determined as part of the overall budget approval process.

Student tuition is set by the College's Board of Trustees. Under the Community College Act, no more than one-third of the College's operating costs can be derived from student tuition.

Management of the College's approved budget, as set forth by the College's Board of Trustees, is the responsibility of the Vice President for Finance and Operations as delegated by the President.

Employees

The College has employed the following number of employees in each of the fiscal years as set forth below:

	2016-17	2017-18	2018-19	2019-20	2020-21
Faculty (Full-time)	146	147	157	160	158
Faculty (Part-time)	580	604	549	736	461
Administrator/Exempt (Full-time)	215	177	168	165	177
Non-Exempt Staff (Full-time)	132	181	176	170	162

Source: The College

Employee Contracts

The faculty are represented by the American Federation of Teachers Local 3579, AFL-CIO under a contract that expires June 30, 2022. The office and clerical staff are represented by the International Brotherhood of Teamsters, Chauffeurs, Warehousement and Helpers Local Union 773 under a contract that expires June 30, 2021. The custodial and maintenance staff are represented by the International Brotherhood of Teamsters, Chauffeurs, Warehousement and Helpers Local Union 773 under a contract that expires June 30, 2023.

Enrollment

The College's enrollment (annual full-time equivalents) for each of the fiscal years set forth below is or was as follows:

Fiscal Year	Credit	Non-Credit	Total
2016-17	7,873	1,120	8,994
2017-18	7,728	1,010	8,738
2018-19	7,450	904	8,354
2019-20	7,582	691	8,272
2020-21 (projected)	7,200	675	7,875

Source: The College

Revenue and Expense Summary

The following table sets forth a summary of the College's unrestricted current fund revenues, expenditures and transfers for each of the fiscal years set forth, which are all derived from audited financial statements. The College has represented that there has been no material adverse change in the College's financial condition since June 30, 2019. For further information see APPENDIX A.

	Unaudited 2020[1]	2019	2018	2017	2016
Operating revenues					
Student Tuition and Fees	$29,606,483	$30,130,591	$30,061,466	$30,678,108	$31,060,627
Sales and Services of	569,438	692,232	599,000	492,959	440,984
Auxiliary Enterprises	3,948,276	5,263,013	5,346,968	5,294,352	5,384,520
Other Operating Revenues	2,946,765	3,571,469	3,363,000	2,486,868	2,294,992
Non-Operating Revenues					
Federal Grants and Contracts	$24,537,728	$20,150,312	$22,474,276	$22,006,093	$24,511,755
State and Local Grants and Contracts	5,051,325	5,623,691	5,410,889	5,679,221	5,367,198
State Appropriations	16,949,761	16,568,000	16,008,817	16,008,817	15,564,117
Local Appropriations	6,394,834	6,322,756	6,203,645	6,102,946	5,989,153
Investment Income	823,762	1,104,841	556,348	225,222	168,344
Interest on Indebtedness	(3,241,129)	(3,482,706)	(3,671,135)	(3,858,945)	(4,000,248)
Other non-operating revenues	803,255	820,264	917,631	1,026,994	1,011,856
Other Revenues					
Capital Appropriations	$4,816,059	$5,858,265	$5,883,282	$5,017,068	$4,884,237
Capital Fees, Grants, Gifts	7,699,830	8,230,850	7,076,819	7,134,251	7,269,973
TOTAL REVENUES	$100,906,387	$100,853,578	$100,231,006	$98,293,954	$99,947,508
Operating Expenses					
Salaries and Benefits	$61,331,028	$63,338,530	$58,283,939	$57,296,251	$55,431,441
Financial Aid	14,970,593	11,880,415	12,081,725	12,205,661	12,342,613
Utilities	1,247,915	1,460,885	1,551,409	1,462,917	1,471,349
Supplies and other Services	17,468,037	19,589,402	19,936,205	18,477,858	18,114,029
Depreciation	6,408,976	6,629,790	6,645,999	6,691,714	6,516,298
TOTAL EXPENSES	$101,426,549	$102,899,022	$98,499,277	$96,134,401	$93,875,730
Change in Net Position	($520,162)	($2,045,444)	$1,731,729	$2,159,553	$6,071,778
Net Position beginning of year	$99,438,598	$101,484,042	$99,752,313	$97,592,760	$92,249,517
Net Position end of year	$98,918,436	$99,438,598	$101,484,042	$99,752,313	$98,321,295

Source: College Audited Financial Statements.
[1]Unaudited, subject to change and final audit. The College expects to have its final June 30, 2020 Audited Financial Statements (the "2020 Audit") approved by the Board on December 3, 2020. Management expects the 2020 Audit to contain the revenues and expenses listed above.

[REMAINDER OF PAGE INTENTIALLY LEFT BLANK]

The following table sets forth a summary of the College's unrestricted current fund revenues, expenditures and transfers for each of the fiscal years set forth, which are all derived from audited financial statements.

	2020-21 BUDGET
EDUCATIONAL AND GENERAL	
STUDENT TUITION AND FEES	$44,922,978
SPONSORING SCHOOL DISTRICTS	6,476,028
STATE APPROPRIATIONS	16,949,761
OTHER SOURCES	
SALES AND SERVICES	840,200
OTHER	1,884,347
TOTAL EDUCATIONAL AND GENERAL	71,073,314
AUXILIARY ENTERPRISES	5,587,200
TOTAL REVENUES	**$76,660,514**
EXPENDITURES	
EDUCATIONAL AND GENERAL	
INSTRUCTION	$33,162,962
INSTRUCTIONAL RESOURCES	6,804,183
EXTENSION AND PUBLIC SERVICE	5,843,930
STUDENT SERVICES	7,724,420
GENERAL INSTITUTIONAL	7,140,504
GENERAL ADMINISTRATION	2,740,373
OPERATION AND MAINTENANCE OF PHYSICAL PLANT	8,356,219
STUDENT AID	127,500
BUDGETARY RESERVE	(1,171,000)
TOTAL EDUCATIONAL AND GENERAL	70,729,091
AUXILIARY ENTERPRISES	5,245,543
TOTAL EXPENDITURES	
TRANSFERS-DEBT SERVICE	0
TRANSFERS-PLANT FUNDS	(2,500,000)
TOTAL EXPENDITURES AND TRANSFERS	**$73,474,634**
EXCESS REVENUES (LOSS)	**$3,185,880**

Source: College Budget Report.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Student Fees and Charges

The following table sets forth the fees, costs and charges paid by students of the College per semester, per credit hour, in each of the fiscal years set forth:

	2016-17	2017-18	2018-19	2019-20	2020-21
Tuition(1)	$97	$100	$104	$107	$112
Tuition(2)	$194	$200	$208	$214	$224
Tuition(3)	$291	$300	$312	$321	$336
Tuition(4)	$159	$163	$168	$172	$177
Comprehensive Fee	$19	$20	$20	$21	$21
Technical Fee	$21	$21	$22	$23	$24
Capital Fee					
Sponsoring School Districts	$0	$0	$0	$0	$0
Monroe County	$26	$27	$28	$29	$30
Non Sponsoring PA School Districts(4)	$65	$67	$69	$68	$67
Out of State and Foreign	$110	$113	$116	$117	$115

(1) Per credit hour for students from sponsoring school districts.

(2)Per credit hour for students from non-sponsoring school districts.

(3)Per credit hour for students out of state.

(4)Monroe County/other counties.

Source: The College.

Outstanding Debt

During the 2011 fiscal year, the Authority issued on behalf of the College $70,585,000 State Public School Building Authority, College Revenue Bonds, Series of 2011 (the "2011 Bonds") to finance the acquisition and construction of a new campus in Monroe County, Pennsylvania. As of the date of this Official Statement, $46,275,000 of such bonds remain outstanding. The proceeds of the Bonds will be used to currently refund and redeem the 2011 Bonds.

During the 2014 fiscal year, the Authority issued on behalf of the College $42,720,000 State Public School Building Authority, College Revenue Bonds, Series A&B of 2014 (the "2014 A&B Bonds") to finance the construction of a two-story dormitory facility, various differed maintenance projects, as well as the refinancing of the College's 2004A Bonds and 2004B Bonds. As of the date of this Official Statement, $27,750,000 of principal remains outstanding on the 2014 A&B Bonds.

In March 2017, the College entered into an agreement for a loan with State Public School Building Authority for a maximum of $2,400,000. The purpose of the loan was to finance renovations to the Center for Innovation and Entrepreneurship. The loan is payable periodically through 2021 and bears interest at 2%. As of the date of this Official Statement, $694,119.94 remains outstanding.

The College's obligation to make payments with respect to all of its indebtedness is an unsecured, general obligation of the College.

Retirement and Other Postretirement Benefits

The defined benefit and defined contribution plans in which the College's employees participate, the College required contributions and its actual contributions are further described in APPENDIX A attached hereto. The College also maintains a postretirement plan for benefits other than pensions which is also described in APPENDIX A attached hereto together with the College's contributions and liability with respect to suchplan.

Northampton County Area Community College Foundation

The Northampton Community College Foundation (the "Foundation") was founded in 1969 in order to provide funds for student scholarships, professional development for the College's staff and faculty and capital project funding for the College. The capital projects funded and currently owned by the Foundation are the student residence halls and apartment complex on the College's main campus. The Foundation also assisted with the renovation of the Fowler Family Southside Center in downtown Bethlehem, and Hartzell Hall and the Spartan Center on the College's main campus. The Foundation's support to the College since 1970 has totaled over $30 million; the largest contribution has been scholarships aggregating over $10 million. The Foundation's spending policy for Fiscal Year 2020 was to contribute to the College 4.5% of endowment market value based on a five-year rolling average. This spending policy may be adjusted by the Foundation's board; it has typically ranged between 4.0% and 4.5%. The Foundation has no obligation or liability with respect to the Bonds.

COVID-19 Matters

On March 19, 2020, Governor Tom Wolf ordered all non-life-sustaining businesses in Pennsylvania to close their physical locations to slow the spread of COVID-19. The College responded by pivoting to on-line instruction for the remainder of the Spring 2020 semester, which the College continued through the Summer 2020.

The College provided pro-rated credits for housing and dining to its resident students that had to depart campus early during the Spring 2020 semester, the total of which amounted to $850,000 in aggregate. No tuition refunds were issued but tuition credits were offered for students who elected to withdraw as a result of the change in learning modality.

As a result of the net CARES Act funding awarded to the College, the associated costs incurred during Fiscal 2019-20 as a result of COVID-19 had a modest effect on the overall financial performance, pushing the College into a slight deficit result. The future financial impact will be dependent upon enrollment, the continuing need for social distancing, ongoing response efforts to mitigate COVID-19, and any potential resurgence.

For Fiscal 2020-21, in anticipation of enrollment challenges, the College reduced its anticipated capital budget by $2 million and also reduced several operating line items by approximately $500,000. The College continues to monitor and assess the effects of the COVID-19 pandemic and its impact on the financial position and operations.

Although the College implemented remote instruction in accordance with the state mandated closures, after the easing of state restrictions and much careful planning, the College welcomed 20% of its students back to campus for the Fall 2020 semester with the remainder enrolled in some type of online/hybrid programs.

The College's reopening plan and pandemic response have been shaped by guidance from the Center for Disease Control ("CDC"), the Pennsylvania Departments of Health and Education, the Governor's office, the College's local municipalities, and regional healthcare systems, among other sources. The College has communicated extensive information to its constituents, including information about its Fall 2020 reopening plans, on the College website.

As part of its Fall 2020 reopening, the College modified its academic semester classes, officially starting some classes on August 24, 2020 but with the majority starting on August 31, 2020. Further, the College eliminated its traditional fall break.

In order to provide students with the greatest flexibility, the College allowed the option of face-to-face instruction, several hybrid-learning formats which combine face-to-face instruction with online content, as well as fully online classes. Faculty were also provided instruction format options as well.

Throughout the fall, the College has allowed approximately 12-15 students in a standard classroom (i.e. 50% capacity) at any given time to comply with social distancing guidelines. Every class section designated as a "hybrid" section is being offered traditionally with face-to-face instruction, combined with online instruction in both synchronous (same time) and asynchronous (on demand access to course content) formats.

Delivery modalities for instruction related to student teaching placements, clinical assignments, and field experiences have been determined on a case-by-case basis and guided by procedures of the institutions that host the College's students, as well as guidance from the College's accrediting agencies.

In addition, as a result of the pandemic, the College's overall housing capacity was reduced by 362 beds (from 578 down to approximately 225), dining rooms began to offer grab and go options and were reconfigured and outside seating was added to accommodate greater physical distancing during the Fall 2020. Further, the College has identified space on campus as well as in the residence halls that is being reserved as a location to isolate students for a short/interim period should they become ill.

The College is a National Junior College Athletic Association ("NJCAA") Division III athletics conference member. To protect the health and safety of student athletes, the College, in conjunction with the NJCAA, postponed Fall 2020 team competitions and championships.

A broad range of other pandemic driven safety measures have been implemented on campus. Masks must be worn by everyone while on campus, unless students are in their own rooms in their residence hall. Respiratory etiquette has been regularly communicated. The College is reinforcing good personal hygiene and has placed hand sanitizer stations throughout the campus community. The College has also enhanced its cleaning and disinfecting protocols and has significantly reduced travel and campus visitors. No visitors are permitted in the residence halls.

To better support health and safety efforts on campus, the College created its own daily health check mobile app and online portal that requires that everyone (students, faculty, staff and visitors) complete a remote daily self-check for COVID-19 symptoms before visiting campus and entering any building. Anyone who does not complete the daily questionnaire through this process is not permitted to enter campus buildings.

Anyone who has had symptoms or has been exposed to COVID-19 without Personal Protective Equipment must commit to staying home for 14 days. To oversee the College's efforts to manage pandemic related health and safety issues, an Infectious Disease Committee was created, chaired by the Dean of Allied Health and the Chief of Staff.

The College maintains a dashboard on its website to communicate cumulative confirmed cases and active cases on campus. As of November 11, 2020, the College had twenty nine (29) cumulative confirmed cases representing all commuter students and all are in an on-line modality and have not been on the campus.

The College's extensive health and safety campus guidelines and protocols have been well accepted and followed by students, faculty and staff and appear to be working well to date. While COVID-19 presents many uncertainties and the guidelines or requirements from the CDC and Commonwealth of Pennsylvania may evolve, the College currently expects to continue to operate in a similar manner during the Spring 2021.

Also see, "BONDHOLDERS' RISKS – Recent Events Relating to COVID-19".

ABSENCE OF LITIGATION

The Authority. There is no litigation of any nature now pending or, to the Authority's knowledge, threatened against it restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, the Indenture, or any proceedings of the Authority taken in connection with issuance or sale of the Bonds, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Authority.

The College. There is no litigation, currently pending or to the knowledge of the College threatened against it, which, individually or in the aggregate, will have a material adverse effect on its financial condition or which will affect the validity or enforceability of the Loan Agreement or the Note, or which in any way contests the existence or powers of the College.

LEGALITY FOR INVESTMENTS

Under the Act, the Bonds are securities in which all officers of the Commonwealth and its political subdivisions and municipal officers and administrative departments, boards and commissions of the Commonwealth, all banks, savings banks, trust companies, savings and loan association, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all administrators, executors, guardians, trustees and other fiduciaries, and all other persons who are authorized to invest in bonds or other financial obligations of the Commonwealth may properly and legally invest any funds, including capital belonging to them or within their control, and the Bonds are securities which may properly and legally be deposited with and received by any Commonwealth and municipal officers or agency of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is authorized by law.

TAX EXEMPTION

Opinion of Co-Bond Counsel

In the opinion of Co-Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Co-Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax.

Except as expressly stated above, Co-Bond Counsel will not express any opinion as to any other federal or state tax consequences of acquiring, carrying, owning or disposing of the Bonds, and prospective purchasers of the Bonds should consult with their own tax advisors as to the applicability of these and any other collateral tax consequences of ownership of the Bonds.

Any Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (the "Premium Bonds"), will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium on the Premium Bonds. However, a purchaser's basis in a Premium Bond, and under the Treasury Regulations the amount of tax-exempt interest received, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, S corporations with "excess net passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel express no opinion as to such collateral federal income tax consequences.

The opinion of Co-Bond Counsel on federal tax matters with respect to the Bonds will be based upon, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants, of the College and the Authority to be contained in the transcript of proceedings and that are intended to evidence and assure that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations. The Authority and the College have covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion. Co-Bond Counsel has not undertaken to evaluate, determine or inform any person, including any holder of the Bonds, whether any actions taken or not taken, events, events occurring or not occurring, or other matters that might come to attention of Co-Bond Counsel, would adversely affect the value of, or tax status of the interest on, the Bonds.

The opinion of Co-Bond Counsel is based on current legal authority when such opinion is delivered, covers certain matters not directly addressed by such authorities, and represents co-Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. Such opinion is not a guarantee of any result, and is not binding on the Internal Revenue Service or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the College, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or to be subject to or not be exempted from state income taxation, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding any pending or proposed federal tax legislation, as to which Co-Bond Counsel express no opinion.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL OR STATE TAX LAW WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE EFFECT ON THEIR AFFAIRS OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON, INCLUDING, BUT NOT LIMITED TO, THE EFFECT OF STATE AND LOCAL TAX LAWS.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission, the College will agree pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") in the form attached hereto as APPENDIX C, to provide to the Municipal Securities Rulemaking Board (the "MSRB") through its electronic data program, Electronic Municipal Market Access ("EMMA"), or such other program required by the Rule, not later than 210 days after the end of each fiscal year of the College, commencing with the fiscal year ending June 30, 2021, certain financial information and other operating data with respect to the College (collectively, the "Annual Report"), as follows:

(a) The financial statements of the College for the most recent fiscal year, with information of the type presented in Appendix A hereto and prepared in accordance with generally accepted accounting principles, and audited by the College's independent certified public accountants in accordance with generally accepted auditing standards; and

(b) An update of the financial information and operating data with respect to the College set forth herein under the headings "NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE – Employees,"" – "Enrollment," and "—Student Fees and Charges."

To the extent that the operating data listed in clause (b) above is included in the financial statements of the College, the College is not required to file separate summaries or tables with respect to such information on EMMA.

In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
7. modifications to the rights of holders of the Bonds, if material;
8. bond calls, if material, and tender offers;
9. defeasances;

10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the College;
13. the consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definition agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a financial obligation of the College or other obligation person, if any, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the College or other obligation person, if any, any of which affect security holders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the College or other obligation person, if any, any of which reflect financial difficulties.

The College may from time to time choose to provide notice of the occurrence of certain other events, or to provide other information which may be relevant to an investment in the Bonds, in addition to the notices of material events or other information specified above, but the College is not obligated to provide notice of any event whether or not material, or to provide any information, other than the notices, and information described herein.

Over the past five (5) years, the College has filed all financial and operating information and event notices required under its prior continuing disclosure undertakings in a timely fashion.

The College's obligations with respect to the Disclosure Agreement described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the College is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule.

The College acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holder and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds; provided, however, that the right of the holders and beneficial owners of the Bonds to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement, and any failure by the College to comply with the provisions of such undertaking shall not be an event of default with respect to the Bonds.

Because the Bonds will be limited obligations of the Authority, the Authority is not an "obligated person" for purposes of the Rule and has no continuing obligations thereunder. Accordingly, the Authority will not provide any continuing disclosure information with respect to the Bonds or the Authority. The Authority has no responsibility for the College's compliance with the Disclosure Agreement or for the contents of, or any omissions from the financial information, operating data, or notices provided thereunder.

CERTAIN LEGAL MATTERS

Purchase of the Bonds by the Underwriters is subject to the receipt of the approving legal opinion of Reed Smith LLP, Philadelphia, Pennsylvania, and Turner Law, P.C., Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of opinion of Co-Bond Counsel is attached hereto as APPENDIX B. Certain legal matters relating to the Authority will be passed upon by Barley Snyder LLP, Lancaster, Pennsylvania, Authority Counsel. Certain legal matters relating to the College will be passed upon by its counsel, King, Spry, Herman, Freund & Faul, LLC, Bethlehem, Pennsylvania, and certain legal matters relating to the Underwriters will be passed upon by Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania, counsel to the Underwriters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the law firms rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, a law firm does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of the parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL STATEMENTS

The financial statements of the College as of and for the years ended June 30, 2018 and 2019, included in APPENDIX A have been audited by Herbein & Company, Inc., independent auditors, as stated in their report appearing in APPENDIX A.

Such financial statements also present the financial position and results of the College's discretely presented component unit, the Foundation; however, only the College is obligated to make payments under the Loan Agreement, not such component unit.

UNDERWRITING

The Bonds are being purchased by Janney Montgomery Scott LLC, as Senior Managing Underwriter, and PNC Capital Markets LLC, as Co-Manager (collectively, the "Underwriters"). Janney Montgomery Scott LLC is acting as representative of the Underwriters (the "Representative" or "Janney Montgomery Scott"). The Underwriters have agreed to purchase the Bonds from the Authority, subject to certain conditions precedent, and will purchase all of the Bonds, if any of the Bonds are purchased, at a price of $44,277,774.95 (which represents the par amount of the Bonds, less an Underwriters' discount of $149,582.10, plus original issue premium of $6,462,357.05). The initial public offering prices set forth on the inside cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices set forth on the inside cover page hereof.

BOND RATINGS

The Bonds are rated "AA" (stable outlook) by S&P Global Ratings ("S&P") based upon the delivery of the Policy by the Insurer. In addition, the Bonds are rated "A1" (negative outlook) by Moody's Investors Service, Inc. ("Moody's") based upon the creditworthiness of the College. Such ratings reflect only the view of the rating agency assigning the rating and an explanation of its significance may be obtained only from such rating agency. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves and may include information and materials furnished to the rating agencies and not included in this Official Statement. There is no assurance a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Except as provided in the Disclosure Agreement, none of the Underwriters, the Authority, or the College has undertaken any responsibility either to bring to the attention of the holders of the Bonds any proposed change in or withdrawal of a rating of the Bonds or to oppose any such proposed change or withdrawal. Any such downward revision or withdrawal of the rating may have an adverse effect on the marketability or market price of outstanding Bonds.

FINANCIAL ADVISOR

PFM Financial Advisors LLC has served as financial advisor to the College with respect to the sale of the Bonds, assisted the College in matters relating to the planning, structuring and issuance of the Bonds and provided other financial advice. PFM Financial Advisors LLC is an independent financial advisory and consulting firm and is not engaged in the underwriting, marketing or trading of municipal securities or other negotiable instruments.

MISCELLANEOUS MATTERS

The references herein to the Indenture, the Loan Agreement, the Note, the Disbursement Agreement, the Disclosure Agreement, the Act, the Community College Act, and other statutes, laws, agreements and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof, copies of which will be furnished by the Authority upon request.

The information contained in this Official Statement has been compiled or prepared from official and other sources deemed to be reliable and, although not guaranteed as to the completeness or accuracy, is believed to be correct as of this date. Statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The information contained in this Official Statement should not be construed as representing all the conditions affecting the Authority, the College or the Bonds.

The Authority has not assisted in the preparation of the Official Statement, except for the statements under the sections, captioned "THE AUTHORITY" and, as it relates to the Authority, "ABSENCE OF LITIGATION", herein and, except for those sections, the Authority is not responsible for any statements made in this Official Statement. Except for the authorization, execution and delivery of documents required to affect the issuance of the Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of Bonds. Accordingly, except as foresaid, the Authority assumes no responsibility for the disclosures set forth in this Official Statement.

STATE PUBLIC SCHOOL BUILDING AUTHORITY

By: /s/Eric Gutshall
Executive Director

APPROVED:

NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE

By: /s/Dr. Mark Erickson
President

APPENDIX A

NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

[THIS PAGE INTENTIONALLY LEFT BLANK]

HERBEIN

CPAS + CONSULTANTS

Northampton Community College

NORTHAMPTON COMMUNITY COLLEGE

FINANCIAL AND COMPLIANCE REPORT

Years Ended June 30, 2019 and 2018

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

HERBEIN
CPAS + CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northampton Community College
Bethlehem, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Northampton Community College, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Northampton Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 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 business-type activities and the aggregate discretely presented component unit of Northampton Community College as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information on pages 85 through 91 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northampton Community College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the basic financial statements. Such 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. The 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 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 December 5, 2019, on our consideration of the Northampton Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's 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 Northampton Community College's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
December 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Northampton County Area Community College's (the "College") annual financial report presents our discussion and analysis of the financial performance of the College for the fiscal years ended June 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The financial statements of the College for the years ended June 30, 2019 and 2018 have been prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities. For reporting purposes, the College is considered a special-purpose government engaged only in business-type activities.

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 61, *The Financial Reporting Entity - Omnibus an amendment of GASB Statements No. 14 and No. 34*, the College has determined that the Northampton County Area Community College Foundation (Foundation) should be included as a discretely presented component unit in the College's financial statements. Separately issued financial statements for the Foundation are available by contacting the Foundation's Office.

Institutional Highlights

Founded in 1967, Northampton County Area Community College serves nearly 30,000 students from Northampton, Monroe and surrounding counties, states, and the world offering more than 100 programs of study including healthcare, culinary/hospitality, information technology, criminal justice, education, business administration, global studies, various manufacturing technologies, etc.

From the main campus in Bethlehem and modern satellite sites in South Bethlehem and Tannersville, the College offers two-year associate degrees, certificate and specialized diploma programs, and workforce training for students studying either full-time, part-time, or online.

Consistent with its mission of "seeking to provide excellent, accessible, and comprehensive learning experiences in partnership with the dynamic, diverse communities we serve," the College offers educational, career, and lifelong learning opportunities through innovative partnerships which enhance the lives of residents in Northampton, Monroe, and the neighboring counties, states, and worldwide. Major funding sources supporting all functions of the College include tuition and fees, local sponsor appropriations, the Commonwealth of Pennsylvania appropriation, and federal, state and other grants.

The College is guided by our six areas of strategic focus: Academic Excellence, Student Outreach, Student Completion, Global Engagement, Community Engagement, and Leadership in Technology. These six areas of focus serve as a guiding compass as we continue to push the edge of innovation, open doors for our community, strengthen our workforce and make NCC the preferred destination for students of all ages and backgrounds.

NORTHAMPTON COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following are notable highlights that occurred at Northampton Community College during 2018-19:

- NCC was the only college in the nation to receive a Green Power Leadership award from the United States Environmental Protection Agency. 86% of Energy used is considered "Green."

- The construction of NCC's new Center for Innovation and Entrepreneurship, located at the Fowler Southside Center, has been completed and it is open for business!

- The college's biggest fundraiser of the year held their 10th annual Lehigh Valley Food and Wine Festival.

- NCC's Bethlehem Campus was awarded a Level 1 Accreditation by the ArbNet Arboretum Accreditation Program.

- NCC was awarded a National Science Foundation grant to implement "Building a Culturally Responsive Degree Program in Information Security."

- NCC funeral service students pass rates for certification exams were tied for first in the nation.

- NCC was recognized as a leading entrepreneurial College by the National Association for Community Colleges.

- A new cooperative agreement with Harrisburg Area Community College was formed, allowing NCC students to matriculate to HACC after fulfilling their General Education requirements at NCC.

- A program to program enrollment agreement in elementary and early childhood education was established with Wilkes University allowing students who complete requirements for an associate in applied science degree in early childhood to enter Wilkes University with junior status.

- NCC's baseball team had three players be named first team NJCAA All Americans.

- TheBestSchools.org web site named NCC's online criminal justice program among the top 50 online criminal justice associate's degree programs in the United States.

- NCC went "Live" with Workday ERP in the Finance, Payroll, and HR departments on January 1, 2019

- NCC continued its path to implement a major Student Success Initiative which will include an enhanced advising center (completed August 2019) and multiple guided pathways for success that our students will have the ability to participate in.

- President Dr. Mark Erickson was appointed to the Executive Committee of the Pennsylvania Commission for Community Colleges Board of Directors.

- NCC students hailed from 53 counties, 48 countries, and 25 states.

- NCC had the most diverse student body of all the colleges and universities in the region in terms of age, race, ethnicity, and academic interest.

Enrollment/Financial Highlights and Analysis

The College's financial position continues to remain strong, despite weaker financial results than in previous years. At June 30, 2019, the College's assets and deferred outflows of resources of $203,346,459 exceeded its liabilities and deferred inflows of resources of $103,907,861 by $99,438,598, a decrease over the prior year of $2,045,444. At June 30, 2018 the College's net assets increased $1,731,729 to $101,484,042. Contributing factors to the decrease in net position are investments the College has made into a new Enterprise Resource Planning system and a multi-year investment in a Student Success Initiative.

Enrollments

The fiscal year 2018-19 total credit programming hours decreased by 2.79% realizing 196,458 credit hours compared to 202,103 in fiscal year 2017-18. The College's full-time equivalent (FTE) student enrollment decreased by 2.63% in 2018-2019 compared to the 1.83% decrease experienced in the prior fiscal year. The college recognized a decline in registrations from students outside of the sponsoring school district territories including Monroe County, PA and New Jersey. The college also realized a decrease in the FTE enrollment of students from international countries going from 128 FTES to 122 FTES. An increase in High School Dual Enrollment students continues to support In-County enrollment figures.

Non-credit FTEs decreased 10% over the prior fiscal year with 904 annual FTEs in fiscal year 2018-19 compared to 1,006 annual FTEs in fiscal year 2017-2018.

Combined FTEs for Credit and Non-credit programming realized a 3.5% decrease on a year to year comparative basis seeing total FTEs drop to 8,430 from 8,735.

Tuition and fee costs increased for 2018-19 by 3.55% for In-County Students, 3.03% for Monroe County Students, 3.57% for Out of County Students and 3.52% for Out of State Students.

Overview of Financial Statements

The financial statements are designed to provide readers with a broad overview of the College's finances from all sources of revenue, in a manner similar to the private sector. The GASB reporting model is comprised of three basic statements.

The Statement of Net Position reflects the financial position of the College at June 30, 2019 and 2018. It presents information on all the College's assets and liabilities, with the difference between the two reported as net position (equity). Over time, increases or decreases in the College's net position is one indication of whether its financial health is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year on an accrual basis. The statement presents the various operating and non-operating revenues and expenses that reconcile the beginning net assets to the ending net assets amount which is shown on the Statement of Net Position described above.

The Statement of Cash Flows is prepared using the direct method of cash flows. The statement shows net cash flows from operations, noncapital and capital financing, and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes contain details on the accounting policies that the College has adopted and further information for certain amounts reported in the financial statements.

Condensed Statement of Net Position

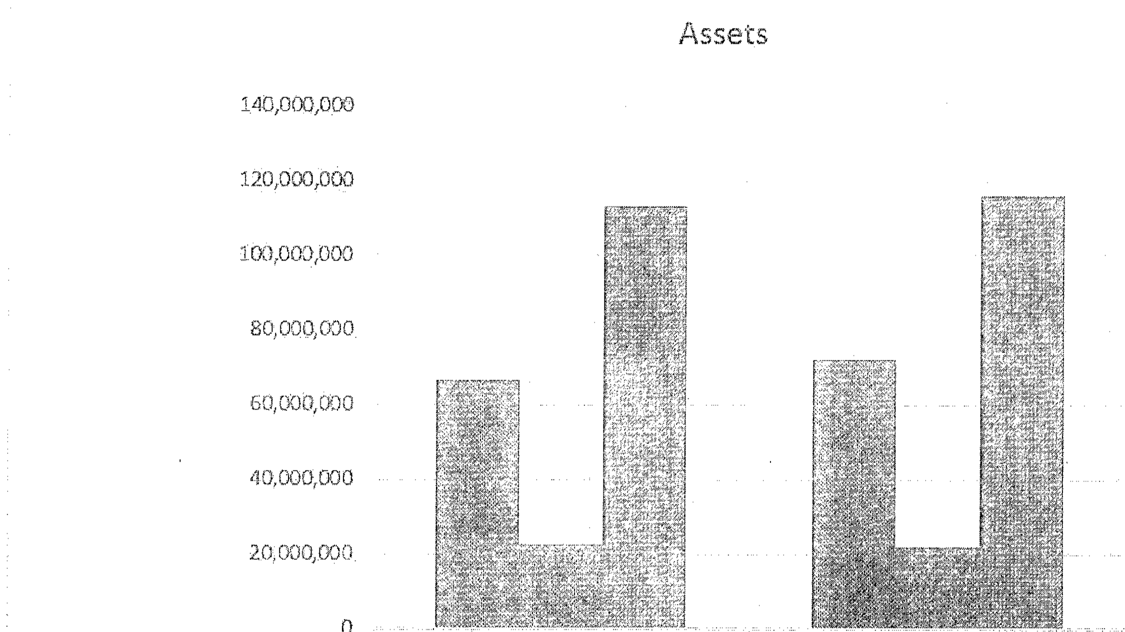
		2019		2018
Other assets	$	88,994,960	$	93,891,324
Capital assets		112,867,310		116,016,380
Total assets	$	201,862,270	$	209,907,704
Total deferred outflows of resources		1,484,189		1,932,973
Current liabilities	$	16,274,346	$	16,413,872
Noncurrent liabilities		86,558,156		93,142,325
Total liabilities	$	102,832,502	$	109,556,197
Total deferred inflows of resources		1,075,359		800,438
Net investment in capital assets		49,729,616		47,022,959
Restricted		11,094,445		10,421,440
Unrestricted		38,614,537		44,039,643
Total net position	$	99,438,598	$	101,484,042

Assets, Liabilities and Deferred Outflows and Inflows

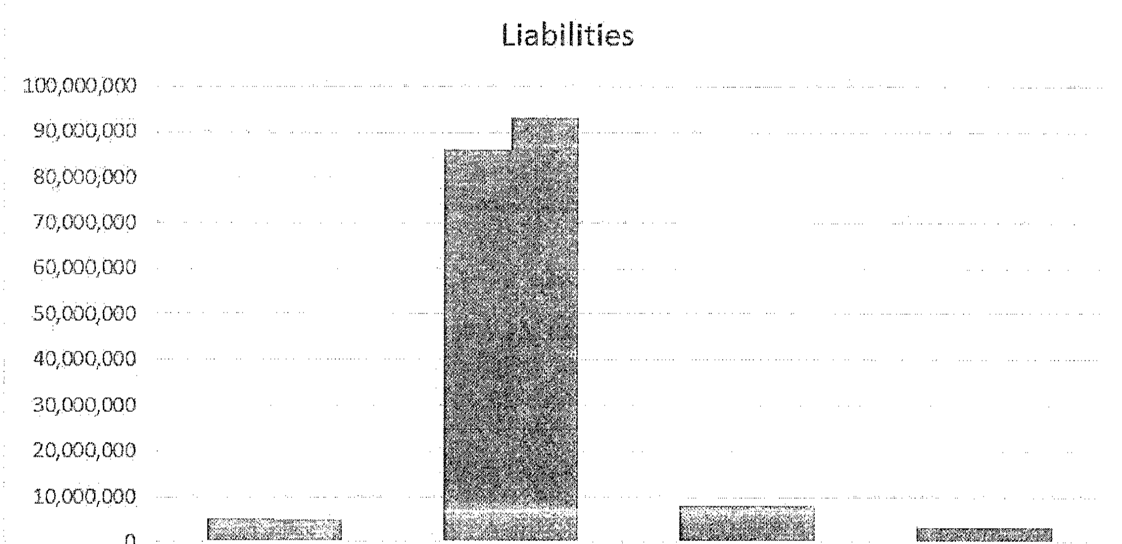
Cash and cash equivalents decreased $4.9 million for the year, with a current balance of $58,298,112, compared to a balance of $63,180,434 at the end of 2018. Account receivables increased $1,220,340 and deferred revenue increased $130,890 in fiscal year 2018-19. Deferred Outflows of Resources for 2018-19, related to Pension contributions, GASB 68 and GASB 75, added $1,484,189 to the Net Position.

Additional information about GASB 68 and GASB 75 can be found in the notes section of the report. College liabilities decreased during the year by $6.45 million. Long term non-current liabilities decreased by $6.4 million due to the scheduled pay down of debt obligations. Accounts Payable increased approximately $300 thousand due to ongoing Construction projects as fiscal year end. Deferred Inflows of Resources, related to GASB 68 and GASB 75, added $1,075,359 reducing the Net Position.

Deferred outflows of resources and deferred inflows of resources arise due to timing differences in pension plan investment earnings and pension contributions. More detailed information about the College's pension liabilities and deferred outflows and inflows of resources is presented in Note 14 and Note 15 and the supplementary schedules at the end of the report.



	2019	2018
Cash, Cash Equivalents, Escrows, prepaid expenses	66,499,981	72,140,369
Receivables	22,494,979	21,750,955
Capital Assets	112,867,310	116,016,380



	Accounts Payable and Payroll accruals	Debt related liabilities	Post Retirement liabilities	Unearned Revenue
2019	5,266,300	86,173,260	8,024,188	3,368,754
2018	4,910,243	93,243,532	8,164,558	3,237,864

2019 2018

Condensed Statement of Revenue and Expenses, and Changes in Net Position

		2019		2018
Operating revenues:				
Tuition and fees	$	30,130,591	$	30,061,466
Sales and Services		692,232		599,000
Auxiliary services		5,263,013		5,346,968
Other		3,571,469		3,363,000
Total Operating Revenue		39,657,305		39,370,434
Operating expenses:				
Educational and general		96,269,232.00		91,853,278.00
Depreciation and amortization		6,629,790.00		6,645,999.00
Total Operating Loss		102,899,022		98,499,277
Total Operating Loss		(63,241,717)		(59,128,843)
Non-operating revenues (expenses):				
Federal, State and local grants and contracts		25,774,003.00		27,885,165.00
Commonwealth and local sponsor appropriations		28,749,021.00		28,095,744.00
Capital Fees, Grants, gifts and other		9,051,114.00		7,994,450.00
Investment income		1,104,841.00		556,348.00
Interest on indebtedness		(3,482,706.00)		(3,671,135.00)
Total Non-operating revenues (expenses)		61,196,273.00		60,860,572.00
Restatement of beginning net position GASB 75				
Increase in net position		(2,045,444)		1,731,729
Net position, beginning		101,484,042		99,752,313
Net position, ending	$	99,438,598	$	101,484,042

Revenues and Expenses

Operating revenues and expenses come from sources that are connected directly to the College's primary business function. This includes revenues from categories such as tuition and fees, certain grants and contracts that will be used for non-capital purposes, and sales and services from auxiliary enterprises.

Total College operating revenues increased $286,871 for 2018-19. Student tuition and fee revenues (net of scholarship allowances) increased $69 thousand. Increases were also seen in Sales and Services from the Community Education Department. Auxiliary Enterprises (Dining, Restaurant, Child Care, Bookstore) saw a slight decrease in revenues for the year.

Local sponsor operating appropriations increased by $119 thousand in fiscal year 2019 when compared to fiscal year 2018. State operating appropriations increased by $560 thousand compared to prior fiscal year. An increase in support from the Northampton Community College Foundation and an increase in earned Investment returns contributed positively to total revenues.

Operating expenses realized an increase of 4.5% for the year. Employee salary and benefit expenses, the largest expense category for the college, in aggregate, increased approximately $5 million from the prior fiscal year, due to cost of living increases for Administrative Staff and contractual increases for the Custodial and Maintenance, Office and Clerical, and Faculty and Staff Union contracts. Health benefit costs, the largest contributing factor to the operating expense increase seen this year, was up approximately $3.4 million over previous year. Supplies and Other services saw a slight decrease as did Utilities.

Total grant funding decreased by $2,029,251, in 2018-2019. The majority of this decrease ($1,985,311) was because only one quarter of the TAACCCT grant remained in 18-19. In addition, it was the final year of the Micro Credentials Grant and there was less spending than in previous years.

State funding for grants increased ($102,054) in 18-19 with the addition of the Multimodal Transportation Grant, the Machining Grant, the CIPP grant and another round of the Medical Secretary Grant.

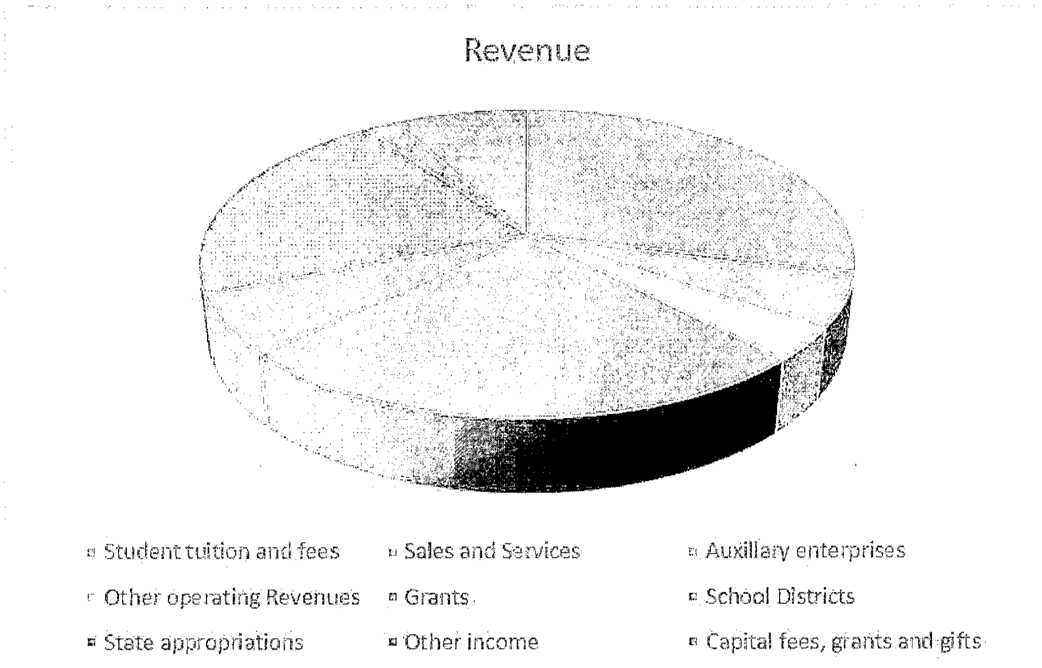
Grants from Foundations and "Other" sources also increased ($100,143) in 18-19. The Moses Taylor Foundation, Japan Foundation, Transforming Youth Recovery, Voter Friendly Campus and Capital Blue Cross were new grants in 18-19.

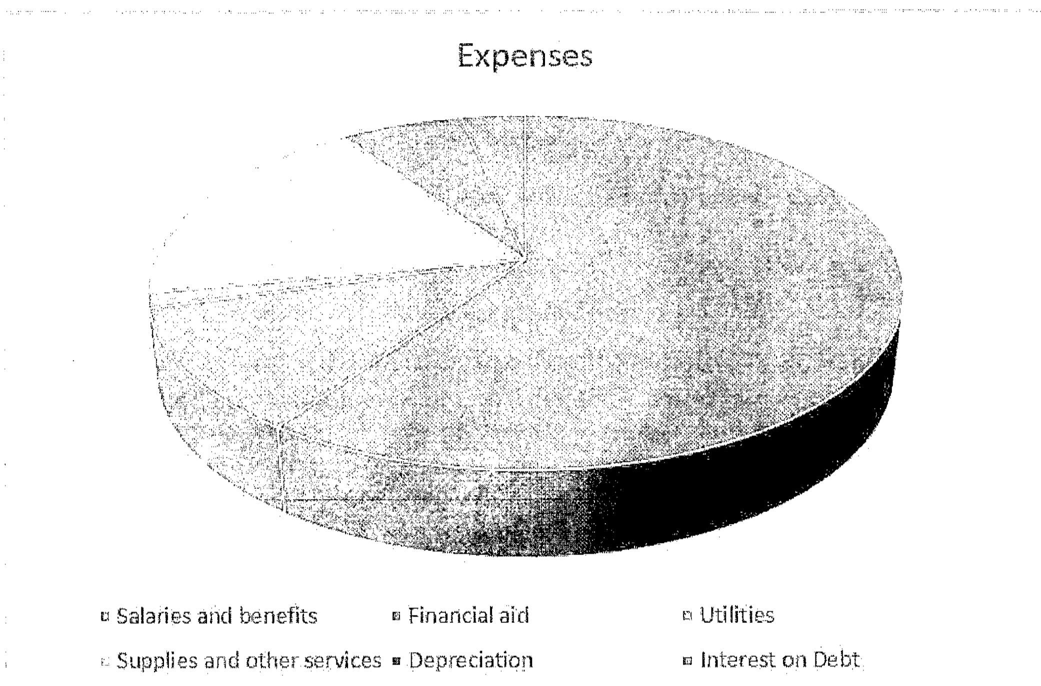
In fiscal year 2018-19 the college expended $4,057,470 in grant funds. The largest amount of the aggregate ($2,708,178) came from federal funds, followed by state funds ($1,046,908) and then local funding sources ($303,549).

Federal: The largest funder is the U.S. Department of Education with grant funds totaling $1,379,996 for programming such as literacy, technical training and student support services. NCC was also awarded another Truck Driving Grant from FMCSA totaling $125,711 in 18-19 to support student tuition in this program, specifically for veterans.

State: The largest portion of state funds, totaling $200,000, were from the Multimodal Transportation Grant for calming the traffic on Green Pond Rd. The Machining Grant and Medical Secretary Grant were both State Strategic Innovation Grants received in 18-19. The CIPP grant will provide capital improvements to the FabLab exhaust system.

Foundation or "Other": The Moses Taylor Foundation was the largest Foundation grant ($136,043) in 18-19 and funded a portion of the Allied Health Expansion Project at the Monroe Campus. The Capital Blue Cross Foundation funded Dental Lab Equipment. The Voter Friendly Campus and Japan Foundations funded student events on campus. The Sanofi Foundation continues to provide NCC students with scholarships to strengthen the STEM education Pipeline.


Revenue
Student tuition and fees
Sales and Services
Auxillary enterprises
Other operating Revenues
Grants
School Districts
State appropriations
Other income
Capital fees, grants and gifts


Expenses
Salaries and benefits
Financial aid
Utilities
Supplies and other services
Depreciation
Interest on Debt

Capital Asset and Debt Administration

During the year ended June 30, 2019, the College had a total net capital asset reduction of approximately \$3.1 Million, due to depreciation on assets (\$6 Million) which were offset by a new Capital Project, Dining and Student Success Initiative Space Renovation, and other additions to Capital from equipment purchases from the Capital Budget and Grant Budgets. Additional information on capital assets can be found in Note 10 to the basic financial statements.

At June 30, 2019, the College has three (3) general obligation bond issues totaling \$80,510,000 and two term loans totaling \$1,313,741. Bond premiums at June 30, 2019 carry a balance of \$3,156,207. The debt issues are funded by the Commonwealth capital appropriation, College capital funds and other parties related to the College.

The fiscal year 2018-19 debt payments (principal and interest) were funded from the following sources:

1) 49% from the Commonwealth appropriation

2) 7% from College capital funds

3) 44% from other sources

Additional information on the College's long-term debt can be found in Note 11 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

The College's financial position is closely tied to the economy and State's budget. Changes in economy, unemployment rates in the Lehigh Valley, high school graduating yield rates, the College's challenges and opportunities to expand in Monroe County and other new markets, and retention efforts have and will affect student enrollments.

The College prepared its operating budget for 2019-20 year to reflect no increase or decrease in total student credit hours, based on 2018-19 enrollments. Any increase in enrollment above these projections will have a positive impact on the College's financial situation and a decrease will have an opposite effect. The 2019-20 tuition and fee increases are 3.42% for In-County Students, 2.94% for Monroe County Students, 2.19% for Out of County Students and 2.55% for Out of State Students.

To date the number of credit students enrolled in fall 2019 total 9,872 representing an increase of 64 students, or .65%, over Fall 2018. Total credit hours, 95,023, are also indicating an increase year to year of approximately 1%.

The college is self-insured relative to health and medical benefits. The impact of significantly higher health and medical benefit costs from 17-18 to 18-19 played a significant role in the net position loss.

Management has worked with their external broker and carrier on several strategies to reduce future costs such as increased employee cost sharing, better pharmacy management, conducting an extensive dependent audit, and enhanced educational programs for employees. The first several months of FY 19-20 appear to be indicating positive trends compared to prior year.

The Commonwealth's operating appropriation has increased for fiscal year 2019-20 to $16,949,761, or $381,761 over the previous year. 19-20 State Capital appropriations from the Commonwealth for 2019-2020 are expected to decrease by $472 thousand to $4,641,058, due to a portion of the College's debt service ending.

The local sponsors (School Districts in Northampton County) operating appropriation for 2018-2019 was $6,322,755. The 2019-20 operating appropriation will increase 1.11% to $6,394,834. The Local Sponsor capital appropriation will remain unchanged in 2019-2020 at $175,000. School district appropriations represent 10.42% of the operating budget for credit instruction.

The College continues to focus on student retention and foster growth through the pursuit of alternative sources of revenue, including funding through grants, fundraising efforts by the NCC Foundation, and partnerships with local businesses, hospitals, and state agencies to meet our mission.

Overall, the College's current financial position remains strong, as is evident by the 2019 financial statements. The College structure is aligning to streamline operations, create efficiencies, leverage technology, and eliminate redundancies to advance fiscal stability and provide a high-quality, low-cost education.

Summary

This Management's Discussion and Analysis is based on facts, decisions, and conditions known as of the date of this report. It is designed to provide a general overview of the College's finances for all those with an interest in such matters. The College is proud of its ability to offer affordable, high-quality educational programs and services to our communities. If you have any questions about this report or need additional financial information, contact Mr. James Dunleavy, Vice President, Finance and Operations 3835 Green Pond Road, Bethlehem, PA 18020.

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - PRIMARY INSTITUTION

	June 30	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 58,298,112	$ 63,180,434
Restricted cash and investments	7,468,559	7,920,336
Accounts receivable, net of allowance for doubtful accounts of 2019 - $794,151; 2018 - $846,454	3,707,421	2,487,081
Current portion of mortgage receivable	785,000	750,000
Due from Foundation	1,365,247	1,010,908
Prepaid expenses	733,310	1,039,599
TOTAL CURRENT ASSETS	72,357,649	76,388,358
NONCURRENT ASSETS		
Capital assets not being depreciated:		
Land	4,155,530	4,155,530
Construction in progress	740,183	5,133,976
Capital assets being depreciated, net	107,971,597	106,726,874
Other assets:		
Loans receivable	537,311	617,966
Mortgage receivable	16,100,000	16,885,000
TOTAL NONCURRENT ASSETS	129,504,621	133,519,346
TOTAL ASSETS	201,862,270	209,907,704
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension	887,010	1,188,394
Deferred outflows of resources for other postemployment benefits	597,179	744,579
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,484,189	1,932,973

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF NET POSITION - PRIMARY INSTITUTION - CONTINUED

	June 30	
	2019	2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,824,930	1,963,329
Accounts payable - construction	274,306	829,944
Accrued payroll and related benefits	2,167,064	2,116,970
Interest payable	991,484	1,074,822
Unearned revenue	3,368,754	3,237,864
Capital lease obligations	35,086	176,189
Current portion of long-term liabilities	6,612,722	7,014,754
TOTAL CURRENT LIABILITIES	16,274,346	16,413,872
NONCURRENT LIABILITIES		
Bond and loans payable, net	78,533,968	84,977,767
Early retirement benefits	63,214	15,889
Net pension liability	3,206,315	3,396,364
Net other postemployment benefit liabilities	4,754,659	4,752,305
TOTAL NONCURRENT LIABILITIES	86,558,156	93,142,325
TOTAL LIABILITIES	102,832,502	109,556,197
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension	615,468	605,113
Deferred inflows of resources for other postemployment benefits	459,891	195,325
TOTAL DEFERRED INFLOWS OF RESOURCES	1,075,359	800,438
NET POSITION		
Net investment in capital assets	49,729,616	47,022,959
Restricted for:		
Instructional	4,305,196	3,623,513
Loans	1,163,050	1,248,686
Capital projects	210,373	209,954
Debt service	3,567,659	3,551,096
Other	1,848,167	1,788,191
Unrestricted	38,614,537	44,039,643
TOTAL NET POSITION	$ 99,438,598	$ 101,484,042

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY INSTITUTION

	Year Ended June 30	
	2019	2018
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $11,359,961 in 2019 and $11,475,920 in 2018)	$ 30,130,591	$ 30,061,466
Sales and services of educational department	692,232	599,000
Auxiliary enterprises	5,263,013	5,346,968
Other operating revenues	3,571,469	3,363,000
TOTAL OPERATING REVENUES	39,657,305	39,370,434
OPERATING EXPENSES		
Salaries and benefits	63,338,530	58,283,939
Financial aid	11,880,415	12,081,725
Utilities	1,460,885	1,551,409
Supplies and other services	19,589,402	19,936,205
Depreciation	6,629,790	6,645,999
TOTAL OPERATING EXPENSES	102,899,022	98,499,277
OPERATING LOSS	(63,241,717)	(59,128,843)
NONOPERATING REVENUES (EXPENSES)		
Federal grants and contracts	20,150,312	22,474,276
State and local grants and contracts	5,623,691	5,410,889
State appropriations	16,568,000	16,008,817
Local appropriations	6,322,756	6,203,645
Investment income	1,104,841	556,348
Interest on indebtedness	(3,482,706)	(3,671,135)
Other nonoperating revenues	820,264	917,631
NET NONOPERATING REVENUES (EXPENSES)	47,107,158	47,900,471
LOSS BEFORE OTHER REVENUES	(16,134,559)	(11,228,372)
OTHER REVENUES		
Capital appropriations	5,858,265	5,883,282
Capital fees, grants, and gifts	8,230,850	7,076,819
TOTAL OTHER REVENUES	14,089,115	12,960,101
CHANGE IN NET POSITION	(2,045,444)	1,731,729
NET POSITION - BEGINNING OF YEAR - RESTATED	101,484,042	99,752,313
NET POSITION - END OF YEAR	$ 99,438,598	$ 101,484,042

See accompanying notes.

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS - PRIMARY INSTITUTION

	Year Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 29,927,255	$ 30,075,563
Payments to suppliers	(18,722,871)	(20,633,994)
Payments to utilities	(1,460,885)	(1,551,409)
Payments to employees and for benefits	(62,676,819)	(58,164,315)
Payments for financial aid	(11,880,415)	(12,081,725)
Auxiliary enterprises	5,263,013	5,346,968
Other receipts	4,263,701	3,962,000
NET CASH USED FOR OPERATING ACTIVITIES	(55,287,021)	(53,046,912)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal grants and contracts	19,799,792	22,515,759
State grants and contracts	5,447,486	5,345,192
State appropriations	16,568,000	16,008,817
Local appropriations	6,178,755	6,063,785
Other sources	820,264	917,631
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	48,814,297	50,851,184
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	5,858,265	5,883,282
Capital fees, grants, and gifts	8,230,850	7,076,819
Principal received on mortgage	750,000	720,000
Capital expenditures	(3,964,819)	(5,047,215)
Proceeds on long-term debt	-	2,147,909
Principal paid on long-term debt	(6,627,057)	(6,439,138)
Payments on capital lease obligations	(212,643)	(217,016)
Interest paid on capital debt	(3,566,044)	(3,731,312)
Other sources	451,777	79,738
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	920,329	473,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in loan receivable	80,655	(20,981)
Due to/from Foundation	(354,339)	(429,493)
Interest on investments	943,757	403,191
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	670,073	(47,283)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,882,322)	(1,769,944)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	63,180,434	64,950,378
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 58,298,112	$ 63,180,434

See accompanying notes.

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS - PRIMARY INSTITUTION - CONTINUED

	Year Ended June 30	
	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	$ (63,241,717)	$ (59,128,843)
Adjustments to reconcile operating loss to net cash		
Used for operating activities:		
Depreciation and amortization	6,328,431	6,344,640
Allowance for doubtful accounts	(52,303)	14,534
Changes in:		
Accounts receivable	(336,226)	(133,590)
Prepaid expenses	306,289	(52,934)
Deferred outflows of resources for pensions	301,384	168,890
Deferred outflows of resources for other postemployment benefits	147,400	(196,981)
Accounts payable	861,601	(343,496)
Accrued payroll and related benefits	180,004	(167,771)
Unearned revenue	130,890	77,532
Net pension liability	(190,049)	(71,405)
Net other postemployment benefit liabilities	2,354	283,255
Deferred inflows of resources for pensions	10,355	88,690
Deferred inflows of resources for other postemployment benefits	264,566	70,567
NET CASH USED FOR OPERATING ACTIVITIES	$ (55,287,021)	$ (53,046,912)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 3,566,044	$ 3,731,312
Capital assets acquired through a capital lease	71,540	358,105

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF FINANCIAL POSITION - NORTHAMPTON COMMUNITY COLLEGE FOUNDATION - COMPONENT UNIT

	June 30 2019	June 30 2018
ASSETS		
CURRENT ASSETS		
Pledges receivable, current portion, net	$ 1,048,399	$ 885,155
Interest receivable	39,371	33,032
Prepaid expenses	22,017	-
Construction funds receivable	444,521	444,521
TOTAL CURRENT ASSETS	1,554,308	1,362,708
PLEDGES RECEIVABLE (NONCURRENT), NET	1,175,842	1,518,541
CHARITABLE REMAINDER TRUST RECEIVABLE	870,388	870,388
INVESTMENTS, AT FAIR VALUE	61,485,332	57,086,712
PROPERTY AND EQUIPMENT, NET	20,481,849	21,175,429
TOTAL ASSETS	$ 85,567,719	$ 82,013,778
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Northampton Community College	$ 1,365,247	$ 1,010,908
Accrued interest payable	33,341	34,845
Residence hall room deposits	73,721	76,363
Deferred income	18,950	1,250
Current portion of annuities payable	70,779	64,536
Current portion of loan payable	785,000	750,000
TOTAL CURRENT LIABILITIES	2,347,038	1,937,902
LOAN PAYABLE	16,100,000	16,885,000
ANNUITIES PAYABLE	531,948	504,300
LIABILITY UNDER CHARITABLE REMAINDER TRUST	466,696	466,696
TOTAL LIABILITIES	19,445,682	19,793,898
NET ASSETS		
Without donor restrictions:		
Undesignated	4,679,095	4,787,333
Board-designated	9,840,831	9,120,511
Total without donor restrictions	14,519,926	13,907,844
With donor restrictions:		
Restricted for time or purpose	27,814,144	27,045,325
Restricted in perpetuity	23,787,967	21,266,711
Total with donor restrictions	51,602,111	48,312,036
TOTAL NET ASSETS	66,122,037	62,219,880
TOTAL LIABILITIES AND NET ASSETS	$ 85,567,719	$ 82,013,778

See accompanying notes.

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF ACTIVITIES -
NORTHAMPTON COMMUNITY COLLEGE FOUNDATION - COMPONENT UNIT

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, LOSSES, AND OTHER SUPPORT						
Contributions	$ 636,150	$ 2,873,478	$ 3,509,628	$ 738,935	$ 3,953,295	$ 4,692,230
Special event income	464,973	-	464,973	373,014	-	373,014
Student housing rental	2,951,349	-	2,951,349	2,940,528	-	2,940,528
Investment income, net	990,591	3,533,650	4,524,241	922,759	3,995,727	4,918,486
Charitable annuity	-	(33,891)	(33,891)	-	(30,665)	(30,665)
Administrative fee income	154,609	-	154,609	126,643	-	126,643
Net assets released from restrictions	3,083,162	(3,083,162)	-	1,801,077	(1,801,077)	-
TOTAL REVENUES AND OTHER SUPPORT	8,280,834	3,290,075	11,570,909	6,902,956	6,117,280	13,020,236
EXPENSES						
Contributions to Northampton Community College	3,634,838	-	3,634,838	2,271,646	-	2,271,646
Housing expenses	2,824,557	-	2,824,557	2,681,492	-	2,681,492
Relationship management and development	991,897	-	991,897	817,232	-	817,232
General and administrative (in-kind 2019 - $55,500, 2018 - $53,996)	217,460	-	217,460	171,564	-	171,564
TOTAL EXPENSES	7,668,752	-	7,668,752	5,941,934	-	5,941,934
NET INCREASE IN NET ASSETS	612,082	3,290,075	3,902,157	961,022	6,117,280	7,078,302
NET ASSETS, BEGINNING OF YEAR	13,907,844	48,312,036	62,219,880	12,946,822	42,194,756	55,141,578
NET ASSETS, END OF YEAR	$ 14,519,926	$ 51,602,111	$ 66,122,037	$ 13,907,844	$ 48,312,036	$ 62,219,880

See accompanying notes.

NORTHAMPTON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS
NORTHAMPTON COMMUNITY COLLEGE FOUNDATION - COMPONENT UNIT

	Year Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,902,157	$ 7,078,302
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	693,580	696,102
Unrealized (gains) losses on investments	(2,869,649)	(3,232,775)
Change in value of split interest agreements	33,891	30,665
Changes in:		
Pledges receivable	179,455	397,600
Prepaid expenses	(22,017)	-
Due from/to Northampton Community College	354,339	599,084
Accrued interest payable	(1,504)	(1,155)
Residence hall room deposits	(2,642)	18,270
Deferred income	17,700	(25,200)
Charitable Remainder Trust	-	-
Contributions restricted for long-term purposes	(2,551,567)	(3,436,582)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(266,257)	2,124,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,869,771)	(13,849,879)
Proceeds from sale of investments	6,340,800	9,153,886
Decrease in interest receivable	(6,339)	(4,437)
Purchase of property and equipment	-	(140,463)
NET CASH USED BY INVESTING ACTIVITIES	(1,535,310)	(4,840,893)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term contributions:		
Capital improvements, program enhancements, scholarships	2,551,567	3,436,582
Principal payments on loan payable	(750,000)	(720,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,801,567	2,716,582
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -	$ -
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 896,991	$ 896,642
Construction-in-progress assets acquired from related party	-	-

Northampton Community College (the "College") is a public comprehensive two-year coeducational institution located in Bethlehem Township, Pennsylvania, founded in 1967. The College is funded through a diversified financial support system from eight sponsoring school districts, the Commonwealth of Pennsylvania, and the students. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the College and its discretely presented component unit, Northampton Community College Foundation (the "Foundation"). The Foundation, discussed in Note 1, is included in the College's reporting entity because of the significance of the operations and financial relationship with the College.

The major accounting principles and practices followed by the College are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northampton Community College have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the College and its component units.

The College used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the reporting entity has been defined to include all criteria for which the College is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the College's financial statements are provided in the following paragraphs.

1. Discretely Presented Component Unit - Northampton Community College Foundation
Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data as part of the College's basic financial statements. The component unit presented in this way is the Northampton Community College Foundation.

The Foundation, established in 1969, is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation was established to solicit support for College programs from the general public and the business community and is the major fundraising unit for the College. The financial activity of the Foundation is presented as of and for the years ended June 30, 2019 and 2018.

The Foundation's board of directors periodically determines its support for various College programs. Support provided by the Foundation to the College was $3,634,838 and $2,271,646 for the years ended June 30, 2019 and 2018, respectively. All personnel costs of the Foundation are paid by the College. These costs totaled $475,367 and $400,479 in the years ended June 30, 2019 and 2018, respectively. The Foundation funds a portion of these personnel costs by including them in the aforementioned contributions to the College. In 2019, approximately $419,867 was funded in this manner, with the remaining $55,500 representing services donated to the Foundation by the College. In 2018, approximately $346,483 was funded in this manner, with the remaining $53,996 representing services donated to the Foundation by the College.

The College processes payments to vendors on behalf of the Foundation in the ordinary course of business. The Foundation transfers funds to the College for reimbursement of payments to vendors, capital projects, and scholarships. At June 30, 2019 and 2018, $1,365,247 and $1,010,908, respectively, was payable to the College.

Complete financial statements for the Foundation may be obtained at the College's administrative office.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation

The College's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. All activities of the College are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The College's activity is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets and all liabilities associated with operations are included on the balance sheet. Net position (i.e. total assets and deferred outflows net of total liabilities) are segregated into net investment in capital assets restricted and unrestricted elements.

D. Financial Position

1. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

2. Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized cost if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Financial Position - continued

3. Restricted Cash

Restricted cash is for student loan programs, debt service, or capital escrow accounts which are for a specific capital purpose and unspent bond proceeds.

4. Receivables

Accounts receivable consists of tuition and fees charged to current and former students, amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants and contracts, and other miscellaneous sources.

Accounts receivable and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. Bad debt expense is included in operating expenses. Bad debt expense was $549,704 and $573,998 for the years ended June 30, 2019 and 2018, respectively.

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The costs of prepaid items are recorded as expenses when consumed rather than when purchased.

6. Capital Assets, Depreciation, and Amortization

The College generally capitalizes assets with costs of $5,000 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase is included in the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction progress until the assets are complete and placed into service. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. In the case of donations, the College values these capital assets at the estimated fair value of the item at the date of its donation.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20 - 40 years
Land improvements	10 years
Equipment and furniture	3 - 10 years
Library equipment	10 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Financial Position - continued

7. Unearned Revenue

Revenues that are received but not earned are reported as unearned revenues in the statement of net position. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenses. The College's unearned revenue consists of tuition and fees and grants received in advance. In subsequent periods, when both revenue recognition criteria are met, or when the College has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

8. Compensated Absences

Liability for compensated absences is accounted for in accordance with generally accepted accounting principles, which require entities to accrue employees' right to receive compensation for vacation leave, or payment in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Vacation accruals are based on individuals' positions in the College. Employees may carry over a maximum of 20 to 22 days of vacation. However, it must be used by December 31 of the following year. The estimated expense incurred for vacation leave and sick leave is recorded as a component of salaries and benefits on the statement of revenues, expenses, and changes in net position.

9. Early Retirement Incentives

An administrator who has reached 20 years of service as an employee of the College shall be eligible for a retirement buyout equal to half of their final salary upon retirement. These amounts are to be paid equally over 24 months.

10. Long-Term Obligations

Long-term liabilities and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

11. Retirement Plans

Employees of the College are enrolled in one of three benefit plans. The Pennsylvania State Employees' Retirement System ("SERS") and the Public School Employees' Retirement System ("PSERS") each administer a cost-sharing multiple-employer defined benefit plan. The Teachers Insurance and Annuity Association/College Retirement and Equity Fund ("TIAA-CREF") administers a multiple-employer defined contribution plan. Employees who were previously a member of SERS or PSERS and have not withdrawn their funds in full are automatically enrolled in SERS or PSERS upon employment with the College; otherwise, only TIAA-CREF is available to new employees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Financial Position - continued

11. Retirement Plans - continued

The College accounts for the SERS and PSERS plans under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the SERS and PSERS plans and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits (OPEB)

The College's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The College provides OPEB under the following two plans:

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

College OPEB Plan

The College sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The College OPEB plan is unfunded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Financial Position - continued

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The College has two items that qualify for reporting in this category:

Deferred outflows of resources for pension relate to the College's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the College's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other postemployment benefit liabilities relate to the College's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the College's year end. These payments will be recognized as a reduction to the net other postemployment benefits liability in the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has two types of items that qualify for reporting in this category:

Deferred inflows of resources for pensions relate to the College's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit liabilities relate to the College's liability for postemployment benefits other than pensions and related expenses and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

14. Net Position and Flow Assumptions

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Financial Position - continued

14. Net Position and Flow Assumptions - continued

Designations made from unrestricted net position can be done through an action from the College's Board of Trustees. A similar action can also be used to revise or rescind the designation.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the College's policy to consider restricted resources to have been depleted before unrestricted resources are applied.

E. Revenues and Expenses

1. Operating and Nonoperating Revenues and Expenses

The College distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues of the College are charges to students for tuition and related fees. The College also recognizes as operating revenue charges from auxiliary enterprises and contract revenue received to be used for paying operating expenses. Operating expenses include salaries and benefits, financial aid, utilities, supplies and other services, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating and other revenues and expenses. Nonoperating and other revenues include transactions related to capital and financing activities, noncapital financing activities, investing activities, and activities that have the characteristics of non-exchange transactions. Nonoperating and other revenues include such items as 1) local and state appropriations, 2) most federal, state, and local grants and contracts, 3) gifts and contributions, and 4) investment income. The primary nonoperating expense for the College is interest on indebtedness.

2. Tuition Revenue Recognition

Tuition revenue is recognized when instruction is provided. A receivable is recognized when a student application is processed and an invoice submitted, with revenue recognition deferred until the instruction starts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Revenues and Expenses - continued

3. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on students' behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, the Federal Direct Loan Program (DLP), and the Federal Family Educational Loan Program (FFEL) is accounted for as a third-party payment (credited to the students account's as if the student made the payment). All other aid is reflected in the financial statements as either operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a College-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to the third party aid.

F. Use of Estimates

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

G. Component Unit - Foundation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Significant accounting policies followed by the Foundation are:

1. Investments

Investments are carried at fair value. The investments in shares of common trust funds and private equity partnerships are valued at the net asset value of shares held by the Foundation at year end. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Component Unit - Foundation - continued

1. Investments - continued

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

2. Property and Equipment

The Foundation's policy is to capitalize property and equipment over $5,000. All purchased additions to property and equipment are stated at cost less accumulated depreciation. Donated additions are recorded at their estimated fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	10 years

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

3. Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of annuity agreements for which the Foundation serves as trustee. Principally all assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets and changes in the estimated present value of future cash outflows and other changes in estimated future benefits. The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy as required by the annuity agreement. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the agreement is made.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Component Unit - Foundation - continued

4. Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Foundation's charitable mission are included in this category.

Net assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Foundation has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

5. Contributions/Revenue

The Foundation recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Component Unit - Foundation - continued

6. Contributed Services and Equipment

A number of unpaid volunteers, which include the directors of the Foundation, have made significant contributions of their time toward developing and achieving the Foundation's goals and objectives. The value of such contributions of the volunteers and the College is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Donated equipment is gifted to Northampton Community College by the Foundation. There was no donated equipment during the years ended June 30, 2019 and 2018.

7. Student Housing Rental

The Foundation has a grounds lease with the College that enables the Foundation to collect sufficient student housing rent to satisfy the loan payable obligation to the College as described in Note 6.

8. Institutional Support (Distributions to College)

The Foundation provides institutional support to College related activities. Expenses related to this support are recognized in the statements of activities upon approval of distribution by the Foundation board. Amounts payable to the College as of year end represent unconditional promises from the Foundation.

9. Services Received from Personnel of an Affiliate

In accordance with ASU 2013-06, a not-for-profit entity must recognize the services received from personnel of an affiliate that directly benefits the recipient not-for-profit and for which the affiliate does not charge the recipient not-for-profit. This applies prospectively for fiscal years beginning after June 15, 2014, and annual periods thereafter. There is no effect on the net income, as both the related in-kind contribution and expense are recognized.

10. Functional Expense Allocations

As reported in Note 20, expenses of the Foundation have been allocated to the following functional reporting classifications: Program Services and Management and General.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Foundation's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Component Unit - Foundation - continued

11. Tax Exempt Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation annually files federal and state information returns which are required. There is no current year provision for income taxes. In accordance with generally accepted accounting principles, the Foundation accounts for uncertain tax positions relative to unrelated business income, if any, as required.

12. Adoption of FASB ASU No. 2016-14

The Foundation adopted FASB ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the previously existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) is replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Note 21 discloses the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This standard is effective for fiscal years beginning after December 15, 2017. The Foundation adopted this standard for the year ended June 30, 2019, with retrospective application for June 30, 2018.

NOTE 2 - PRIMARY FUNDING SOURCES

General state legislation establishing community colleges provides for the reimbursement of certain college expenses from the Commonwealth funds appropriated for this purpose. For the 2019 and 2018 fiscal years, the community colleges in the Commonwealth of Pennsylvania were funded by a fixed appropriation. Each college's share of the appropriation is allocated based on its prorated percentage of total community college eligible full-time equivalent enrollments in credit and noncredit courses generated throughout the Commonwealth's community college system. Capital expenditures, including debt services and net rental costs, are reimbursed to the extent appropriated. Any excesses or deficiencies between provisional payments and the final annual appropriation calculation in annual Commonwealth funding are reflected as a payable to or receivable from the Commonwealth. Total appropriations from the Commonwealth for the years ending June 30, 2019 and 2018 were $22,251,264 and $21,717,099, respectively.

NOTE 2 - PRIMARY FUNDING SOURCES - CONTINUED

In addition to the Commonwealth of Pennsylvania appropriation, the College receives funding from sponsoring school districts throughout Northampton County. The College's operating budget needs to be approved and adopted by a vote of two-thirds of all of the constituent boards. The vote of any constituent board is determined by a majority vote of all of the school board members. Each sponsoring district's proportionate share of the College's operating, lease, and capital budget is based on the ratio of market valuation of real estate to the total market valuation of all real estate of all of the sponsoring school districts. Each year the real estate market valuations for the sponsoring school districts are determined by using the most recent figures from the State Tax Equalization Board. The sponsoring school districts' funding totaled $6,497,756 and $6,378,645, for the years ended June 30, 2019 and 2018, respectively.

NOTE 3 - CASH AND INVESTMENTS

The College's investment policy is in accordance with the Public School Code of 1949 which requires monies to be invested in U.S. treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral is provided of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania (Commonwealth), or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. At June 30, 2019, the College's cash and cash equivalents and restricted cash include deposits with local financial institutions and PLGIT and various petty cash balances held throughout the College.

The deposit and investment policy of the College adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the College.

The breakdown of total cash and investments is as follows for the years ended June 30:

	2019	2018
Cash on hand	$ 6,055	$ 6,050
Demand deposits	25,999,309	27,970,475
Money market accounts	12,237,547	16,172,534
Pooled cash and investments	27,523,760	26,951,711
	$ 65,766,671	$ 71,100,770

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. As of June 30, 2019, the carrying amount of the College's deposits was $38,236,856 and the bank balance was $38,991,833. Of the bank balance, $14,057,755 was covered by federal depository insurance, and $24,934,078 was exposed to custodial credit risk.

As of June 30, 2018, the carrying amount of the College's deposits was $44,143,009 and the bank balance was $44,525,120. Of the bank balance, $15,410,709 was covered by federal depository insurance, and $29,114,411 was exposed to custodial credit risk.

All balances above federal depository insurance limits and exposed to custodial credit risk noted above were covered by the collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. During the year ended June 30, 2018, the College started participating in an insured cash sweep savings account which spreads savings funds through a network of banks with allocated funds at each bank under the FDIC limit.

Investments

The College had the following pooled cash and investments as of June 30:

	Carrying Value	
	2019	2018
PA Local Government Investment Trust (PLGIT):		
PLGIT Class	$ 2,027,671	$ 1,935,248
PLGIT Prime	2,376	-
PLGIT/Term	25,493,713	25,016,463
Total pooled cash and investments	$ 27,523,760	$ 26,951,711

A portion of the College's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the fund acts like a money market mutual fund in that their objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

PLGIT Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

PLGIT Prime is a variable investment portfolio rated AAAm by Standard & Poor's. This web-based option requires no minimum balance and no minimum initial investment. This option limits redemptions or exchanges to two per calendar month.

PLGIT/Term is a fixed term investment portfolio with a maturity of up to one year, depending upon termination date of any particular series within the PLIGIT/Term portfolio. This option requires a minimum initial investment of $100,000, a minimum investment period of 60 days, and has a premature withdrawal penalty.

The College's investments held at PLGIT meet certain portfolio maturity, quality, diversification, and liquidity measures and, therefore, are presented at amortized cost consistent with GASB Statement No. 79.

As of June 30, 2019 and 2018, the PLGIT balance of $27,523,760 and $26,951,711, respectively, is considered to be a cash equivalent for presentation on the financial statements.

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 has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2019, the College's investments were rated as:

Investment	Standard & Poor's
PA Local Government Investment Trust	AAA

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. As of June 30, 2019, the College has no investments subject to concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The College has no investments subject to custodial credit risk.

NOTE 4 - RESTRICTED CASH

Restricted cash consists of the following for the year ended June 30:

	2019	2018
Unspent bond proceeds	$ 3,690,527	$ 4,066,060
Escrow deposits	210,373	209,954
Monroe County gaming money (restricted for debt service)	3,567,659	3,551,096
Perkins loan account	-	93,226
Total restricted cash	$ 7,468,559	$ 7,920,336

NOTE 5 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net represent amounts due for tuition and fees from currently enrolled and former students and other entities. The College extends unsecured credit to students and other entities in connection with their studies and other educational services provided. The College also has outstanding receivables from federal and state grants and subsidies as well as charges for other auxiliary services. Accounts receivable consist of the following as of June 30:

	2019	2018
Student accounts receivable	$ 1,483,431	$ 1,664,789
Federal and state grants and subsidies	2,102,674	1,242,634
Other receivables	915,467	426,112
Less: allowance for doubtful accounts	(794,151)	(846,454)
Accounts receivable, net	$ 3,707,421	$ 2,487,081

NOTE 6 - MORTGAGE RECEIVABLE

At various times, the College has loaned to the Foundation a portion of its bond proceeds for use in capital projects. The following summarizes the mortgage receivable from the Foundation.

Subsequent to the issuance of the Series of 2014 SPSBA Revenue Bonds, the College loaned the Foundation $19,710,000 in the form of a mortgage note. Payment of the note commenced December 1, 2015, due semi-annually through June 2034 at interest rates ranging from 3.0% to 5.0%. The balance receivable from the Foundation is $16,885,000 and $17,635,000 at June 30, 2019 and 2018, respectively.

The Foundation committed to funding the construction of new residence halls, and in April 2014 entered into a ground lease agreement with the College for the use of the premises. The Foundation is required to make semi-annual lease payments of $808,321 from December 1, 2015 to June 1, 2034. Future payments from the Foundation to the College are as follows:

	Principal	Interest	Total
2020	$ 785,000	$ 831,642	$ 1,616,642
2021	825,000	791,642	1,616,642
2022	865,000	751,642	1,616,642
2023	910,000	706,642	1,616,642
2024	955,000	661,642	1,616,642
2025 - 2029	5,535,000	2,548,210	8,083,210
2030 - 2034	7,010,000	1,073,212	8,083,212
	$16,885,000	$ 7,364,632	$24,249,632

NOTE 7 - PLEDGES RECEIVABLE - COMPONENT UNIT

Pledges receivable are recognized when the donor makes a promise to give that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions for time/purpose or in perpetuity depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation uses the allowance method to determine uncollectible monies receivable. The allowance method is based on prior years' experience and management's analysis of specific promises made. Pledges receivable are capital campaign pledges which began in 2010 to aid in the construction of buildings on the Monroe Campus. The Transforming Lives Campaign began in 2016 to raise money for the Bethlehem and Monroe Campuses. The Center of Innovation Campaign began in 2017 to raise money for its construction at the Fowler Campus. Pledges receivable are summarized as follows as of June 30:

	2019	2018
Due in one year or less	$ 1,157,557	$ 977,317
Due between one to five years	1,606,183	2,058,595
	2,763,740	3,035,912
Allowance for uncollectible pledges	(247,138)	(267,077)
Unamortized discount (0.94%)	(292,361)	(365,139)
Pledges receivable, net	$ 2,224,241	$ 2,403,696

NOTE 8 - CHARITABLE REMAINDER TRUST - COMPONENT UNIT

In October 2013, the Foundation was named successor trustee of a Charitable Remainder Unitrust. Under the terms of the agreement, the Foundation shall pay to the qualified beneficiaries an annual distribution equal to 8% of the net fair value of the assets of the trust as of the first day of each taxable year of the trust, ending on December 22, 2021. At that time, all assets remaining in the trust will be distributed to the Foundation and any other named beneficiaries as designated per the agreement. Per the agreement, the trustee and beneficiaries of the trust may be amended at any time by written instrument. The Foundation has delegated the management of this trust to the bank holding the investments. The trust became irrevocable during the year ended June 30, 2017. The Foundation recorded the fair value of the trust at $870,388 and a related liability of the beneficiaries' portion and payouts of $466,696 for both the years ended June 30, 2019 and 2018.

NOTE 9 - INVESTMENTS - COMPONENT UNIT

Investments are recorded at fair value and consist of the following at June 30:

	2019	2018
Commonfund:		
Multi-Strategy Bond Fund	$ 7,092,165	$ 6,607,981
Multi-Strategy Equity Fund	29,552,213	27,107,128
Private Equity Partners VII	280,824	329,862
Private equity Partners VIII	397,618	403,384
Capital Partners IV	255,457	309,809
Int'l Private Equity Partners VII	361,582	416,128
Venture Partners IX	905,494	816,434
Capital Partners VI, LP	1,138,935	783,520
Capital Partners VII, LP	250,602	93,438
Fulton Financial Advisors:		
Equity investments	7,592,231	7,544,229
Equity mutual funds	6,819,406	6,653,624
Bond and fixed income securities	5,354,752	4,670,848
Multi-strategy funds of funds	1,085,712	1,143,926
Cash and cash equivalents	398,341	206,401
	$ 61,485,332	$ 57,086,712

The following summarizes the composition of investment return for the year ended June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest	$ 231,344	$ 825,382	$ 1,056,726
Realized gains (losses)	172,641	615,676	788,317
Unrealized gains (losses)	628,315	2,241,334	2,869,649
Investment fees	(41,709)	(148,742)	(190,451)
	$ 990,591	$ 3,533,650	$ 4,524,241

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest	$ 164,536	$ 714,149	$ 878,685
Realized gains (losses)	186,032	803,498	989,530
Unrealized gains (losses)	606,502	2,626,273	3,232,775
Investment fees	(34,311)	(148,193)	(182,504)
	$ 922,759	$ 3,995,727	$ 4,918,486

NOTE 9 - INVESTMENTS - COMPONENT UNIT - CONTINUED

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement statement are described below:

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

NOTE 9 - INVESTMENTS - COMPONENT UNIT - CONTINUED

For the years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The table below presents the balance of assets and liabilities measured at fair value:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	$ -	$ 7,092,165	$ -	$ 7,092,165
Equity funds	-	36,371,619	-	36,371,619
Other investments:				
Bond and fixed income securities	5,354,752	-	-	5,354,752
Capital partners fund	-	-	3,590,512	3,590,512
Equity securities	7,592,231	-	-	7,592,231
Multi-strategy funds of funds	1,085,712	-	-	1,085,712
Total	14,032,695	43,463,784	3,590,512	61,086,991
Charitable remainder trust asset and liability	-	-	870,388	870,388
Total	$ 14,032,695	$ 43,463,784	$ 4,460,900	$ 61,957,379

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	$ -	$ 6,607,981	$ -	$ 6,607,981
Equity funds	-	33,760,752	-	33,760,752
Other investments:				
Bond and fixed income securities	4,670,848	-	-	4,670,848
Capital partners fund	-	-	3,152,575	3,152,575
Equity securities	7,544,229	-	-	7,544,229
Multi-strategy funds of funds	1,143,926	-	-	1,143,926
Total	13,359,003	40,368,733	3,152,575	56,880,311
Charitable remainder trust asset and liability	-	-	870,388	870,388
Total	$ 13,359,003	$ 40,368,733	$ 4,022,963	$ 57,750,699

NOTE 9 - INVESTMENTS - COMPONENT UNIT - CONTINUED

Level 2 investments: Valued based upon market valuation provided by independent pricing services. Independent third-party sources are used to price all security positions for which a readily determinable market price is available.

Capital partners' funds: Consist of investments in private equity partnerships. Fair values for these investments are determined by each partnership's general partner based on the estimated fair value of the partnership's underlying assets. General partners utilize various valuation procedures including values listed on a national securities exchange, mark-to-market methods, meaningful third-party transactions, comparable public market valuations, and/or the income approach.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the general partner uses to make valuation decisions, including assumptions about risk. Inputs may include recent transaction, earnings forecasts, market multiples, future cash flows, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment does not necessarily correspond to the general partner's perceived risk of that investment.

The Foundation has commitments totaling $5,500,000 for investments in the various private equity partnerships at June 30, 2019. The unfunded commitments amount to $2,077,250 as of June 30, 2019. Redemptions in the capital partners' funds are not permitted.

The change in Level 3 assets measured at fair value is summarized below:

	Capital Funds	CRAT
Balance, June 30, 2017	$ 2,633,697	$ 870,388
Purchases	367,157	-
Unrealized gains/(losses)	151,721	-
Balance, June 30, 2018	3,152,575	870,388
Purchases	214,845	-
Unrealized gains/(losses)	223,092	-
Balance, June 30, 2019	$ 3,590,512	$ 870,388

NOTE 10 - CAPITAL ASSETS

The classifications of the College's capital assets and their related depreciation as of June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Deletions/ Transfers In (Out)	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 4,155,530	$ -	$ -	$ 4,155,530
Construction in progress	5,133,976	1,976,711	(6,370,504)	740,183
Total capital assets not being depreciated	9,289,506	1,976,711	(6,370,504)	4,895,713
Capital assets being depreciated:				
Buildings and improvements	137,715,586	506,660	6,331,113	144,553,359
Land improvements	5,903,877	-	-	5,903,877
Equipment	46,683,949	997,350	39,391	47,720,690
Furniture	1,390,406	-	-	1,390,406
Library equipment	3,563,500	-	-	3,563,500
Total capital assets being depreciated	195,257,318	1,504,010	6,370,504	203,131,832
Less accumulated depreciation for:				
Buildings and improvements	40,111,775	4,136,755	-	44,248,530
Land improvements	4,823,788	195,417	-	5,019,205
Equipment	39,280,179	2,181,254	-	41,461,433
Furniture	1,273,515	-	-	1,273,515
Library equipment	3,041,188	116,364	-	3,157,552
Total accumulated depreciation	88,530,445	6,629,790	-	95,160,235
Total capital assets being depreciated, net	106,726,873	(5,125,780)	6,370,504	107,971,597
Capital assets, net	$ 116,016,379	$ (3,149,069)	$ -	$ 112,867,310

NOTE 10 - CAPITAL ASSETS - CONTINUED

The classifications of the College's capital assets and their related depreciation as of June 30, 2018, are as follows:

	Balance June 30, 2017	Additions	Deletions/ Transfers In (Out)	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 4,155,530	$ -	$ -	$ 4,155,530
Construction in progress	212,032	4,995,488	(73,544)	5,133,976
Total capital assets not being depreciated	4,367,562	4,995,488	(73,544)	9,289,506
Capital assets being depreciated:				
Buildings and improvements	137,715,586	-	-	137,715,586
Land improvements	5,903,877	-	-	5,903,877
Equipment	45,370,630	1,312,800	520	46,683,950
Furniture	1,390,406	-	-	1,390,406
Library equipment	3,563,500	-	-	3,563,500
Total capital assets being depreciated	193,943,999	1,312,800	520	195,257,319
Less accumulated depreciation for:				
Buildings and improvements	36,245,913	3,865,862	-	40,111,775
Land improvements	4,551,105	272,683	-	4,823,788
Equipment	36,912,020	2,368,159	-	39,280,179
Furniture	1,273,515	-	-	1,273,515
Library equipment	2,901,893	139,295	-	3,041,188
Total accumulated depreciation	81,884,446	6,645,999	-	88,530,445
Total capital assets being depreciated, net	112,059,553	(5,333,199)	520	106,726,874
Capital assets, net	$ 116,427,115	$ (337,711)	$ (73,024)	$ 116,016,380

Depreciation expense for the College for the years ended June 30, 2019 and 2018 was $6,629,790 and $6,645,999, respectively.

NOTE 10 - CAPITAL ASSETS - CONTINUED

Capital Assets - Component Unit

Assets are being depreciated over their remaining useful lives using the straight-line method. The following is a summary of property and equipment for the Foundation for the years ended June 30:

	2019	2018
Land	$ 244,919	$ 244,919
Buildings	24,905,063	24,905,063
Furniture and equipment	2,439,513	2,439,513
Construction-in-progress	-	-
	27,589,495	27,589,495
Accumulated depreciation	(7,107,646)	(6,414,066)
	$ 20,481,849	$ 21,175,429

NOTE 11 - LONG-TERM LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2019 and 2018:

	2019	2018
In April 2011, the College issued $70,585,000 of SPSBA College Revenue Bonds, Series A of 2011, for the purpose of financing the acquisition, development, construction, and equipping of a new campus in Monroe County, Pennsylvania, and related capital expenses. The Series A of 2011 bonds mature periodically through 2031 and interest rates range from 1.727% to 5.50%, depending on the date of maturity. The bond proceeds are maintained in a trust until expended and are included on the statement of net position. Monroe County has committed $2.4 million per year from their gaming revenue to help offset the debt service payment. This amount is reported as a non-operating revenue.	$ 49,330,000	$ 52,240,000

NOTE 11 - LONG-TERM LIABILITIES - CONTINUED

Long-Term Debt - continued

	2019	2018
In April 2014, the College issued $29,005,000 of SPSBA College Revenue Bonds, Series A of 2014, for the purpose of financing the construction of a dormitory facility and various deferred maintenance projects, dormitory upgrades, and information technology projects as well as related capital expenses. The Series A of 2014 bonds mature periodically through 2034 and interest rates range from 3.00% to 5.00%, depending on the date of maturity.	24,600,000	25,690,000
In April 2014, the College issued $13,715,000 of SPSBA College Revenue Bonds, Series B of 2014, for the purpose of advance refunding the SPSBA Revenue Bonds, Series A of 2004 and Series B of 2004 as well as related capital expenses. The Series B of 2014 bonds mature periodically through 2025 and interest rates range from 3.00% to 5.00%, depending on the date of maturity. The advance refunding decreased the College's total debt service payments over the next 20 years by approximately $1,400,000 and created an economic gain of approximately $1,328,000 in 2014.	6,580,000	8,415,000
In January 2015, the College entered into an agreement for a loan with SPSBA for a maximum of $1,546,000. The purpose of this loan is to finance renovations to Penn Hall and the Student Enrollment Center. The loan is payable periodically through 2019 and bears interest at 2%.	136,497	454,899
In March 2017, the College entered into an agreement for a loan with SPSBA for a maximum of $2,400,000. The purpose of this loan is to finance renovations to the Center for Innovation and Entrepreneurship. The loan is payable periodically through 2021 and bears interest at 2%.	1,177,244	1,650,899
Total long-term debt	$ 81,823,741	$ 88,450,798

NOTE 11 - LONG-TERM LIABILITIES - CONTINUED

Principal and interest requirements to maturity are as follows:

Maturity Date	SPSBA Bond, Series of 2011	SPSBA Bond, Series A of 2014	SPSBA Bond, Series B of 2014	SPSBA Loan, Series of 2015
2020	$ 3,055,000	$ 1,140,000	$ 1,330,000	$ 136,497
2021	3,205,000	1,205,000	960,000	-
2022	3,375,000	1,260,000	1,005,000	-
2023	3,555,000	1,325,000	1,045,000	-
2024	3,750,000	1,390,000	1,095,000	-
2025 - 2029	21,890,000	8,070,000	1,145,000	-
2030 - 2034	10,500,000	10,210,000	-	-
	$ 49,330,000	$ 24,600,000	$ 6,580,000	$ 136,497

Maturity Date	SPSBA Loan, Series of 2017	Total Long-Term Debt	Interest
2020	$ 483,124	$ 6,144,621	$ 4,147,118
2021	492,886	5,862,886	3,867,200
2022	201,234	5,841,234	3,580,143
2023	-	5,925,000	3,295,831
2024	-	6,235,000	2,989,700
2025 - 2029	-	31,105,000	10,291,963
2030 - 2034	-	20,710,000	2,434,800
	$ 1,177,244	$ 81,823,741	$ 30,606,755

NOTE 11 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity, for the year ended June 30, 2019, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Long-term debt:					
SPSBA bonds, Series 2011	$ 52,240,000	$ -	$ 2,910,000	$ 49,330,000	$ 3,055,000
SPSBA bonds, Series A of 2014	25,690,000	-	1,090,000	24,600,000	1,140,000
SPSBA bonds, Series B of 2014	8,415,000	-	1,835,000	6,580,000	1,330,000
SPSBA loan 2015	454,899	-	318,402	136,497	136,497
SPSBA loan 2017	1,650,899	-	473,655	1,177,244	483,124
Total long-term debt	88,450,798	-	6,627,057	81,823,741	6,144,621
Bond premiums	3,457,566	-	301,359	3,156,207	301,359
Bonds payable, net	91,908,364	-	6,928,416	84,979,948	6,445,980
Net pension liability	3,396,364	79,238	269,287	3,206,315	-
Net other postemployment benefit liabilities	4,752,305	8,610	6,256	4,754,659	-
Early retirement incentives	100,046	422,480	292,570	229,956	166,742
	$ 100,157,079	$ 510,328	$ 7,496,529	$ 93,170,878	$ 6,612,722

Total interest expense for the years ended June 30, 2019 and 2018 was $3,566,044 and $3,731,312, respectively. The amount disclosed is net of $866,642 and $896,642 of interest paid by the Foundation for the years ended June 30, 2019 and 2018, respectively. The net pension and net OPEB liabilities will be liquidated through future contributions to the plans at the statutory rates.

NOTE 12 - CAPITAL LEASE OBLIGATIONS

The College has entered into various lease agreements covering certain academic and administrative computer equipment. All assets under these leases revert to the College upon fulfillment of the lease obligation. The agreements carry interest rates between 3.10% and 3.60%. The net book value of equipment under capital leases is included in capital assets and is being depreciated on a straight-line basis over lesser of term of lease or the estimated useful lives of the assets.

NOTE 12 - CAPITAL LEASE OBLIGATIONS - CONTINUED

The carrying value of equipment under capital lease agreements consists of the following for the years ended June 30:

	2019	2018
Equipment	$ 71,540	$ 358,105
Less: accumulated depreciation	(1,193)	(35,811)
	$ 70,347	$ 322,294

The present value of minimum future lease payments under capital leases as of the year ended June 30, 2019, is as follows:

	Amount
Total minimum lease payments	$ 36,454
Amount representing interest	1,368
Present value of net minimum lease payments	35,086
Current portion	35,086
Noncurrent portion	$ -

NOTE 13 - DUE TO THE COMMONWEALTH OF PENNSYLVANIA

Included in accounts payable and accrued expenses are amounts due to the Commonwealth of Pennsylvania as of June 30, representing the outstanding deficiency of reimbursable operating and capital expenditures compared to the advances received from the Commonwealth. As of June 30, 2019, there was no outstanding amount due to the Commonwealth.

Under the terms of the Commonwealth Community College Funding Legislation (Act 46), annual audits are prepared by each college's external audit firm and submitted to the Department of Education for review. Such audits could lead to reimbursement of appropriated funds to the Commonwealth. College management believes that reimbursements, if any, will be immaterial.

NOTE 14 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plans

General Information about the Pension Plans

Plan Descriptions

SERS is a governmental, cost-sharing, multi-employer, defined benefit pension plan established by the Commonwealth of Pennsylvania to provide pension benefits for employees of state government and certain independent agencies. SERS is a component unit of the Commonwealth and is included in the Commonwealth's financial report as a pension trust fund.

PSERS is a governmental, cost-sharing, multiple-employer, defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

SERS provides retirement, death, and disability benefits. Cost of Living Adjustments (COLA) are provided ad hoc at the discretion of the General Assembly. Article II of the Commonwealth of Pennsylvania's Constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Member retirement benefits are determined by taking years of credited service times final average salary times 2% times class of service multiplier. According to the State Employees' Retirement Code (retirement code), all obligations of SERS will be assumed by the commonwealth should SERS terminate.

Prior to Act 2010-120, employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50, with at least three years of service. Act 2010-120 preserved all benefits in place for members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2.0% of their final average salary instead of the previous 2.5%. The new vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump-sum accumulated.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

General Information about the Pension Plans - continued

Benefits Provided - continued

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

General Information about the Pension Plans - continued

Contributions

Pursuant to 5507 of the SERC (71 PA. C.S. §5507) requires the Commonwealth and other employers whose employees are SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the board, provides for a periodic active member contributions as statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. However, Act 2010-120 imposes rate increase collars (limits on annual rate increases) on employer contributions that keep the employer contribution rate below the rates established in accordance with the actuarial parameters. The collar of the Commonwealth fiscal year 2015-2016 was 4.5% and no longer applied effective July 1, 2017.

SERS Member Contributions:

The general membership contribution rate for all Class A and Class AA members is 5.00% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The contribution rate for Class D-4 members is 7.5%. All employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4.00% per annum, as mandated by statute.

SERS Employer Contributions:

Participating employer contributions for SERS are based upon an actuarially determined percentage of gross pay that is necessary to provide SERS with assets sufficient to meet the benefits to be paid to members. The College contribution rate at June 30, 2019 ranged between 23.94% and 34.63% of gross pay depending on the class of employee. Contributions to the pension plan from the College were $67,995 and $59,470 for the years ended June 30, 2019 and 2018, respectively.

The contribution policy is set by state statute and requires contributions by active members, employees, and the Commonwealth of Pennsylvania

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

General Information about the Pension Plans - continued

PSERS Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T- E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T- F contribution rate to fluctuate between 10.3% and 12.3%.

PSERS Employer Contributions:

The College's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll of which the Commonwealth of Pennsylvania contributes 50% of the College's contractually required contributions. The contractually required contributions are actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the College were $213,467 and $239,237 for the years ended June 30, 2019 and 2018, respectively.

PSERS State Contributions:

Pursuant to §8327 of the PSERS Retirement Code, the Commonwealth of Pennsylvania funds 50% of the College's retirement expense directly to the plan. This arrangement does meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 50% of the College's share of these amounts.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The College reported a net pension liability of $3,206,315 for the year ended June 30, 2019, consisting of $614,315 related to SERS and $2,592,000 related to PSERS.

At June 30, 2019, the College reported a liability of $614,315 for its proportionate shares of the SERS net pension liability. The SERS net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of December 31, 2017 to December 31, 2018. The College's proportion of the SERS net pension liability was calculated utilizing the projected employer's contributions for the following year as it relates to the total projected employer's contributions for the following year. At December 31, 2018, the College's proportion was 0.0029%, which was an increase of 0.001% from its proportion measured as of December 31, 2017.

At June 30, 2019, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for Commonwealth of Pennsylvania pension support provided to the College. The amount recognized by the College as its proportionate share of net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College are as follows:

College's proportional share of the net pension liability	$ 2,592,000
Commonwealth's proportional share of the net pension liability	2,592,000
Total proportionate share of the net pension liability	$ 5,184,000

The PSERS net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The College's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the College's proportion was 0.0054%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2018.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

For the year ended June 30, 2019, the College recognized total pension expense from the two plans of $399,973. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 30,219	$ 46,657
Changes of assumptions	64,367	-
Net difference between projected and actual investment earnings	72,767	-
Changes in proportions	468,462	549,253
Difference between employer contributions and proportionate share of total contributions	3,266	19,558
Contributions made subsequent to the measurement date	247,929	-
	$ 887,010	$ 615,468

The $247,929 reported as deferred outflows of resources related to pensions resulting from College contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2020	$ 121,667
2021	(26,134)
2022	(100,310)
2023	26,338
2024	2,052
	$ 23,613

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

SERS Actuarial Assumptions

The actuarial valuation uses assumptions regarding future rates of investment return and rates of retirement, withdrawal, death, and disability among SERS members and their beneficiaries. The current set of assumptions used in the December 31, 2018 actuarial valuation, with the exception of the discount rate assumption, was adopted by the State Employees' Retirement Board based upon actual experience of SERS during the years 2011 through 2015. Based upon subsequent review of SERS investment data and results, the Board approved a reduction in the assumed discount rate from 7.50% to 7.25% effective as of the December 31, 2011 actuarial valuation and most recently approved a reduction in the discount rate from 7.50% to 7.25% effective as of the December 31, 2016 actuarial valuation. In addition, the SERS Board approved a reduction in the inflation rate from 2.75% to 2.60% effective as of the December 31, 2016 actuarial valuation. The change in inflation rate also impacted the general salary growth rate, which was lowered to 2.90% for the 2016 actuarial valuation from 3.05% used for the 2015 actuarial valuation based on the experience study. The following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age
- Investment return - 7.25%, includes inflation at 2.60%
- Salary increases - Effective average of 5.60%, with a range of 3.70% and 8.90% including inflation at 2.60%
- Mortality rates were based on the RP-2000 Mortality Tables adjusted for actual plan experience and future improvement.

PSERS Actuarial Assumptions

The total pension liability at June 30, 2018, was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018, using the following actuarial assumptions applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

PSERS Actuarial Assumptions - continued

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments 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.

The SERS pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the SERS board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The SERS board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	16%	7.25%
Global public equity	48%	5.15%
Real estate	12%	5.26%
Multi- Strategy	10%	4.44%
Fixed income	11%	1.26%
Cash	3%	0%
	100%	

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The PSERS board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	100.0%	

Discount Rate - SERS and PSERS

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plans - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.25%) or one-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
College's proportionate share of the SERS net pension liability	$ 754,329	$ 614,315	$ 494,331
College's proportionate share of the PSERS net pension liability	3,213,000	2,592,000	2,067,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Detailed information about SERS' fiduciary net position is available in SERS Comprehensive Annual Financial Report which can be found on the System's website at www.sers.pa.gov.

Payables to the Pension Plan

At June 30, 2019, the College had an accrued balance due to PSERS, including contributions related to pension and OPEB of $15,816. This amount represents the College's contractually obligated contributions for wages earned in April 2019 through June 2019 The balance was paid in September 2019.

Pension Reform

Pursuant to the Commonwealth Act 2017-5, members hired on or after July 1, 2019 will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

NOTE 14 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Contribution Pension Plan

TIAA-CREF is a cost-sharing, multi-employer, defined contribution plan and an option to employees who wish to participate in a program whose benefits depend solely on amounts contributed plus investment earnings. Faculty and custodial and maintenance employees who elect to participate in this plan are required to make a contribution of 5% of their gross pay. There is no required contribution for participating office and clerical employees or administrators. The College contribution rate at June 30, 2019 was between 7.5% and 15% of gross pay depending on the class of employee. Beyond that salary-based contribution, the College bears no responsibility for any liabilities, funded or unfunded, of TIAA-CREF. Contributions are immediately and fully vested. The contributions to TIAA-CREF for the years ended June 30, 2019, 2018, and 2017 were $3,178,615, which consisted of $2,610,553 from the College and $568,062 from employees, $3,111,662 which consisted of $2,584,474 from the College and $527,188 from employees, and $2,941,157 which consisted of $2,433,946 from the College and $507,211 from employees, respectively.

403(b) Tax Shelter Plan

The College has established a 403(b) tax shelter plan permitting the establishment of accounts for college employees to voluntarily set aside monies to supplement their retirement income. All college employees are eligible to participate. The College does not contribute to the Plan.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefits Plans

The College has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (College OPEB Plan). The College's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2019 are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	$ 113,000	$ 8,435	$ 21,000
College OPEB Plan	4,641,659	588,744	438,891
Total	$ 4,754,659	$ 597,179	$ 459,891

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) provides Premium Assistance which is a governmental, cost-sharing, multiple-employer, other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance Program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the Health Option Program or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental, cost-sharing, multiple-employer, defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Contributions:

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The College's contractually required contribution rate for the fiscal year ended June 30, 2019, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the College were $5,435 for the year ended June 30, 2019.

PSERS State Contributions:

Pursuant to §8327 of the PSERS Retirement Code, the Commonwealth of Pennsylvania funds 50% of the College's retirement expense directly to the plan. This arrangement does meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net Health Insurance Premium Assistance Program liability and related expense represent 50% of the College's share of these amounts.

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2019, the College reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for Commonwealth of Pennsylvania pension support provided to the College. The amount recognized by the College as its proportionate share of net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the College are as follows:

College's proportional share of the net pension liability	$ 113,000
Commonwealth's proportional share of the net pension liability	113,000
Total proportionate share of the net pension liability	$ 226,000

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The College's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the College's proportion was 0.0054%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2018. The net OPEB liability will be liquidated through future contributions to PSERS at the statutory rates.

For the year ended June 30, 2019, the College recognized OPEB expense of $2,256. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,000	$ -
Changes in assumptions	2,000	4,000
Changes in proportion	-	17,000
Contributions made subsequent to the measurement date	5,435	-
	$ 8,435	$ 21,000

The $5,435 reported as deferred outflows of resources related to OPEB resulting from College contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2020	$ (3,000)
2021	(3,000)
2022	(3,000)
2023	(3,000)
2024	(4,000)
Thereafter	(2,000)
	$ (18,000)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at $1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 is as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.3%
US core fixed income	92.8%	1.2%
Non-US developed fixed	1.3%	4.0%
	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2018, 93,380 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of $1,200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the College's proportionate share of the net OPEB liability for the June 30, 2018 measurement date, calculated using the current Healthcare cost trends as well as what the College's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 6.75%)	Current Rate (Between 5% to 7.75%)	1% Increase (Between 6% to 8.75%)
College's proportionate share of the net OPEB liability	$ 113,000	$ 113,000	$ 113,000

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.98%) or one-percentage point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
College's proportionate share of the net OPEB liability	$ 128,000	$ 113,000	$ 100,000

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Payables Related to the Plan

At June 30, 2019, the College had an accrued balance due to PSERS of $15,816, including balances related to pension and OPEB. This amount represents the College's contractually obligated contributions for wages earned in April 2019 through June 2019. The balance was paid in September 2019.

College OPEB Plan

General Information About the College OPEB Plan

Plan Description

Northampton Community College administers a single-employer defined benefit plan (the OPEB Plan). The OPEB Plan provides medical, dental, and prescription benefits for eligible retirees through the College's OPEB plan, which covers both active and retired members. Benefit provisions are established through negotiation with the College and the unions representing the College's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

College OPEB Plan - continued

General Information About the College OPEB Plan - continued

Benefits Provided

The College classifies employees in the following categories: Administrators, Faculty, and Office/Clerical, Custodial/Maintenance, and Campus Security. All of the employee categories are eligible for retiree medical benefits with the exception of the Campus Security. The medical program is self- insured and is administered by Capital Blue Cross. Below is a summary of the postemployment benefits provided to each of these groups:

Administrators
An administrator is eligible for postretirement medical benefits provided they have completed at least 20 years of continuous full-time service to the College with years of service plus age equal to 70 or more. Eligible retirees are permitted to continue in the College's PPO plan until the retiree reaches age 65 or becomes eligible for Medicare, whichever occurs first. This coverage is provided at no cost to the retiree. The retiring administrator is given the option to enroll his/her non-Medicare eligible spouse/domestic partner at the time of retirement, in the same chosen health plan at his/her own cost (monthly single retiree rates). The monthly single retiree rate is currently $766.

Employees who retire on or after the age of 65 or are eligible for Medicare are eligible for supplemental health coverage for a period of four years after retirement. The College will reimburse the retiree up to the single coverage monthly premium to help offset the costs of supplemental insurance.

Faculty
Retiring faculty members are eligible for postretirement medical coverage provided they retire under the early retirement incentive. To be eligible for the early retirement incentive, an employee must have 20 years of continuous full time employment or 15 to 19 years of continuous full time employment and have reached age 50 by June 30 of their retirement year. Faculty members who reach age 63 are not eligible for early retirement. Eligible retirees are permitted to continue in the College's PPO plan until the retiree reaches age 65 or becomes eligible for Medicare, whichever occurs first. This coverage is provided at no cost to the retiree. The retiring faculty is given the option to enroll his/her non-Medicare eligible spouse/domestic partner at the time of retirement, in the same chosen health plan at his/her own cost (monthly single retiree rates). The monthly single retiree rate is currently $776. In the event that the College's PPO program is unavailable or the retiree chooses alternate coverage, the College will reimburse the retiree up to the amount of the PPO single premium.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

College OPEB Plan - continued

General Information About the College OPEB Plan - continued

Benefits Provided - continued

Support Staff (Office/Clerical and Custodial/Maintenance)
Full-time bargaining unit members, who are not Medicare eligible, have 15 years of continuous full-time service with age and years of service equal to at least age 70, and who have a balance of at least 75 sick days are eligible to participate in one of the College's health plans, at no cost to the retiree, for 2 years after retirement. A spouse/domestic partner may be added at the employee's cost, provided health coverage is not available through the spouse/domestic partner's place of employment and the spouse/domestic partner is not Medicare eligible.

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. To be eligible for this benefit, retirees must have taken superannuation retirement on or after age 65, retired with 30 years of service, or receive PSERS disability benefits.

PSERS Retirement:

1) For individuals who are members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement with under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.

2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

College OPEB Plan - continued

General Information About the College OPEB Plan - continued

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Retired employees	18
Active employees	460
Total	478

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2018, was determined by rolling forward the College's total OPEB liability as of July 1, 2017 to July 1, 2018, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal as a Level Percentage of Pay
- Inflation rate - 3.00%
- Salary increases - 2.50%
- Discount rate - 3.87% - based on the Bond Buyers 20-Bond Index
- Mortality rates - based on the RPH-2014 Total Dataset Mortality Table projected using Scale MP-2017
- Healthcare cost trend rates - 6.75% for 2019, decreasing 0.25% per year to an ultimate rate of 4.50% for years ending June 30, 2029 and later

The actuarial assumptions were selected using input from the College based on actual experience.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

College OPEB Plan - continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 4,632,305
Changes for the year:	
Service cost	427,261
Interest	165,837
Differences between expected and actual experience	(245,632)
Changes of assumptions or other inputs	(72,805)
Benefit payments	(265,307)
Net changes	9,354
Balance at June 30, 2019	$ 4,641,659

Changes of assumptions or other inputs reflect the following changes:

- The increase in the discount rate from 3.58% in 2018 to 3.87% in 2019.
- A change in aging factors, healthcare trend rates, and percentage of covered spouses

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.87%) or one-percentage point higher (4.87%) than the current discount rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
College's total OPEB liability	$ 4,790,455	$ 4,641,659	$ 4,468,826

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

College OPEB Plan - continued

Changes in the Total OPEB Liability - continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
OPEB Plan- Total OPEB Liability	$ 4,326,285	$ 4,641,659	$ 5,016,626

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the College recognized OPEB expense of $152,192. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 405,442	$ 218,340
Changes in assumptions	-	220,551
Benefit payments made subsequent to the measurement date	183,302	-
	$ 588,744	$ 438,891

NOTE 15 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

College OPEB Plan - continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The $183,302 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2020	$ 7,703
2021	7,703
2022	7,703
2023	7,703
2024	7,703
Thereafter	(71,964)
Total	$ (33,449)

NOTE 16 - COMMITMENT AND CONTINGENCIES

The College has $428,102 for the year ended June 30, 2019 for construction-in-progress commitments relating to $1,094,050 for the Student Success Initiatives space renovations and the cafeteria renovations. The commitments will be satisfied by cash on hand.

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. Significant losses are covered by commercial insurance for all major programs except for health insurance, for which the College retains partial risk of loss. For insured programs, there were no significant reductions in insurance coverages for the 2018-2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Revenues reflected by the College from federal and state government organizations are subject to audit and verification by the applicable organization. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed or claims that may be disallowed cannot be determined by the College at this time, although the College expects such amount, if any, to be immaterial.

NOTE 16 - COMMITMENT AND CONTINGENCIES - CONTINUED

The College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the College's financial position.

NOTE 17 - BOOKSTORE CONTRACT

The College entered into a contract with Follett Higher Education Group, Inc., effective June 2013, for a period of three years to operate the College's bookstore. Terms of the contract require Follett to pay the College 14.5% of sales up to $5,000,000, 15.5% of sales from $5,000,000 to $8,000,000, and 16.5% of sales over $8,000,000. The contract was renewed for an additional three years commencing June 2016. There is one additional three year extension available for the contract. No terms were changed with the renewal.

Total revenues from this agreement were $522,064 and $595,327 for the years ended June 30, 2019 and 2018, respectively, and are included in other revenues on the statement of revenues, expenses, and changes in net position.

NOTE 18 - NET ASSETS - COMPONENT UNIT

Net assets without donor restrictions are comprised of undesignated and board designated amounts for the following purposes at June 30:

	2019	2018
Designated:		
Capital improvements, maintenance	$ 1,251,724	$ 1,076,376
Program enhancements, other	6,397,913	6,107,000
Scholarships and awards	2,191,194	1,937,135
Total board designated	9,840,831	9,120,511
Undesignated	4,679,095	4,787,333
Total net assets without donor restrictions	$ 14,519,926	$ 13,907,844

NOTE 18 - NET ASSETS - COMPONENT UNIT - CONTINUED

Net assets with donor restrictions are comprised of the following as of June 30:

	2019	2018
Future periods:		
Capital improvements, maintenance	$ 5,240,301	$ 6,760,814
Program enhancements, other	13,925,843	12,964,584
Scholarships and awards	8,648,000	7,319,927
Subtotal future periods	27,814,144	27,045,325
Perpetuity:		
Capital improvements, maintenance	3,622,719	3,352,027
Program enhancements, other	5,759,137	5,313,958
Scholarships and awards	14,406,111	12,600,726
Subtotal perpetuity	23,787,967	21,266,711
Total net assets with donor restrictions	$ 51,602,111	$ 48,312,036

Net assets were released from donor restrictions in incurring expenses satisfying the purpose or time restrictions specified by donors as follows at June 30:

	2019	2018
Program restriction accomplished:		
Capital improvements, maintenance	$ 1,573,906	$ 527,225
Program enhancements, other	771,949	588,991
Scholarships and awards	737,307	684,861
Total net assets released from restrictions	$ 3,083,162	$ 1,801,077

NOTE 19 - ENDOWMENTS - COMPONENT UNIT

The Foundation's endowments consist of contributions with restrictions from donors to be held in perpetuity. Endowments also include funds established for the purpose of awarding scholarships, capital improvements, and program endowments and are designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the laws of the Commonwealth of Pennsylvania as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions, in perpetuity (a) the original value of gift donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In accordance with the laws of the Commonwealth of Pennsylvania, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Objectives

The purpose of establishing an investment policy asset mix is to construct a target or "normal" set of investments, well diversified among suitable asset classes that will generate, on average, the level of expected return necessary to meet endowment objectives at the lowest volatility consistent with achieving that return.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested 70% in equities and 30% in fixed income. The Foundation expects its endowment funds, over time, to provide an average rate of return that exceeds the price and yield results of the S&P 500 for core domestic equity holdings, and Barclays Capital Government/Corporate Intermediate Index for fixed income. The endowment earnings will be used to preserve and enhance the inflation-adjusted purchasing power of the fund. The Foundation's actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total investment strategy in which investments returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

NOTE 19 - ENDOWMENTS - COMPONENT UNIT - CONTINUED

Spending Policy

The Foundation's spending policy allowed a spending rate of up to 6% in 2019 and 2018 based on a five-year moving average, but limited to state law limitations in Pennsylvania, to determine the amount of endowment earnings to be allocated to scholarships and other defined purposes from internally managed endowments. The effective rate, which is subject to review by the Foundation's board of directors, was 3.5% and 4.0% for 2019 and 2018, respectively.

Underwater Endowment Funds

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the director of the applicable donor gift instrument. The Foundation has no underwater endowment funds at June 30, 2019.

Endowment net asset composition by type by fund as of June 30 and the changes in endowment net asset funds for the years ended June 30:

	2019		
	Unrestricted	Permanently Restricted	Total
Board-restricted endowment funds	$ 9,840,831	$ -	$ 9,840,831
Donor-restricted endowment funds	-	23,787,967	23,787,967
Total funds	$ 9,840,831	$ 23,787,967	$ 33,628,798
Endowment net assets, beginning of year	$ 9,120,511	$ 21,266,711	$ 30,387,222
Investment return:			
Interest and dividends	362,276	149,144	511,420
Net appreciation (depreciation)	628,315	-	628,315
Total investment return	990,591	149,144	1,139,735
Contributions	-	2,372,112	2,372,112
Net transfers within Foundation	200,000	-	200,000
Appropriations for expenditure	(470,271)	-	(470,271)
Net assets, end of year	$ 9,840,831	$ 23,787,967	$ 33,628,798

NOTE 19 - ENDOWMENTS - COMPONENT UNIT - CONTINUED

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-restricted endowment funds	$ 9,120,511	$ -	$ 9,120,511
Donor-restricted endowment funds	-	21,266,711	21,266,711
Total funds	$ 9,120,511	$ 21,266,711	$ 30,387,222
Endowment net assets, beginning of year	$ 8,628,191	$ 17,933,776	$ 26,561,967
Investment return:			
Interest and dividends	316,257	293,953	610,210
Net appreciation (depreciation)	606,502	-	606,502
Total investment return	922,759	293,953	1,216,712
Contributions	-	3,038,982	3,038,982
Net transfers within Foundation	(199,452)	-	(199,452)
Appropriations for expenditure	(230,987)	-	(230,987)
Net assets, end of year	$ 9,120,511	$ 21,266,711	$ 30,387,222

NOTE 20 - FUNCTIONAL EXPENSES - COMPONENT UNIT

Expenses of the Foundation have been allocated to the following functional reporting classifications for the years ended June 30:

	2019		
	Program Services	Management and General	Total
Accounting/audit	$ 1,000	$ 7,500	$ 8,500
Advertising and promotion	92,494	-	92,494
Annuitant payments	-	71,317	71,317
Campus housing administration	433,054	-	433,054
Change in pledge allowance	-	(19,939)	(19,939)
Conferences and travel	7,021	-	7,021
Constituent/donor hospitality	57,606	-	57,606
Contracted services	113,578	-	113,578
Contribution for services from affiliate	356,525	118,842	475,367
Custodial, security and maintenance	340,800	-	340,800
Depreciation, housing	659,821	-	659,821
Depreciation, non-housing	-	33,760	33,760
Endowment administrative fees	154,609	-	154,609
Financial servicing costs	2,604	-	2,604
General material and repairs	277,292	-	277,292
General materials and supplies	11,940	3,980	15,920
Grants and assistance	3,634,838	-	3,634,838
Insurance	3,000	2,000	5,000
Interest	865,138	-	865,138
Recognition gifts	18,902	-	18,902
Software	15,469	-	15,469
Special event expenses	157,149	-	157,149
Utilities	248,452	-	248,452
	$ 7,451,292	$ 217,460	$ 7,668,752

NOTE 20 - FUNCTIONAL EXPENSES - COMPONENT UNIT - CONTINUED

	2018		
	Program Services	Management and General	Total
Accounting/audit	$ 1,000	$ 7,500	$ 8,500
Advertising and promotion	74,936	-	74,936
Annuitant payments	-	64,942	64,942
Campus housing admininistration	392,220	-	392,220
Change in pledge allowance	-	(44,178)	(44,178)
Conferences and travel	3,466	-	3,466
Constituent/donor hospitality	125,806	-	125,806
Contracted services	57,438	-	57,438
Contribution for services from affiliate	300,629	100,210	400,839
Custodial, security and maintenance	340,800	-	340,800
Depreciation, housing	662,341	-	662,341
Depreciation, non-housing	-	33,760	33,760
Endowment administrative fees	126,643	-	126,643
Financial servicing costs	2,182	-	2,182
General material and repairs	134,714	-	134,714
General materials and supplies	21,992	7,330	29,322
Grants and assistance	2,271,646	-	2,271,646
Insurance	3,000	2,000	5,000
Interest	895,487	-	895,487
Recognition gifts	7,500	-	7,500
Software	7,088	-	7,088
Special event expenses	85,552	-	85,552
Utilities	255,930	-	255,930
	$ 5,770,370	$ 171,564	$ 5,941,934

NOTE 21 - AVAILABILITY OF FINANCIAL RESOURCES - COMPONENT UNIT

The following reflects the Foundation's financial assets as of June 30, 2019 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions and financial liabilities due within one year. The Foundation's financial assets include pledge receivables, interest receivable, construction funds receivable, charitable remainder trust receivable, and investments. The Foundation has restricted funds and board designated funds.

NOTE 21 - AVAILABILITY OF FINANCIAL RESOURCES - COMPONENT UNIT - CONTINUED

	2019	2018
Pledges receivable	$ 2,224,241	$ 2,403,696
Interest receivable	39,371	33,032
Construction funds receivable	444,521	444,521
Charitable remainder trust receivable	870,388	870,388
Investments	61,485,332	57,086,712
Total financial assets available to meet cash needs for general expenses within one year	65,063,853	60,838,349
Less amounts not available due to contractual, board designated, or donor-imposed restrictions:		
Construction funds receivable	(444,521)	(444,521)
Charitable remainder trust receivable	(870,388)	(870,388)
Board designated funds	(9,840,831)	(9,120,511)
Donor time and purpose restrictions	(27,814,144)	(27,045,325)
Donor restricted in perpetuity	(23,787,967)	(21,266,711)
Financial assets available to meet cash needs for general expenses within one year	$ 2,306,002	$ 2,090,893

The Foundation's endowment funds consist of donor restricted endowments and board designated endowment. Income from donor-restricted endowment is restricted for specific purposes and, therefore, is not available for general operating expenses. As described in Note 19, the board designated endowment has a spending rate of up to 6.0%

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general operating expenses, liabilities, and support to college come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated needs, the Foundation has a board designated endowment of $9,840,831 at June 30, 2019. Although the Foundation does not intend to spend from its board-designated endowment other than amounts appropriated through its spending policy, amounts from its board designated endowment could be made available, if necessary.

NOTE 22 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 87, *Leases* - This statement requires 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the College's fiscal year ending June 30, 2021.

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the College's fiscal year ending June 30, 2021.

- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* - This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for the College's fiscal year ending June 30, 2020.

The College has not yet completed the analysis necessary to estimate the financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS - SERS PENSION PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.0029%	0.0028%	0.0015%	0.0011%	0.0009%
College's proportionate share of the collective net pension liability	$ 614,315	$ 482,364	$ 295,769	$ 197,280	$ 130,142
College's covered employee payroll	$ 202,087	$ 176,888	$ 88,294	$ 110,167	$ 60,301
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	303.99%	272.69%	334.98%	179.07%	215.82%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	63.00%	57.80%	58.90%	64.80%

The College's covered employee payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms
With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions
None.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS - PSERS PENSION PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014
College's proportion of the collective net pension liability	0.0054%	0.0059%	0.0064%	0.0055%	0.0053%	0.0052%
College's proportionate share of the collective net pension liability	$ 2,592,000	$ 2,914,000	$ 3,172,000	$ 2,383,000	$ 2,098,000	$ 2,128,000
Commonwealth's proportionate share of the collective net pension liability	2,592,000	2,914,000	3,172,000	2,383,000	2,098,000	2,128,000
Total proportional share of the collective net pension liability	$ 5,184,000	$ 5,828,000	$ 6,344,000	$ 4,766,000	$ 4,196,000	$ 4,256,000
College's covered employee payroll	$ 726,987	$ 790,333	$ 824,058	$ 713,093	$ 676,630	$ 672,053
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	356.54%	368.71%	384.92%	334.18%	310.07%	316.64%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

The College's covered employee payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms
With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions
None.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF COLLEGE CONTRIBUTIONS - SERS PENSION PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 67,995	$ 59,470	$ 21,837	$ 28,184	$ 10,147	$ 7,971	$ 4,678	$ 3,728	$ 3,411	$ 1,348
Contributions in relation to the contractually required contribution	67,995	59,470	21,837	28,184	10,147	7,971	4,678	3,728	3,411	1,348
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 226,635	$ 180,993	$ 66,890	$ 110,167						
Contributions as a percentage of covered employee payroll	30.00%	32.86%	32.65%	25.58%						

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF COLLEGE CONTRIBUTIONS - PSERS PENSION PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 213,467	$ 239,237	$ 246,530	$ 210,107	$ 144,062	$ 112,431	$ 81,495	$ 66,596	$ 64,441	$ 29,230
Contributions in relation to the contractually required contribution	213,467	239,237	246,530	210,107	144,062	112,431	81,495	66,596	64,441	29,230
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 655,425	$ 726,987	$ 790,333	$ 824,058	$ 713,093	$ 676,630	$ 672,053			
Contributions as a percentage of covered employee payroll	32.57%	32.91%	31.19%	25.50%	20.20%	16.62%	12.13%			

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017
College's proportion of the collective net PSERS OPEB liability	0.0054%	0.0059%	0.0064%
College's proportionate share of the collective net PSERS OPEB liability	$ 113,000	$ 120,000	$ 138,000
Commonwealth's proportionate share of the collective net PSERS OPEB liability	113,000	120,000	138,000
Total proportional share of the collective net PSERS OPEB liability	$ 226,000	$ 240,000	$ 276,000
College's covered employee payroll	$ 726,987	$ 790,333	$ 824,058
College's proportionate share of the net PSERS OPEB liability as a percentage of its covered employee payroll	15.54%	15.18%	16.75%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.56%	5.73%	5.47%

The College's covered employee payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTE TO SCHEDULE

Changes of Benefit Terms
None.

Changes of Assumptions
Significant changes of assumptions for the June 30, 2018 measurement date are as follows:

- The discount rate changed from 3.13% to 2.98%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF COLLEGE CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 5,435	$ 6,256	$ 7,008	$ 7,060	$ 6,325	$ 6,535	$ 6,094	$ 5,411	$ 8,249	$ 5,700
Contributions in relation to the contractually required contribution	5,435	6,256	7,008	7,060	6,325	6,535	6,094	5,411	8,249	5,700
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 655,425	$ 726,987	$ 790,333	$ 824,058	$ 713,093	$ 676,630	$ 672,053			
Contributions as a percentage of covered employee payroll	0.83%	0.86%	0.89%	0.86%	0.89%	0.97%	0.91%			

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - COLLEGE OPEB PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 427,261	$ 418,990	$ 300,536
Interest	165,837	123,435	146,218
Changes in assumptions	(72,805)	(80,057)	(140,353)
Differences between expected and actual experience	(245,632)	-	608,164
Benefit payments	(265,307)	(161,113)	(238,974)
Net change in total OPEB liability	9,354	301,255	675,591
Total OPEB liability, beginning	4,632,305	4,331,050	3,655,459
Total OPEB liability, ending	$ 4,641,659	$ 4,632,305	$ 4,331,050
Covered Employee Payroll	$ 28,372,751	$ 27,211,528	$ 26,547,832
Total OPEB Liability as a Percentage of Covered Employee Payroll	16.36%	17.02%	16.31%

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

Changes of Assumptions
Significant changes in assumptions for the July 1, 2018 measurement date are as follows:

- The discount rate changed from 3.58% to 3.87%
- Assumptions for healthcare trend rates

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

SUPPLEMENTARY INFORMATION

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Grantor/Pass Through Grantor/Program Title	Source Code	CFDA Number	Contract Number	Award Amount	Revenue Recognized/ Expenditures	Pass-Through Funds
Department of Education:						
Student Financial Assistance Cluster:						
Federal Pell Grant Program	D	84.063	P063P182901	$ 16,889,443	$ 16,838,114	$ -
Federal Pell Administrative Allowance	D	84.063	P063Q182901	N/A	23,255	-
Federal Pell Administrative Allowance	D	84.063	P063Q172901	N/A	1,020	-
Federal Pell Administrative Allowance	D	84.063	P063Q162901	N/A	30	-
Federal Work-Study Program (Including Administrative Allowance)	D	84.033	P033A183656	318,032	246,778	-
Federal Work-Study Program (Including Administrative Allowance)	D	84.033	P033A173656	270,013	24,565	-
Federal Supplemental Education Opportunity Grant (Inc. Admin. Allowance)	D	84.007	P007A183656	315,752	315,752	-
Federal Supplemental Education Opportunity Grant (Inc. Admin. Allowance)	D	84.007	P007A173656	263,901	13,022	-
Federal Direct Student Loans	D	84.268	P268K192901	19,900,641	19,835,849	-
Federal Perkins Loans Outstanding	D	84.038		N/A	-	-
Federal Perkins Loan Cancellations	D	84.037		N/A	108,409	-
Student Financial Assistance Cluster Subtotal				37,957,782	37,406,794	-
Child Care Access Means Parents in School	D	84.335	P335A170073-18A	197,025	160,091	-
Passed through Pennsylvania Department of Education:						
Career and Technical Education - Basic Grants to States	I	84.048	FA-381-19-0017	675,854	621,103	-
Adult Education - Basic Grants to States	I	84.002	FA-064-19-0022	541,170	504,541	-
Adult Education - Basic Grants to States	I	84.002	FA-061-19-0006	98,087	93,461	-
Subtotal 84.002				639,257	598,002	-
Total Department of Education				39,469,918	38,785,990	-
Department of Agriculture:						
Passed through the PA Department of Human Services:						
State Administrative Matching Grants for Food Stamp Program	I	10.561	1PA4000405	100,000	90,267	-
Total Department of Agriculture				100,000	90,267	-

See notes to schedule of expenditures of federal awards.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2019

Grantor/Pass Through Grantor/Program Title	Source Code	CFDA Number	Contract Number	Award Amount	Revenue Recognized/ Expenditures	Pass-Through Funds
Department of Labor:						
Trade Adj. Asst. Community College and Career Training (TAACCCT)	D	17.282	TC-26480-14-60-A-42	169,337	169,337	29,116
Passed through Pennsylvania Department of Labor and Industry:						
Trade Adjustment Assistance	I	17.245	TAA 0177-14	N/A	142,358	-
Passed through Pocono Counties Workforce Development Board:						
WIOA Dislocated Worker Formula Grant	I	17.278	PCWIA 18-005	35,215	7,707	-
Passed through Lehigh Valley Workforce Investment Board:						
Workforce Education Fund	I	17.283	5113	144,834	87,047	-
Total Department of Labor				349,386	406,449	29,116
National Science Foundation:						
Passed through East Stroudsburg University:						
Education and Human Resources - STEM Clear Path	I	47.076	S-STEM-NCC-01	8,975	7,311	-
Department of State:						
American Councils	D	19.900		37,830	37,528	-
Passed through International Research & Exchange Board:						
Academic Exchange Programs - Undergraduate Programs	I	19.009		75,296	73,859	-
Passed through Northern Virginia Community College:						
Community College Initiative Program	I	19.009	S-ECAGD-16-CA-1061	310,072	300,850	-
Subtotal 19.009				385,368	374,709	-
Total Department of State				423,198	412,237	-

See notes to schedule of expenditures of federal awards.

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2019

Grantor/Pass Through Grantor/Program Title	Source Code	CFDA Number	Contract Number	Award Amount	Revenue Recognized/ Expenditures	Pass-Through Funds
Department of Transportation:						
Commercial Motor Vehicle Operator Training Grants	D	20.235	FM-DTG-0058-17	11,167	7,084	-
Passed through Pennsylvania Department of Transportation:						
Commercial Motor Vehicle Operator Training Grants	I	20.235	FM-DTG-0070-18-01	138,397	125,712	-
Total Department of Transportation				149,564	132,796	-
Department of Health and Human Services:						
Passed through the PA Department of Human Services:						
Temporary Assistance for Needy Families - Keys	I	93.558	1801PATANF	133,523	120,356	-
Passed through Community Services for Children:						
Child Care and Development Block Grant	I	93.575	100325321-001	13,920	13,920	
Child Care and Development Block Grant	I	93.575	100325321-004	8,635	8,635	-
Subtotal 93.575				22,555	22,555	-
Total Department of Health and Human Services				156,078	142,911	-
Department of Energy:						
Passed through PA Department of Environmental Protection:						
USAID Foreign Assistance for Programs Overseas	I	81.041	4100078073-01	130,000	130,000	-
Total Department of Energy				130,000	130,000	-
TOTAL FEDERAL AWARDS				$ 40,787,119	$ 40,107,961	$ 29,116

Source Code: D = Direct; I = Indirect

NORTHAMPTON COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

NOTE 3 - STUDENT FINANCIAL ASSISTANCE LOAN PROGRAMS

The total loans granted under the Federal Direct Student Loan Program, which were not made by the College but were received by its students, were $19,835,849 for the year ended June 30, 2019.

NOTE 4 - DE MINIMIS RATE FOR INDIRECT COSTS

The College did not elect to use the De Minimis rate for indirect costs.

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

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*

To the Board of Trustees
Northampton Community College
Bethlehem, Pennsylvania

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 business-type activities and the aggregate discretely presented component unit of Northampton Community College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Northampton Community College's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
December 5, 2019

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Northampton Community College
Bethlehem, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Northampton Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northampton Community College's major federal programs for the year ended June 30, 2019. Northampton Community College's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northampton Community College's major federal 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; and 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). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about Northampton Community 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 program. However, our audit does not provide a legal determination of Northampton Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Northampton Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Northampton Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northampton Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Northampton Community 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 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 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 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 considered 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. Accordingly, this report is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
December 5, 2019

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	X no
Significant deficiency(ies) identified?	_____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Student Financial Assistance Cluster	
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.033	Federal Work-Study Program (FWS)
84.063	Federal Pell Grant Program (PELL)
84.268	Federal Direct Student Loans (Direct Loan)
84.038	Federal Perkins Loans Outstanding
84.037	Federal Perkins Loan Cancellations

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	_____ no

NORTHAMPTON COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section II - Financial Statement Findings

There were no financial statement findings at June 30, 2019.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings at June 30, 2019.

Northampton Community College

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section II - Financial Statement Findings

There were no financial statement findings at June 30, 2018.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings at June 30, 2018.

APPENDIX B

FORM OF CO-BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

Proposed Form of Opinion of Co-Bond Counsel

The form of the approving legal opinion of Reed Smith LLP and Turner Law, P.C., Co-Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Official Statement shall create no implication that Reed Smith LLP or Turner Law, P.C. has reviewed any of the matters set forth in such opinion subsequent to the date thereof.

[To be dated the date of issuance and delivery of the Bonds]

State Public School Building Authority
Wormleysburg, Pennsylvania

State Public School Building Authority
College Revenue Bonds
(Northampton County Area Community College Project)
Series of 2020

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the State Public School Building Authority (the "Authority") of $37,965,000 aggregate principal amount of its College Revenue Bonds (Northampton County Area Community College Project) Series of 2020 (the "Bonds").

The Bonds are being issued pursuant to the State Public School Building Authority Act, as amended (the "Act"), and under a Trust Indenture, dated as of April 1, 1993 (the "Original Indenture"), as supplemented by various supplemental indentures including the Eleventh Supplemental Trust Indenture, dated as of December 1, 2020 (the "Eleventh Supplemental Indenture" and, together with the Original Indenture as previously amended and supplemented, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), to accomplish the public purposes of the Act by aiding in the financing of a refunding project for the benefit of Northampton County Area Community College, a community college organized and existing under the laws of the Commonwealth of Pennsylvania (the "Borrower"), as described in the Eleventh Supplemental Indenture.

The Authority and the Borrower have entered into a Loan Agreement, dated as of December 1, 2020 (the "Loan Agreement"), under which the Authority has agreed to lend the proceeds of the issuance and sale of the Bonds to the Borrower and the Borrower has agreed to repay such loan by making payments to the Authority or its assigns at such times and in such amounts as shall be sufficient to enable the Authority to pay when due the principal of, premium if any, and interest on the Bonds. The obligations of the Borrower under the Loan Agreement are evidenced in part by the Borrower's General Obligation Note, Series of 2020, dated as of December 1, 2020 (the "Note"). The Authority has assigned substantially all of its rights under the Loan Agreement and the Note to the Trustee as security for the Bonds. The Authority and the Borrower have also executed and delivered a Tax Compliance Certificate and Agreement, dated the date hereof (the "Tax Compliance Certificate"), with respect to certain matters under the Internal Revenue Code of 1986, as amended (the "Code"), relating to the Bonds.

In the course of our duties as Co-Bond Counsel and in connection with the preparation of this opinion, we have examined the law and such certified proceedings and other papers as we deemed relevant, including executed counterparts of the Eleventh Supplemental Indenture and the Loan Agreement. We have also examined a photocopy of an executed Bond authenticated by the Trustee and assume that all other Bonds have been similarly executed and authenticated. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Borrower contained in the Indenture, the Loan Agreement, the Tax Compliance Certificate and the related financing documents, certain certifications of public officials, and other certifications furnished to us by or on behalf of the Authority and the Borrower, without undertaking to verify the same by independent investigation. Additionally, in rendering this opinion, we have reviewed and relied upon the opinion of the law firm of Barley Snyder LLP, counsel to the Authority, and the opinion of the law firm of King, Spry, Herman, Freund & Faul, LLC, counsel to the Borrower, in each case with respect to the matters set forth therein.

Based upon the foregoing, we are of the opinion that:

1. The Authority is validly existing as a body corporate and politic constituting a public corporation and a governmental instrumentality with the corporate power and authority to issue the Bonds and to enter into and perform its obligations under the Eleventh Supplemental Indenture and the Loan Agreement.

2. The Eleventh Supplemental Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Authority and, assuming such documents have been duly authorized, executed and delivered by the other parties thereto, are valid and binding obligations of the Authority and enforceable against the Authority.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid, binding and enforceable limited obligations of the Authority, payable solely from the revenues of the Authority pledged therefor under the Indenture, which include loan payments of the Borrower under the Loan Agreement and the Note, and any other moneys pledged and available for such purpose under the Indenture. The Bonds do not constitute a pledge of the general credit of the Authority or a pledge of the credit or the taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof. The Authority has no taxing power.

4. Under existing law, interest on the Bonds is exempt from Pennsylvania personal income tax and from Pennsylvania corporate net income tax.

5. Under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the immediately preceding sentence is given in reliance upon the accuracy and completeness of the representations, certifications and expectations of the Authority and the Borrower set forth in the Tax Compliance Certificate and is subject to the condition that the Authority and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Borrower have covenanted to comply with all such requirements, and our opinion assumes compliance with such requirements. Failure to comply with such requirements may cause interest on all or a portion of the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, S corporations with "excess net passive income" and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We express no opinion as to such collateral federal income tax consequences.

We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of any offering material of the Authority or the Borrower relating to the Bonds and we express no opinion relating thereto.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

The opinions herein are expressed as of the date hereof only and not as of some future date. We have not undertaken and will not undertake any responsibility to supplement or update our opinions to consider, or inform any person of, any events or actions occurring or taken (or not occurring or not taken) subsequent to the date hereof, including, but not limited to, those which may affect the tax status of interest on the Bonds.

Very truly yours,

REED SMITH LLP

TURNER LAW, P.C.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "***Disclosure Agreement***") is executed and delivered this _____ day of ________, 2020, by the Northampton County Area Community College (the "***College***") in connection with the issuance and sale by the State Public School Building Authority (the "***Authority***") of $37,965,000 aggregate principal amount of its College Revenue Bonds (Northampton County Area Community College Project), Series of 2020 (the "***Bonds***"). The College, intending to be legally bound, hereby covenants and agrees as follows:

SECTION 1. DEFINITIONS

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly otherwise requires), terms defined in the recitals hereto shall have the meanings set forth therein, and the following terms shall have the meanings specified below:

"***Annual Financing Information***" shall mean an update to the financial information and operating data with respect to the College set forth in the Official Statement under the headings "NORTHAMPTON COUNTY AREA COMMUNITY COLLEGE – Employees," "—Enrollment" and "—Student Fees and Charges," to the extent, in each case, that such financial information and operating data is not contained in the financial statements delivered pursuant to section 3(a) hereof. Annual Financing Information may be provided in any format deemed convenient by the College; provided, that it complies with the requirements for filings with the MSRB.

"***Business Day***" or "***Business Days***" shall mean any day other than a Saturday or Sunday, a legal holiday or a day on which banking institutions are authorized by law to close.

"***Commonwealth***" shall mean the Commonwealth of Pennsylvania

"***Insurer***" shall mean Build America Mutual Assurance Company, as issuer of a municipal bond insurance policy with respect to the Bonds.

"***MSRB***" shall mean the Municipal Securities Rulemaking Board.

"***Official Statement***" shall mean the Official Statement dated November 12, 2020 with respect to the public offering of the Bonds.

"***Registered Owner or Owners***" shall mean the person or persons in whose name a Bond is registered on the books of the College kept for that purpose. For so long as the Bonds are registered in the name of the Securities Depository or its nominee, "***Registered Owner***" shall mean and include the holder of a book-entry credit evidencing an interest in the Bonds, including holders of book-entry credits who may file their names and addresses with the College for the purposes of receiving notices and giving direction under this Disclosure Agreement.

"***Representative***" shall mean, Janney Montgomery Scott LLC, as representative of itself and the other Underwriters of the Bonds.

"***Rule***" shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, as such Rule may be amended from time to time.

"***SEC***" means the United States Securities and Exchange Commission.

"***Securities Depository***" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto.

"***Trust Indenture***" shall mean the Trust Indenture dated as of April 1, 1993, as amended and supplemented, between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee, pursuant to which the Bonds have been issued.

"***Underwriters***" shall mean the underwriters of the Bonds, as set forth in the Official Statement.

SECTION 2. AUTHORIZATION AND PURPOSE OF DISCLOSURE AGREEMENT

This Disclosure Agreement is authorized to be executed and delivered by the College in order to enable the Underwriters to comply with the requirements of the Rule.

SECTION 3. ANNUAL FINANCIAL INFORMATION

The College agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB via the MSRB's Electronic Municipal Market Access system (the Electronic Municipal Market Access system or any successor system being referred to herein as "***EMMA***"), and the Insurer, within 210 days of the end of each fiscal year of the College commencing with the fiscal year ending June 30, 2021.

(a) a copy of the audited annual financial statement of the College prepared on the basis of generally accepted accounting principles consistently applied as in effect from time to time and audited by an independent certified public accountant; provided, however, that the College reserves the right to change the basis upon which its audited financial statements are prepared at any time and from time to time. Should the College exercise its right to change the basis upon which its audited financial statements are prepared as provided in the immediately preceding sentence, it shall provide notice of any such accounting change to the MSRB via EMMA, which notice shall include a reference to the specific federal or state law or regulation requiring or permitting such accounting change and a description of such.

(b) an updated of the Annual Financial Information.

In the event that audited financial statements are not available within 210 days after the close of the applicable fiscal year, the Annual Financial Information will contain unaudited financial statements and the audited financial statements will be provided for filing when available.

If the College's fiscal year changes, it shall give notice of such change to the MSRB, in a timely manner. The College further agrees to provide to the MSRB, with a copy to the Insurer, in a timely manner, notice of a failure to provide any information set forth in clause 3(a) or 3(b) above, in accordance with the provisions of this Section.

The College may submit the audited financial statements and Annual Financial Information as a single document or as a series of separate documents. The College may provide the Annual Financial Information and audited annual financial statements by specific cross-reference to other documents which have been submitted to the MSRB or filed with the SEC.

SECTION 4. <u>EVENT DISCLOSURE</u>

The College agrees that it shall provide, in a timely manner, not to exceed ten business days after occurrence, to the MSRB via EMMA, with a copy to the Insurer, on such form and in such format as shall be required by the MSRB for such filings, notice of any of the following events with respect to the Bonds within the meaning of the Rule (each a "***Reportable Event***");

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to the rights of the holders of the Bonds, if material;

(8) Optional or unscheduled redemptions of any Bonds, if material, and tender offers;

(9) Defeasance of all or any portion of the Bonds;

(10) Release, substitution or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the College;

(13) The consummation of a merger, consolidation, or acquisition involving the College or the sale of all or substantially all of the assets of the College, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of the trustee, if material;

(15) Incurrence of a financial obligation of the College, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the College, any of which affects holders of the Bonds, if material; and

(16) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the College, any of which reflect financial difficulties.

The foregoing sixteen Reportable Events are quoted from the Rule. The SEC requires the listing of the Reportable Events set forth in clauses (1) through (16) above although some of such events may not be applicable to the Bonds.

SECTION 5. NOTICE OF FAILURE TO PROVIDE DISCLOSURE

The College covenants to provide in a timely manner to the MSRB, the Authority and the Insurer notice of a failure (of which the College has knowledge) to provide the required Annual Financial Information or notice of a Reportable Event on or before the date specified herein.

SECTION 6. AMENDMENT; WAIVER

The College may amend this Disclosure Agreement and waive any of the provisions hereof, but no such amendment or waiver shall be executed and effective unless (a) the amendment or waiver is made in connection with a change in legal requirements, change in law or change in the identity, nature or status of the College or the governmental operations conducted by the College, (b) this Disclosure Agreement, as modified by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, taking into account any amendments or interpretations of the Rule, and (c) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds. Evidence of compliance with the foregoing conditions shall be satisfied by delivery to the College of an opinion of counsel having recognized skill and experience in the issuance of municipal securities and federal securities law to the effect that the amendment or waiver satisfies the conditions set forth in the preceding sentence. Notice of any amendment or waiver shall be filed by the College with the MSRB (via EMMA) and shall be sent to the Registered Owners of the Bonds. The College reserves the right to terminate its obligation to provide Annual Financial Information and notices of Reportable Events, as set forth above, if and when the College no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 7. OTHER INFORMATION

Nothing in this Disclosure Agreement shall preclude the College from disseminating any other information with respect to the College or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the notices of Reportable Events specifically provided for herein, nor shall the College be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the College to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the College shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

SECTION 8. BENEFIT; DEFAULT

The College acknowledges that its undertaking pursuant to the Rule is intended to be for the benefit of the Registered Owners from time to time of the Bonds, and shall be enforceable by such Registered Owners; provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the College's obligations under this Disclosure Agreement and any failure by the College to comply with the provisions of this undertaking shall not be an Event of Default under the Bonds or the Trust Indenture and as it may be further amended and supplemented from time to time. In the event the College fails to comply with any provision of this Disclosure Agreement, any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the College to perform each and every term, provision and covenant contained in this Disclosure Agreement.

SECTION 9. FILING WITH EMMA; OTHER FILINGS

All filings required hereby shall be done electronically through EMMA in the form specified by the MSRB and accompanied by identifying information as prescribed by the MSRB or as otherwise specified by the MSRB.

In addition to filings through EMMA, the College may file any of the information necessary to be filed hereunder with such other electronic systems and entities as are approved by the SEC by interpretive letter or "no action" letter for receipt of such information in compliance with the requirements of paragraph (b)(5) of the Rule.

SECTION 10. TERM OF DISCLOSURE AGREEMENT

This Disclosure Agreement shall terminate (a) upon payment or provision for payment in full of the Bonds, or (b) upon repeal or rescission of Section (b)(5) of the Rule, or (c) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

SECTION 11. BENEFICIARIES

This Disclosure Agreement shall inure solely to the benefit of the College, Insurer and the Registered Owners from time to time of the Bonds, and nothing herein contained shall confer any right upon any other person.

SECTION 12. NO PERSONAL RECOURSE

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the College, or of any successor body as such, either directly or through the College or any successor body, under any constitutional provisions, statute or rule of law or by enforcement of any assessment or penalty or otherwise.

SECTION 13. INDEMNITY AND REIMBURSEMENT OF AUTHORITY.

The Authority shall have no responsibility or liability for this Disclosure Agreement or the College's obligations, including filing obligations, under this Disclosure Agreement, including, without limitation, financial information, operating data or notices provided under this Disclosure Agreement or for the contents of such filings or omissions therefrom. The College agrees to indemnify, compensate and reimburse (to the extent permitted by law) the Authority and its respective members, officers, directors, employees and agents for any claims, loss, expense (including reasonable attorney's fees and expenses) or liability arising from or based upon this Disclosure Agreement and the transactions contemplated hereunder, including, without limitation, (i) any breach by the College of this Disclosure Agreement or (ii) any Annual Financial Information or notices provided under this Disclosure Agreement or any omissions therefrom. This Section 13 shall survive the termination of this Disclosure Agreement.

SECTION 14. ENTIRE AGREEMENT

This Disclosure Agreement sets forth the entire understanding and agreement of the College with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

SECTION 15. COUNTERPARTS; ELECTRONIC SIGNATURES

This Disclosure Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument. The parties to this Disclosure Agreement acknowledge that any party may execute this Disclosure Agreement pursuant to digital or electronic means. Notwithstanding any time stamp accompanying a digital or electronic signature indicating an earlier time, this Disclosure Agreement shall be effective upon the delivery to the respective parties of a fully-executed version of this Disclosure Agreement.

SECTION 16. GOVERNING LAW

The internal laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction in connection with the Bonds shall have promulgated any rule or regulation governing the subject matter hereof (including without limitation the Rule), this Disclosure Agreement shall be interpreted and construed in a manner consistent therewith.

IN WITNESS WHEREOF, this Continuing Disclosure Agreement has been executed and delivered as of the day and year first written above.

NORTHAMPTON COUNTY AREA
COMMUNITY COLLEGE

By:____________________________________
Name:
Title:

[Signature Page to the Continuing Disclosure Agreement]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Policy No: _____

Effective Date: ________

Risk Premium: $__________
Member Surplus Contribution: $__________
Total Insurance Payment: $__________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

[THIS PAGE INTENTIONALLY LEFT BLANK]