

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014



BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Bunker Hill Community College
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Bunker Hill Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statements of net position as of and for the year ended June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We also audited the financial statements of Bunker Hill Community College Foundation, Inc. (the "Foundation") as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bunker Hill Community College as of June 30, 2014, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the College restated prior balances with regards to capital assets, net of depreciation and the related liability.

Prior Period Financial Statements

The financial statements of Bunker Hill Community College as of June 30, 2013, were audited by other auditors whose report dated October 21, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-24 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014, on our consideration of Bunker Hill Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bunker Hill Community College's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.
Certified Public Accountants
Braintree, Massachusetts

October 6, 2014

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2014 and 2013

(Unaudited)

The following discussion and analysis provides management's view of the financial position of Bunker Hill Community College (the College) as of June 30, 2014 and 2013, and the changes in net position for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto, which are also presented in this document.

The College is a public institution of higher education that served over 14,000 students in spring 2014 semester, with 152 full time faculty, 632 adjunct faculty, and 303 staff members for the year ended June 30, 2014. Campuses are located in Boston and Chelsea, Massachusetts. In addition, the College offers programs at four off campus locations throughout the greater Boston area. The College offers 59 programs leading to associate degrees including two concentrations that prepare students to enter technical programs and 49 certificate programs.

Financial Highlights

- At June 30, 2014, the College's assets and deferred outflows were \$62,962,117 and its liabilities were \$25,653,531 resulting in net position of \$37,308,586. This represents an increase in net position of \$1,796,915 for fiscal year 2014. By contrast, at June 30, 2013, the College's assets and deferred outflows were \$61,735,998 and its liabilities were \$26,224,327 resulting in net position of \$35,511,671. This represents a decrease in net position of \$2,709,592 for fiscal year 2013.

	June 30		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Invested in capital assets, net of related liabilities	\$ 23,956,616	\$ 23,386,220	\$ 23,175,930
Restricted, expendable		39,957	39,957
Unrestricted	<u>13,351,970</u>	<u>12,085,494</u>	<u>15,005,376</u>
Total net position	<u>\$ 37,308,586</u>	<u>\$ 35,511,671</u>	<u>\$ 38,221,263</u>

- The College will use the unrestricted net assets for its plant fund, capital development plan, technology upgrades, instructional equipment needs and provide planned academic and support services to students.
- The increase in the College's net position of \$1,796,915 in fiscal year 2014 was due primarily to an increase in funding from the College Foundation and State Appropriation. The decrease in the College's net position of \$2,709,592 in fiscal year 2013 was due primarily to planned funding for furnishing of facilities and the newly leased H building from the Colleges reserves.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Overview of the Financial Statements

The College's financial statements comprise two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities.

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

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

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

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

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

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Overview of the Financial Statements - Continued

The Statement of Cash Flows is reported on the direct method. The direct method of cash flows reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and other student fees) and disbursements (e.g., payments to employees). GASB Statement No. 34 and No. 35 require this method to be used. In accordance with GASB Statement No. 39, the Foundation is not required to present the statement of cash flows.

The financial statements can be found on pages 25-27 of this report.

The College reports its activity as a business type activity using the economic resources measurement focus and full accrual basis of accounting. The College is an agency of the Commonwealth of Massachusetts (the Commonwealth). Therefore, the results of the College's operations, its net assets and its cash flows are also summarized in the Commonwealth's Annual Financial Report in its government wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 28-52 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. At the close of fiscal year 2014, assets exceeded liabilities by \$37,308,586 compared to \$35,511,671 in fiscal year 2013.

At the close of fiscal year 2013, assets exceeded liabilities by \$ 35,511,671 compared to \$38,221,263 in fiscal year 2012.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

The College's FY 2014 net position of \$37,308,586 include investment in capital assets of \$23,956,616 (e.g., land, buildings and improvements, and equipment), less any related liabilities such as capital leases used to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related liabilities, it should be noted that the resources needed to repay these liabilities must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the liabilities noted above, which are reflected in the College's financial statements, the Commonwealth regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements.

	Summary of the College's Net Position			
	June 30		Between 2014 and 2013	
	2014	2013	Dollar change	Change percentage
Current assets	\$ 23,980,011	\$ 22,170,808	\$ 1,809,203	8%
Noncurrent assets	37,680,100	38,280,231	(600,131)	(2)
Deferred outflows	1,302,006	1,284,959	17,047	1
Total assets and deferred outflows	62,962,117	61,735,998	1,226,119	2
Current liabilities	12,803,629	12,898,411	(94,782)	(1)
Noncurrent liabilities	12,849,902	13,325,916	(476,014)	(4)
Total liabilities	25,653,531	26,224,327	(570,796)	(2)
Net position:				
Invested in capital assets, net of related debt	23,956,616	23,386,220	570,396	2
Restricted, expendable	—	39,957	(39,957)	(100)
Unrestricted	13,351,970	12,085,494	1,266,476	10
Total net position	\$ 37,308,586	\$ 35,511,671	\$ 1,796,915	5%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

	June 30		Between 2013 and 2012	
	2013	2012	Dollar change	Change percentage
Current assets	\$ 22,170,808	\$ 23,963,906	\$ (1,793,098)	(7)%
Noncurrent assets	38,280,231	37,857,608	422,623	1
Deferred outflows	1,284,959	1,996,832	(711,873)	(36)
Total assets and deferred outflows	<u>61,735,998</u>	<u>63,818,346</u>	<u>(2,082,348)</u>	<u>(3)</u>
Current liabilities	12,898,411	11,717,347	1,181,064	10
Noncurrent liabilities	13,325,916	13,879,736	(553,820)	(4)
Total liabilities	<u>26,224,327</u>	<u>25,597,083</u>	<u>627,244</u>	<u>2</u>
Net position:				
Invested in capital assets, net of related debt	23,386,220	23,175,930	210,290	1
Restricted, expendable	39,957	39,957	—	—
Unrestricted	12,085,494	15,005,376	(2,919,882)	(19)
Total net position	<u>\$ 35,511,671</u>	<u>\$ 38,221,263</u>	<u>\$ (2,709,592)</u>	<u>(7)%</u>

As stated earlier, the increase in the College's net position of \$1,796,915 in fiscal year 2014 was due primarily to an increase in funding from the College Foundation and State Appropriation. The decrease in the College's net position of \$2,709,592 in fiscal year 2013 was due primarily to planned funding for furnishing of facilities and the newly leased H building from the Colleges reserves.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

	Year Ended June 30			Between 2014 and 2013	
	2014	2013	2012	Change	Change percentage
Operating:					
Tuition and fees, net of scholarship allowances	\$ 26,145,752	\$ 25,833,510	\$ 24,330,337	\$ 312,242	1%
Grants and contracts	36,131,398	33,282,185	31,913,303	2,849,213	9
Other operating revenues	2,075,385	2,242,353	2,006,055	(166,968)	(7)
Total operating revenues	64,352,535	61,358,048	58,249,695	2,994,487	5
Total operating expenses	91,807,723	87,535,949	80,689,918	4,271,774	5
Operating loss	(27,455,188)	(26,177,901)	(22,440,223)	(1,277,287)	5
Nonoperating:					
Total state support	27,349,042	23,193,064	24,763,144	4,155,978	18
Federal grants (ARRA)	—	—	31,368	—	—
Net other nonoperating	1,903,061	275,245	(280,089)	1,627,816	591
Total change in net position	1,796,915	(2,709,592)	2,074,200	4,506,507	(166)
Net position, beginning of year	35,511,671	38,221,263	36,147,063	(2,709,592)	(7)
Net position, end of year	\$ 37,308,586	\$ 35,511,671	\$ 38,221,263	\$ 1,796,915	5%

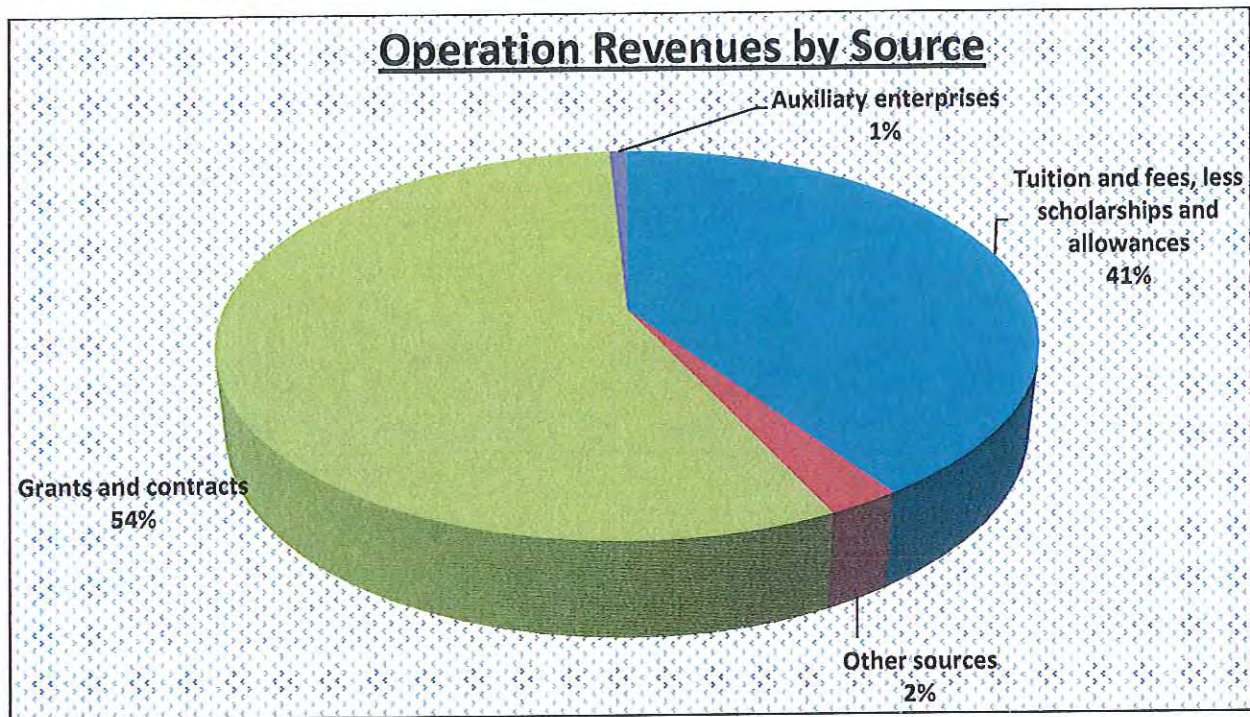
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



Tuition and fees, less scholarships and allowances increased by 1% in fiscal year 2014 compared to 6% in fiscal year 2013. Tuition and fees, less scholarship allowances were 41% of total operating revenue in fiscal year 2014 compared to 42% in fiscal year 2013. Federal, State, Local and Private Grants and contracts revenue were 56% of total operating revenues, in fiscal year 2014, compared to 54% in fiscal year 2013.

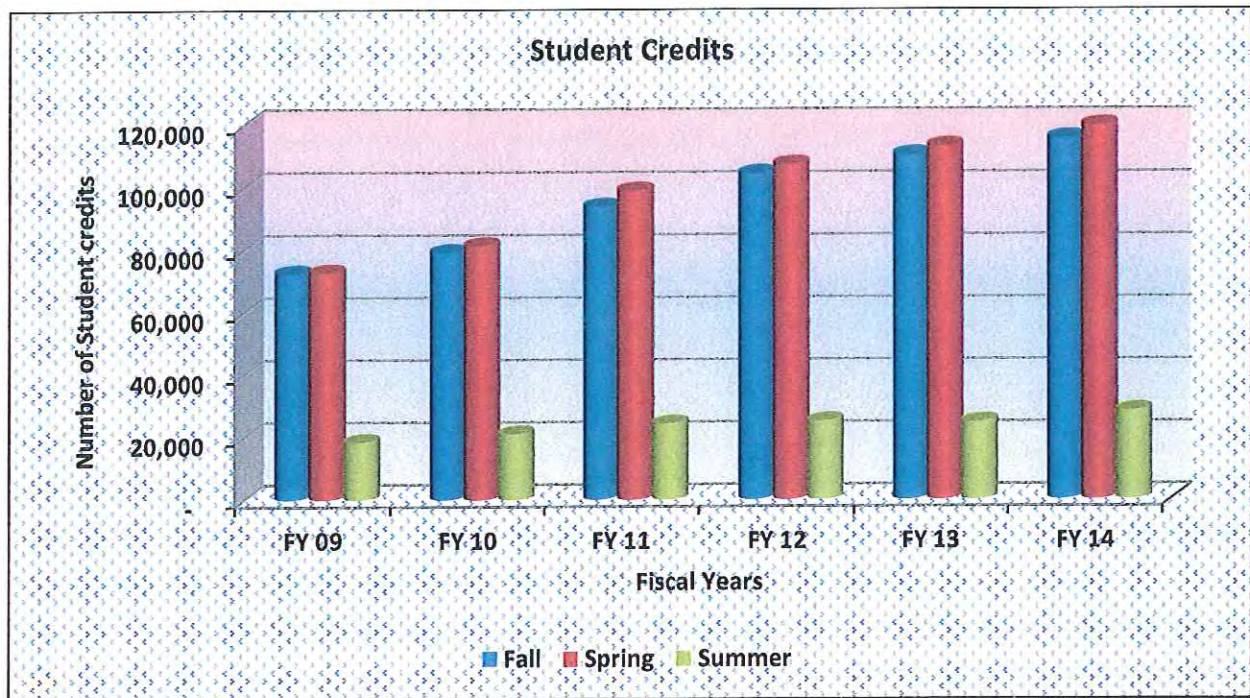
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



The growth in overall student enrollment solidifies the College's position as the largest of the fifteen Community Colleges in the Commonwealth of Massachusetts.

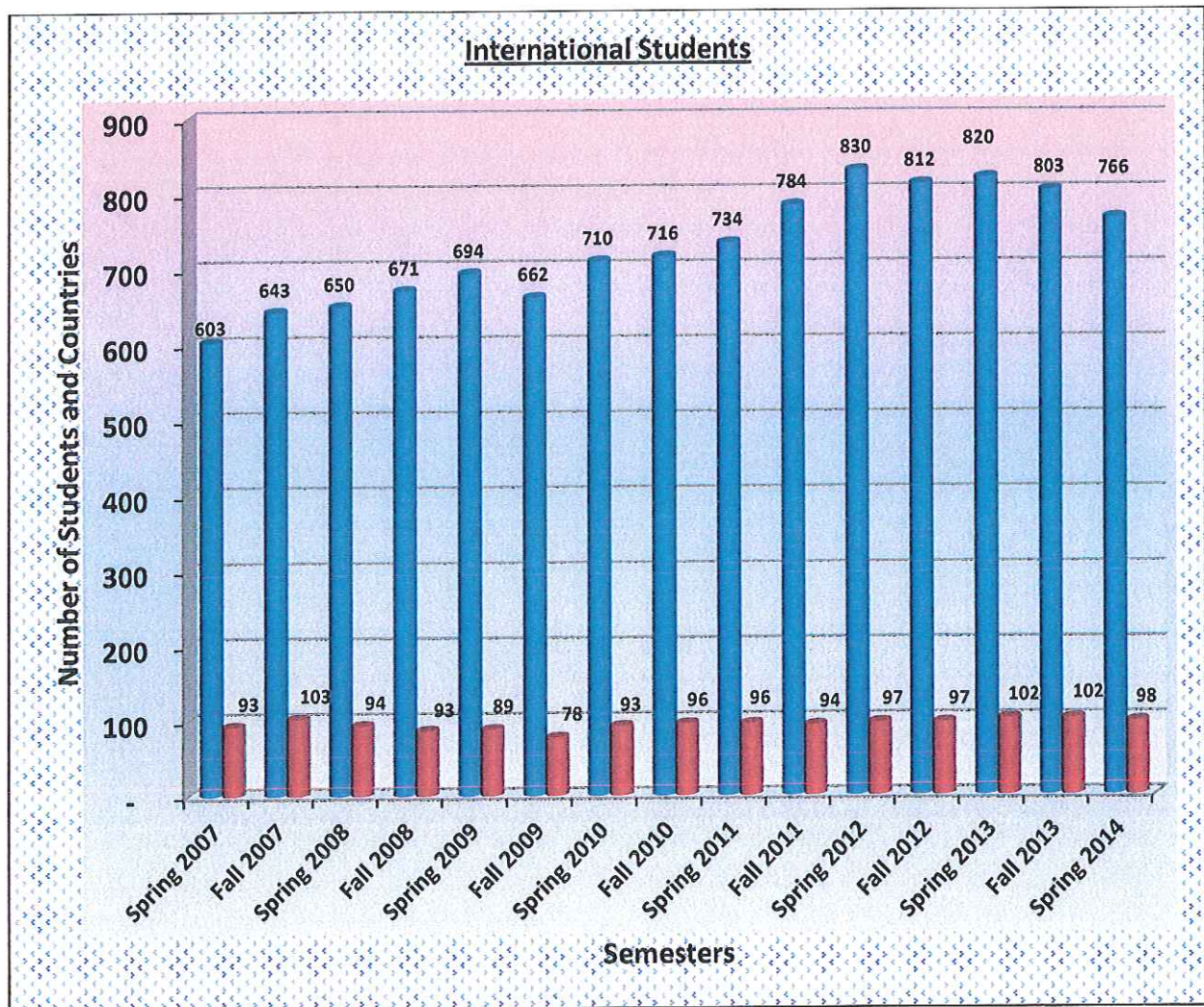
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



The College experienced a decline in international students' enrollment by 63 students compared to FY 2013.

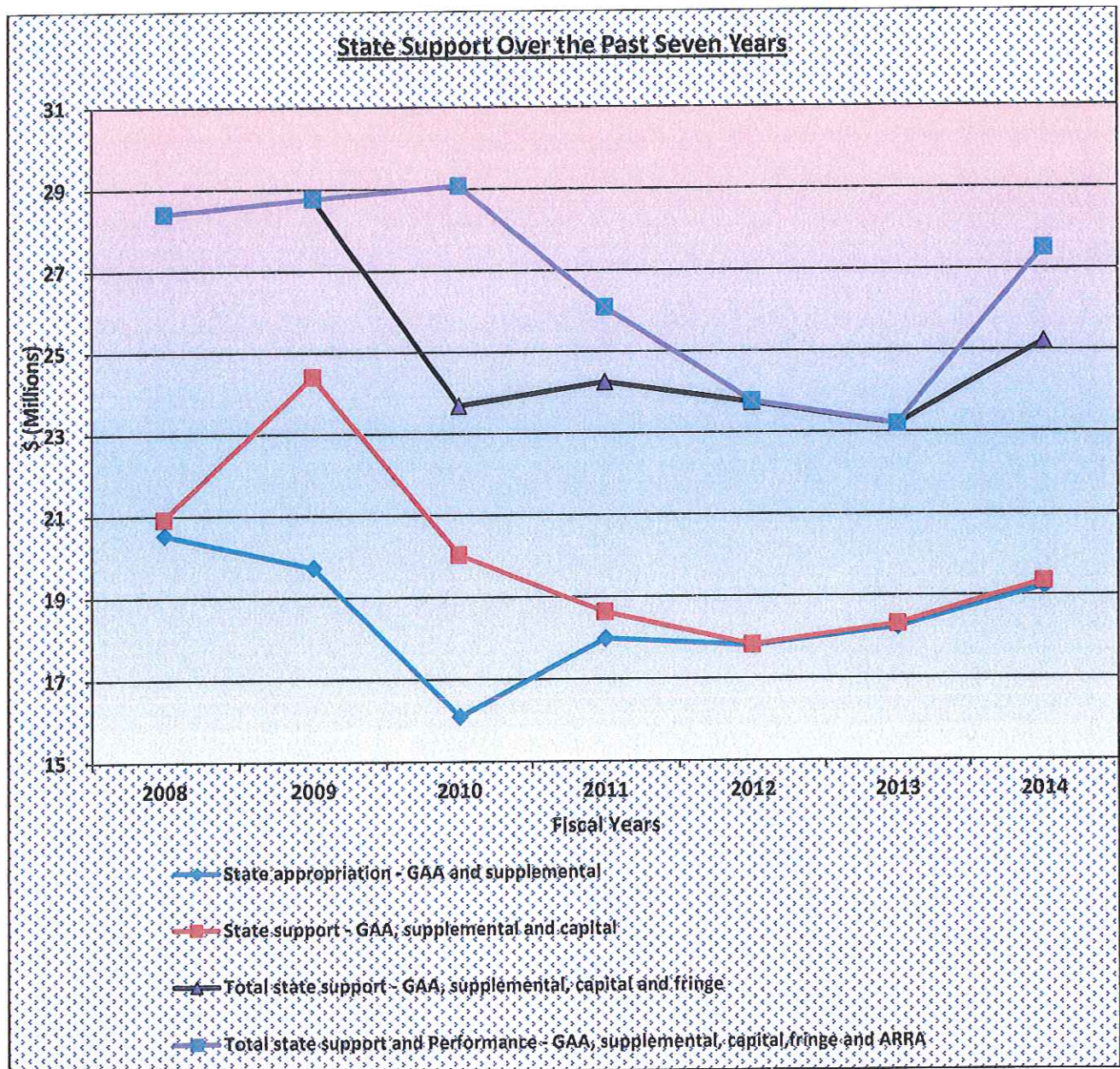
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



BUNKER HILL COMMUNITY COLLEGE

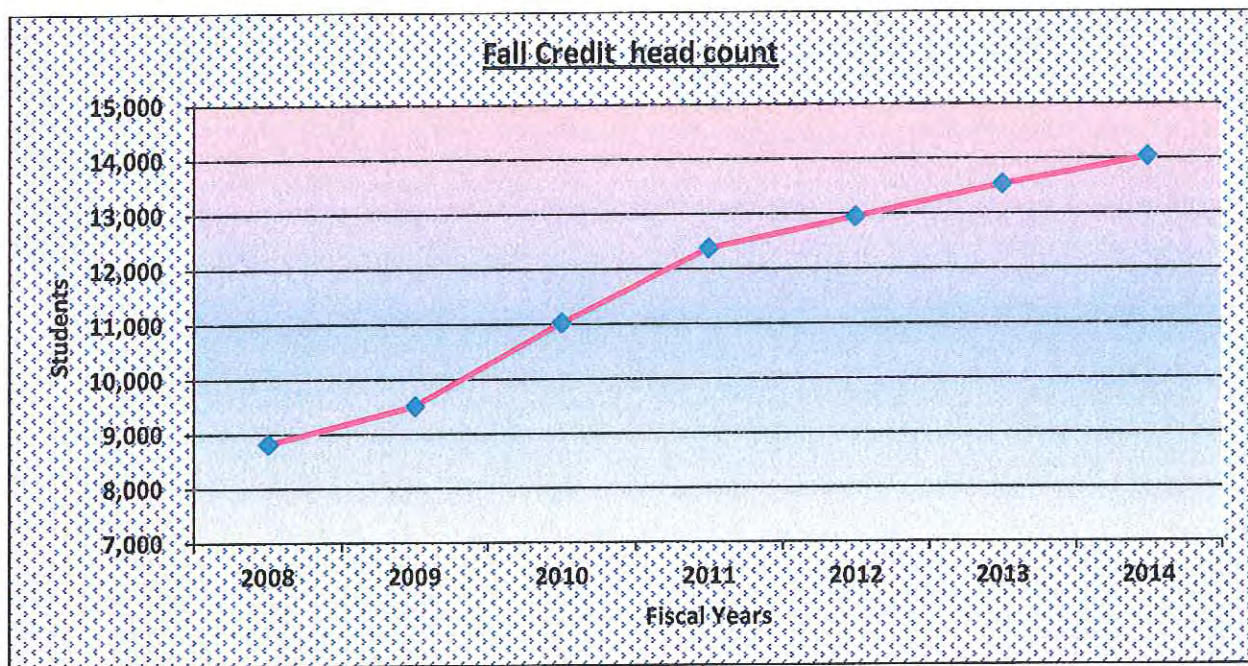
Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

The seven-year trend analysis shows that for the year ended June 30, 2014, there has been an increase in general and supplemental state appropriation. The analysis also shows that there has been an increase in capital appropriation from the State and performance funding.



The College's head count has increased consistently over the years to over 14,000 students in spring 2014 semester.

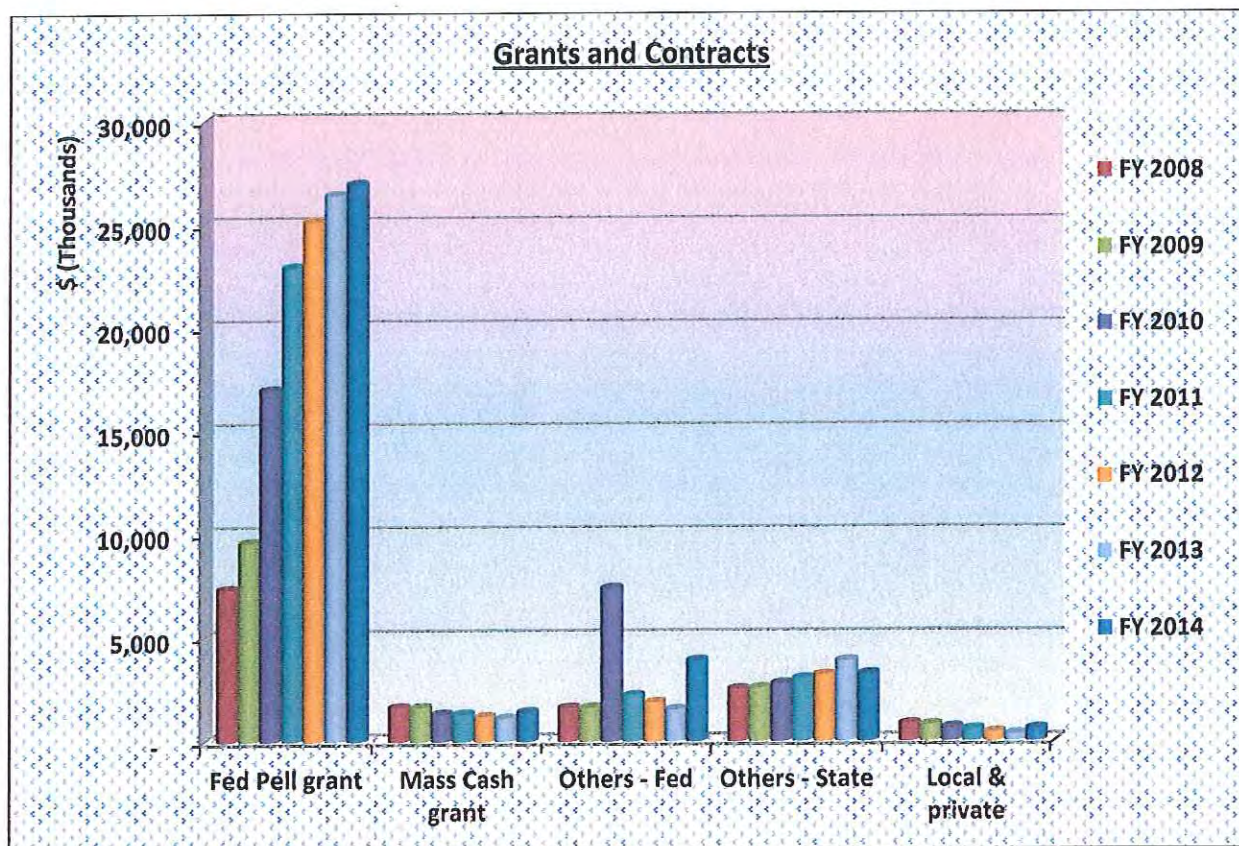
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



Major grants and contracts received by the College for 2014 included the following:

- PELL grant from US Department of Education in the amount of \$26,979,048 for student financial aid. This is an increase of \$546,541 (2%) from 2013 and \$1,451,451 (6%) from 2012.
- SEOG grant from US Department of Education in the amount of \$564,595 for student financial aid. This is an increase of \$276,557 from 2013 and \$236,612 from 2012.
- Nursing grant from US Department of Health and Human Services in the amount of \$234,475 for student financial aid. This is an increase of \$9,475 from 2013 and \$116,873 from 2012.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

- MASS CASH grant from Massachusetts Board of Higher Education in the amount of \$1,428,062 for student financial aid. This is an increase of \$306,660 from 2013 and an increase of \$203,298 from 2012.
- MASS grant from Massachusetts Board of Higher Education in the amount of \$1,049,549 for student financial aid. This is an increase of \$80,236 from 2013 and an increase of \$75,229 from 2012.
- TRIO grant from U.S. Department of Education of \$530,021. This is an increase of \$53,800 from 2013 and \$214,098 from 2012.
- Grants and contracts from other sources in the amount of \$5,549,633 for specific purposes. This is an increase of \$1,742,663 and an increase of \$3,028,719 from 2013 and 2012, respectively:
 - State Appropriated grants received for MCAS of \$352,989.
 - Department of Higher Education grants received for Adult Basic Education of \$718,199, Perkins Vocational grant of \$458,376 and TITLE III, \$187,941.
 - Local grants received from the Center for Allied Health \$31,102.
 - United States Department of Labor grants received: through Quinsigamond Community College \$485,831; through Collin College, Texas \$560,036; through Passaic Community College, \$316,395 and for Connect program \$187,292.
- Auxiliary enterprises (Workforce development contracts) revenue increased by 4% or \$19,585.

Tuition and fees received by the College included the following:

	Year Ended June 30		Between 2014 and 2013	
	2014	2013	Change	Change percentage
	Tuition	\$ 11,978,411	\$ 11,921,244	\$ 57,167
Student fees	31,343,193	30,562,905	780,288	3
Waivers	(537,320)	(482,111)	(55,209)	11
Tuition and fees, net	\$ 42,784,284	\$ 42,002,038	\$ 782,246	2%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

	Year Ended June 30		Between 2013 and 2012	
	2013	2012	Change	Change percentage
	Tuition	\$ 11,921,244	\$ 11,530,097	\$ 391,147
Student fees	30,562,905	29,657,534	905,371	3
Waivers	(482,111)	(465,524)	(16,587)	4
Tuition and fees, net	<u>\$ 42,002,038</u>	<u>\$ 40,722,107</u>	<u>\$ 1,279,931</u>	<u>3%</u>

Comparison of Expenses by Function

	Year Ended June 30		Between 2014 and 2013	
	2014	2013	Change	Change percentage
	Instruction	\$ 35,506,159	\$ 33,022,239	\$ 2,483,920
Academic support	10,517,674	10,444,746	72,928	1
Student services	11,612,305	11,548,402	63,903	1
Scholarships and fellowships	15,058,596	14,021,009	1,037,587	7
Operation and maintenance of plant	7,122,799	7,701,501	(578,702)	(8)
Institutional support and other	10,429,108	9,308,188	1,120,920	12
Depreciation and amortization	1,561,082	1,489,864	71,218	5
	<u>\$ 91,807,723</u>	<u>\$ 87,535,949</u>	<u>\$ 4,271,774</u>	<u>5%</u>

	Year Ended June 30		Between 2013 and 2012	
	2013	2012	Change	Change percentage
	Instruction	\$ 33,022,239	31,015,536	2,006,703
Academic support	10,444,746	9,234,875	1,209,871	13
Student services	11,548,402	10,493,636	1,054,766	10
Scholarships and fellowships	14,021,009	12,839,022	1,181,987	9
Operation and maintenance of plant	7,701,501	7,038,877	662,624	9
Institutional support and other	9,308,188	8,587,807	720,381	8
Depreciation and amortization	1,489,864	1,480,165	9,699	1
	<u>\$ 87,535,949</u>	<u>80,689,918</u>	<u>6,846,031</u>	<u>8%</u>

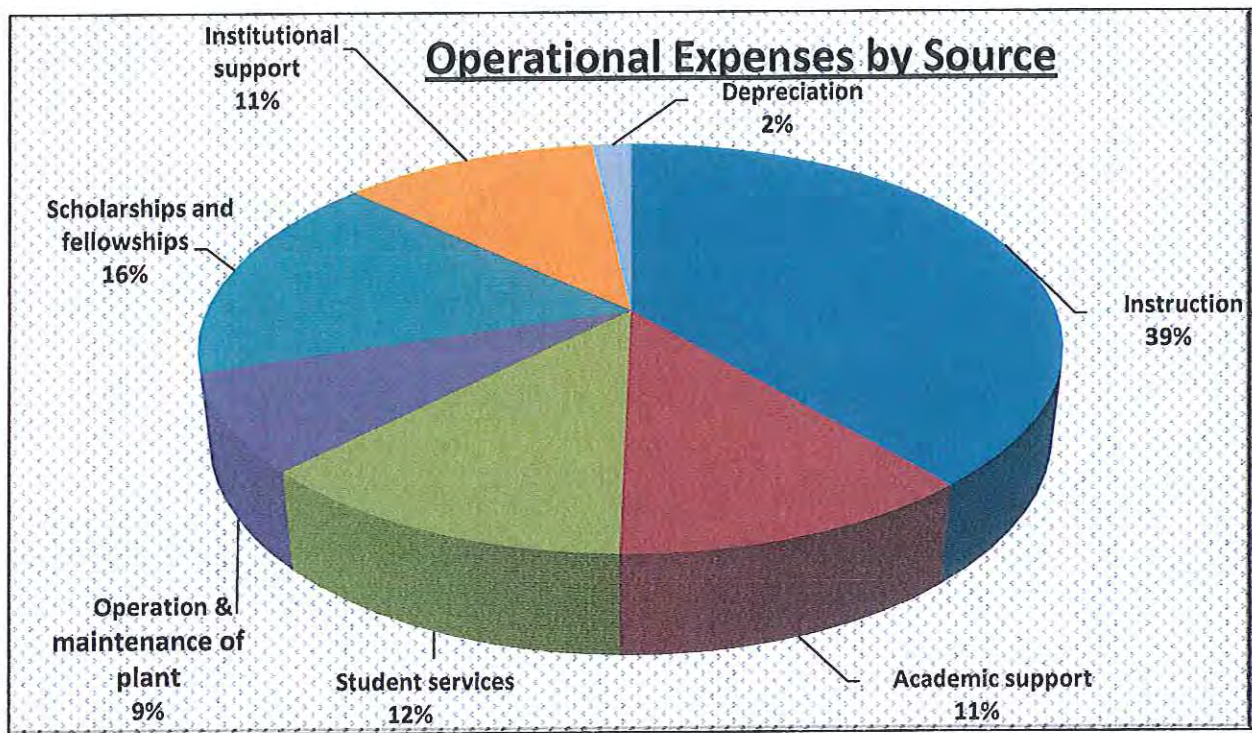
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



Highlights of operating expense activity:

- Of the total operating expenses in fiscal year 2014 of \$91,807,723, 79% relates to instruction, academic support, student services, and scholarship and fellowships. Similarly, of the total operating expenses in fiscal year 2013 of \$87,535,949, 79% relates to instruction, academic support, student services, and scholarship and fellowships.
- The expenditure on instruction increased by 8% or \$2,483,921 in fiscal year 2014 mainly due to recruitment of nine fulltime faculty and 29 adjunct instructors to meet the college's teaching and instructional goals.
- The expenditure on scholarships and fellowships increased by 7% or \$1,037,587 in fiscal year 2014, while in fiscal year 2013, the increase was 9% or \$1,118,198. This is mainly due to an increase in the award of Federal financial aid grants during FY 2014 and FY 2013.

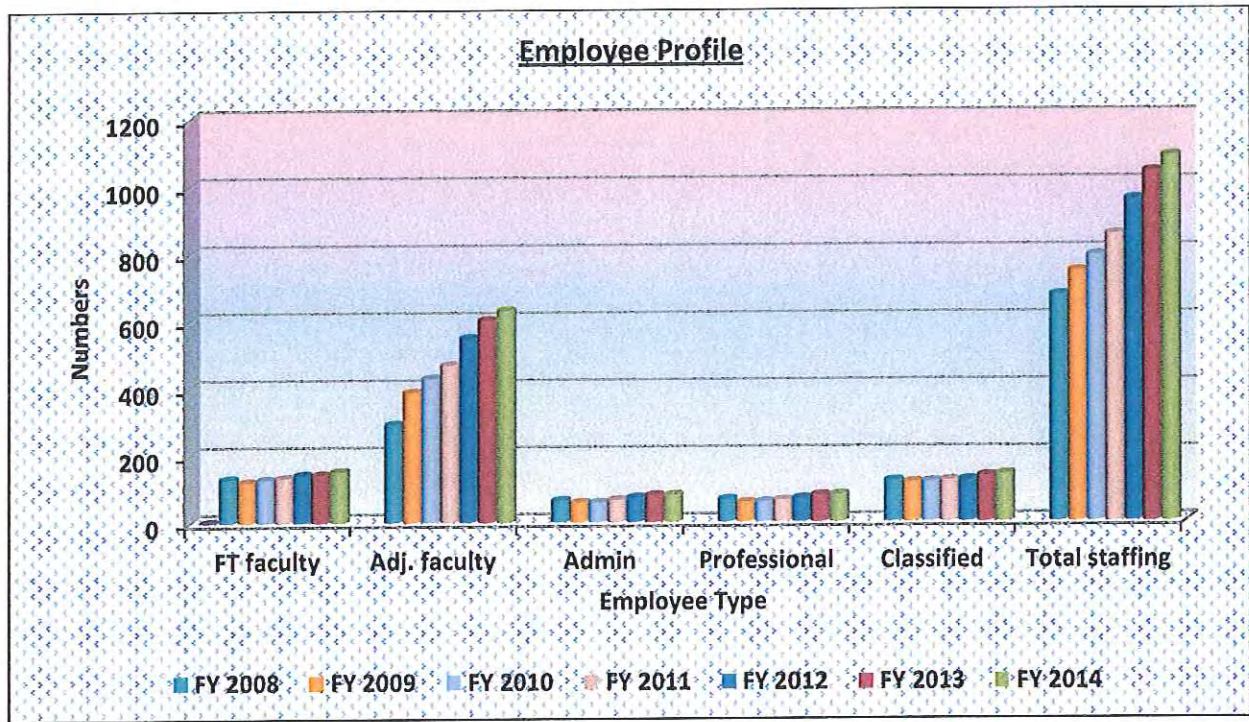
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

Loss from Operations

The following schedule presents the College's operating loss for the years ended June 30:

	Year Ended June 30		Between 2014 and 2013	
	2014	2013	Change	Change percentage
Tuition and fees	\$ 42,784,284	\$ 42,002,038	\$ 782,246	2%
Less scholarship allowances	(16,638,532)	(16,168,528)	(470,004)	3
Net tuition and fees	26,145,752	25,833,510	312,242	1
Grants and contracts	36,131,398	33,282,185	2,849,213	9
Other revenue	2,075,385	2,242,353	(166,968)	(7)
Operating expenses	(91,807,723)	(87,535,949)	(4,271,774)	5
Operating loss	\$ (27,455,188)	\$ (26,177,901)	\$ (1,277,287)	5%

	Year Ended June 30		Between 2013 and 2012	
	2013	2012	Change	Change percentage
Tuition and fees	\$ 42,002,038	\$ 40,722,107	\$ 1,279,931	3%
Less scholarship allowances	(16,168,528)	(16,391,770)	223,242	(1)
Net tuition and fees	25,833,510	24,330,337	1,503,173	6
Grants and contracts	33,282,185	31,913,303	1,368,882	4
Other revenue	2,242,353	2,006,055	236,298	12
Operating expenses	(87,535,949)	(80,689,918)	(6,846,031)	8
Operating loss	\$ (26,177,901)	\$ (22,440,223)	\$ (3,737,678)	17%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

Pursuant to Governmental Accounting Standards Board (GASB) Statements No. 34 and 35, the State appropriation is not classified as operating revenue. Therefore, institutions of public higher education generally incur a loss from operations. The Commonwealth's Department of Higher Education sets tuition while the College's Board of Trustees sets general course fees. Commonwealth appropriations and other state support to the College reduced the loss from operations. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

Nonoperating Revenues and Expenses

	Year Ended June 30		Between 2014 and 2013	
	2014	2013	Change	Change percentage
	Operating loss	\$ (27,455,188)	\$ (26,177,901)	\$ (1,277,287)
Nonoperating:				
Total state support	27,349,042	23,193,064	4,155,978	18
Net other nonoperating	1,903,061	275,245	1,627,816	591
Increase (decrease) in net position	\$ 1,796,915	\$ (2,709,592)	\$ 4,506,507	(166)%

	Year Ended June 30		Between 2013 and 2012	
	2013	2012	Change	Change percentage
	Operating loss	\$ (26,177,901)	\$ (22,440,223)	\$ (3,737,678)
Nonoperating:				
Total state support	23,193,064	24,763,144	(1,570,080)	(6)
Federal grants (ARRA)	—	31,368	(31,368)	(100)
Net other nonoperating	275,245	(280,089)	555,334	(198)
Increase (decrease) in net position	\$ (2,709,592)	\$ 2,074,200	\$ (4,783,792)	(231)%

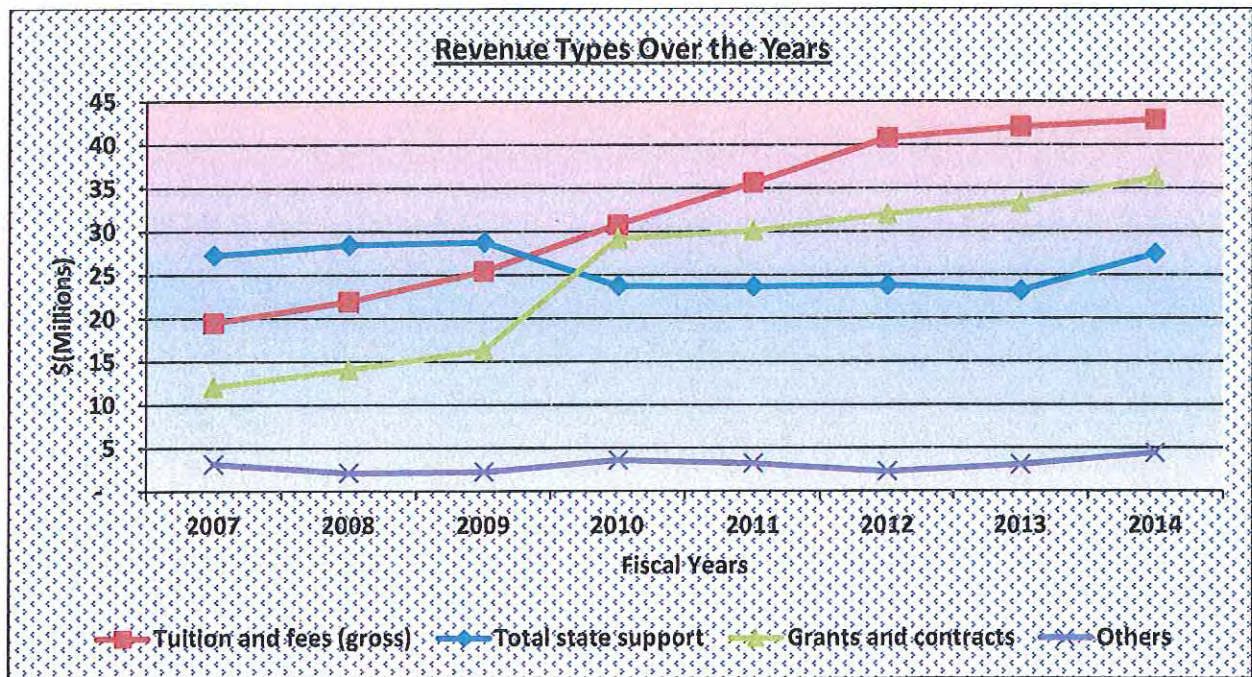
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued



BUNKER HILL COMMUNITY COLLEGE

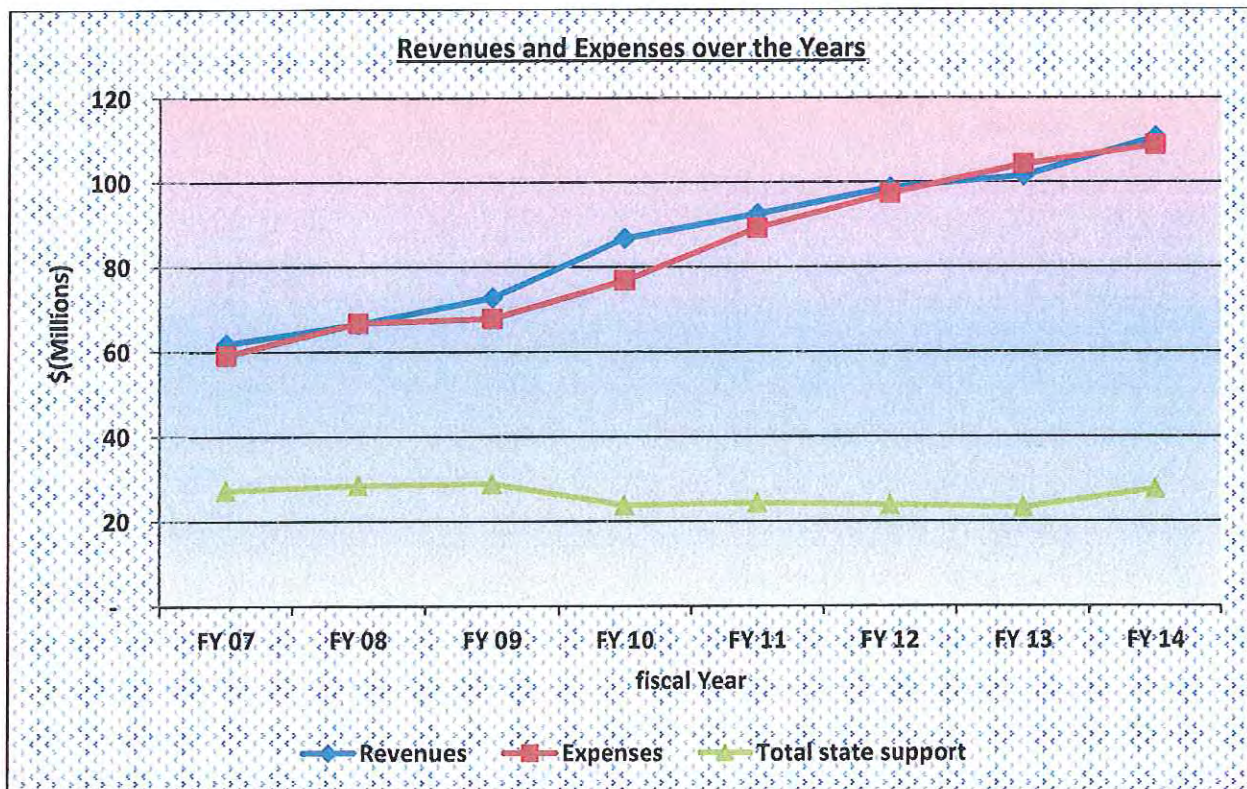
Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Financial Analysis - Continued

After fiscal year 2009, State appropriation ceased being the single largest source of funding to the College. Gross tuition and fees net of waivers was the largest source of revenue at \$42,784,284 or 41% followed by grants and contracts of \$36,131,398 or 35%.



The seven year trend analysis shows that from FY 2006 revenue exceeded expenditure each year except FY 2013, when reserves were utilized to fund planned operational expenditures.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Capital Assets of the College

The College's capital assets as of June 30, 2014 amounted to \$34,161,255, net of accumulated depreciation. The capital assets include land, buildings and improvements, furnishings, and equipment. Capital assets increased during the year mainly due to improvements to buildings at a cost of \$1,028,008 and purchase of equipment at a cost of \$367,400. The total net addition to fixed assets during fiscal 2014 was \$1,395,408 while the total depreciation amounted to \$1,561,082.

The Board of Trustees approves capital asset purchases. Additional information about the College's capital assets can be found in note 6 on page 41 of this report.

Long-Term Liabilities of the College

During the fiscal year 2007, the College participated in a Pool M3-C Series, tax exempt, variable rate bond issued through Massachusetts Health and Educational Facilities Authority Capital Assets Program (HEFA) to finance the construction of the Health and Wellness Center. Of the Pool M3-C Series, tax exempt bond of \$8,000,000. A sum of \$69,702 is held as a debt service reserve fund at the Peoples United Bank.

The College also entered into an interest rate swap agreement with Citizens Bank to manage (hedge) cash flows associated with the variable rate bond. The terms of the swap transaction are as follows:

Original notional amount	\$	7,920,000
Trade date		February 9, 2007
Effective date		February 11, 2007
Termination date		June 15, 2031
Rate paid by College		4.18%
Rate paid by counterparty		SIFMA Swap Index
Fair value – liability at June 30, 2014	\$	1,302,006

In November 2011, the College participated in a clean energy (savings) program which was administered by the Department of Capital Management (DCAM). This project, DCAM project number BHC 1001-EC1 was funded in part by a loan from the Clean Energy Investment program (CEIP) funds and in part by a General Obligation Bond through DCAM. The status of the CEIP funds as June 30, 2014 is as follows:

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2014 and 2013

(Unaudited)

Date of note	November 29, 2011
Original amount of note	\$3,330,488
Unpaid principal balance	\$3,102,325
Maturity date	January 01, 2032
Interest rate	4.00%
Date to which interest has been paid	January 01, 2014

There were no capital lease obligations at June 30, 2014.

Economic Factors and Decisions Affecting Next Year's Tuition and Student Fee Revenues

The seasonally adjusted unemployment rate for the Commonwealth within which the College primarily draws students, decreased from 7.1 % in June 2013 to 5.5% in June 2014, according to the United States Department of Labor, Bureau of Labor Statistics. The seasonally adjusted unemployment rate on a national level decreased from 7.5% in June 2013 to 6.1% in June 2014. The trend is that unemployment will continue to decrease if the performance of the economy improves and vice versa. It is difficult for the College to predict the extent to which enrollment may vary in the current environment.

Requests for Information

This financial report is designed to provide a general overview of the College's financial position for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of the Vice President, Administration and Finance, Bunker Hill Community College, 250 New Rutherford Avenue, Boston, Massachusetts 02129-2925.