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**HOWARD COMMUNITY COLLEGE**  
**(A Component Unit of Howard County, Maryland)**

**Financial Statements and  
Report of Independent Public Accountants**

**For the Year Ended June 30, 2024**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Howard Community College  
Columbia, Maryland

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Howard Community College (the College), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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 discretely presented component unit of the College, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Howard Community College Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

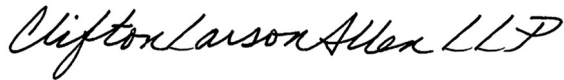
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Howard Community College's Proportionate Share of the Net Pension Liability, the Schedule of Howard Community College's Contributions-Maryland State Retirement and Pension Systems, the Schedule of Howard Community College's Proportionate Share of the Net OPEB Liability- Howard County Government, and the Schedule of Howard Community College's Contributions- Howard County Government- Other Post Employment Benefits (OPEB), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 the College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 31, 2024

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Overview and Basis of Presentation

The following discussion and analysis provide an overview of Howard Community College's (referred to throughout as the "college" or "HCC") planning, enrollment, and financial activities. The intent of this section of the annual financial report is to provide an objective analysis of the college's financial activities based on currently known facts, decisions, or conditions that impacted the operations of the college during fiscal year (FY) 2024. In addition, this section will assist in assessing the financial position of the college and provide information about significant changes that have occurred. Finally, it presents an outlook on known conditions that may affect the college's financial position or operations in the coming years.

The college has presented the statements in accordance with accounting standards generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB).

Comparative financial data is not presented in the financial statements; however, the college's comparative data is presented and discussed within this management discussion and analysis.

#### College Planning and Strategic Goals

The financial statements for the year ended June 30, 2024, reflect the financial results of the activities of the college which are guided by the college's strategic planning and budget process. The strategic plan and the college's core work set the stage for the operational and financial goals the college expects to achieve. Long- and short-term goals guide the staff throughout the year and into the future.

**Mission:** Providing pathways to success

**Vision:** A place to discover greatness in yourself and others

**Values:** INSPIRED

Innovation

Nurturing

Service and Sustainability

Partnerships

Integrity

Respect

Excellence

Diversity, Equity, and Inclusion

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2024**

#### **College Planning and Strategic Goals** *(continued)*

The strategic goals of the college are implemented for a five-year period, 2021-2025, with 2021 as the base year. Each year during the budget process, funds are allocated to achieve these initiatives. The bullets below details high level key accomplishments of the college this past fiscal year.

- Advocated for \$13,609,000 from both the county and state in addition to the college's contribution of \$3,609,000 to begin construction on the Workforce Development and Trades Center. Also secured \$1 million from the county for systematic renovations for a total fiscal year (FY) 2025 capital budget of approximately \$18.2 million.
- On the operating side, the board of trustees advocated for an increase of 4.9 percent from the county and received a 1.5 percent decrease from the state, which allowed the college to maintain its in-county tuition with no increase. The board of trustees also was able to support a four percent salary pool for increases in salaries for eligible budgeted and hourly employees. The operating budget will continue to provide funding for health benefits for budgeted faculty and staff at a college contribution level of approximately 90 percent, among the highest levels in Maryland community colleges.
- Conferred graduates who earned a total of 1,172 degrees and certificates.

#### **Enrollment Statistics and Analysis**

For the year ended June 30, 2024, the college served approximately 14,128 credit and 9,370 noncredit students. Student enrollment data is defined and reported annually to the Maryland Higher Education Commission in terms of full-time equivalent (FTE) students; FTE represents 30 hours of instruction. FTE is the basis for comparison among the various state colleges and is, in part, what determines the college's state funding.

During FY24, the state approved credit and noncredit enrollments were 5,258.87 and 1,113.84 FTE. As compared to the prior year, this is an increase of 170.91 credit FTE and an increase of 26.67 noncredit FTE. State-funded FTE do not include out-of-state students, employees who took classes, and other students determined ineligible by the state. Overall, total credit FTE of 5,460.37 increased 187.21 FTE, or 3.6 percent. Total noncredit FTE of 1,405.69 increased by 32.86 FTE, or 2.4 percent. Together this number created a total increase in FTE of 220.07, or 3.3 percent. The college anticipated enrollments to decline two percent in FY24. Nationwide, community colleges are continuing to experience declining enrollments.



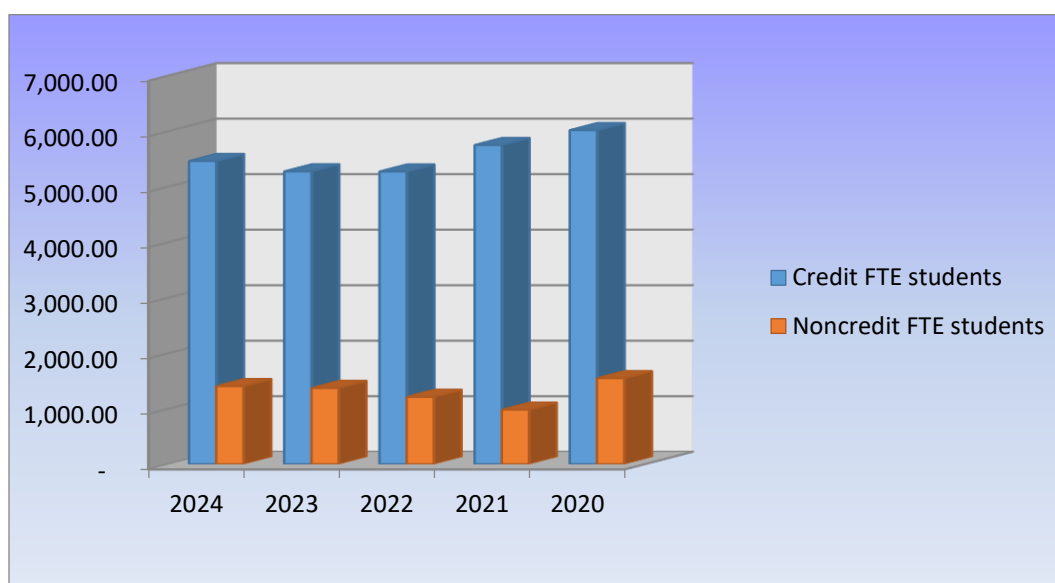
# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Enrollment Statistics and Analysis *(continued)*

Dually enrolled students receive a 50 percent tuition discount from the college, and eligible dually enrolled Howard County Public School System (HCPSS) students receive an additional 50 percent tuition discount as well as fees and books paid for by HCPSS. These students continue to support the college's overall FTE. In FY24, dual enrollment grew by 43 percent, representing 15 percent of total credit area.

The following chart shows total FTE as opposed to state-funded FTE for fiscal years 2020 through 2024. The 699.40 FTE decline was 9.2 percent for this five-year period.



	2024	2023	2022	2021	2020
Credit	5,460.37	5,273.16	5,270.77	5,747.94	6,016.37
Noncredit	1,405.69	1,372.83	1,212.21	981.72	1,549.09
Total FTE	6,866.06	6,645.99	6,482.98	6,729.66	7,565.46

### Economic Impact

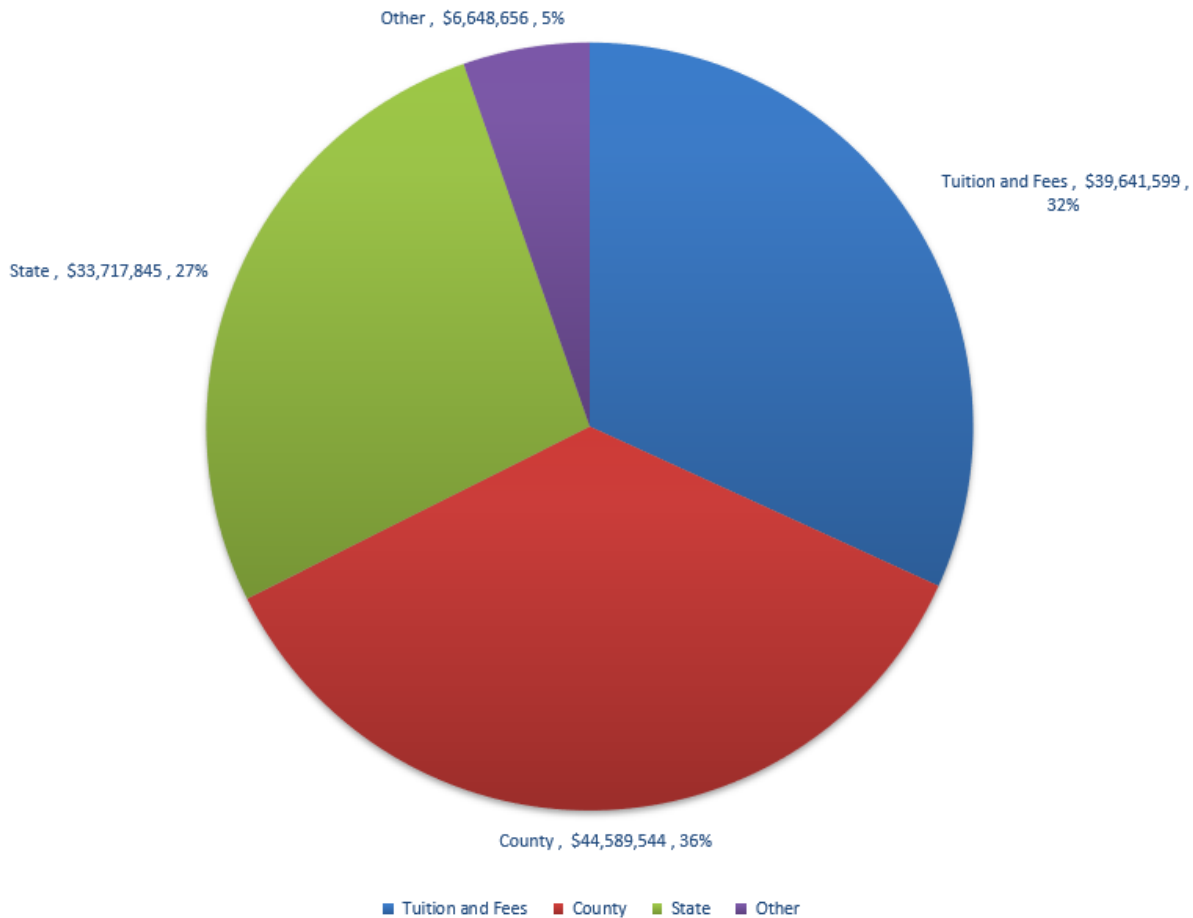
The college's operating fund economic stability comes primarily from three revenue sources: tuition and fees from students and funding appropriations from Howard County Government and the State of Maryland. The original intent was that one-third of the college's operating funds would come from each of these sources. However, as shown in the following chart for FY24, actual unrestricted revenue was 32 percent from students, 36 percent from the county, and 27 percent from the state, with the final five percent coming from auxiliary and miscellaneous revenue.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Economic Impact (*continued*)

**FY24 Unrestricted Funding Sources**



The college's FY24 per credit hour tuition rate remained flat over the prior year for in-county students and increased by 8 and 24 dollars for out-of-county and out-of-state students, respectively. State requirements control the increase for out-of-county and out-of-state students. The student share of actual unrestricted revenue remained the same as the prior year.

State funds are distributed through the Cade funding formula, with community colleges receiving a percentage of what the four-year institutions receive in funding from the state. The college received an increase of \$3.9 million, or an overall 13percent increase over the prior year budget. While the college received an increase in funding from the state, the state is still not covering one-third of the college's revenue. The state's share of unrestricted revenue in FY24 was 27 percent, representing a 5% shortfall of what the state was intended to fund.

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2024**

#### **Economic Impact** *(continued)*

The college received a 4.9 percent, or \$2,094,108 increase in FY24 operating funding from the county. The county's funding percentage of actual unrestricted revenue declined one percent from 37 percent to 36 percent as a result of increased state funding.

Revenue from auxiliary services and miscellaneous revenue, increased 17 percent, primarily due to increases in interest income. The percentage share of actual unrestricted auxiliary and miscellaneous revenue remained at five percent.

The college's restricted fund typically fluctuates from year to year depending on the number of grants and restricted funds the college receives. In FY24 the college saw an 11 percent increase in the restricted fund. This increase is primarily a result of federal funding for scholarships.

#### **Financial Statement Highlights and Analyses**

The financial statements, as prepared in accordance with accounting principles generally accepted in the United States of America as established by the Government Accounting Standards Board (GASB) are designed to present the college as a whole unit, consolidating the various funds (operating, workforce, career, and community education, special, auxiliary, and facilities) and emulating corporate financial statements. The purpose of the statement of net position is to identify the college's financial and capital resources in one consolidated statement. The statement of revenue, expenses, and changes in net position identifies the college's operating revenue and expenses for its various programs and shows the support the college receives from Howard County Government, the State of Maryland, and various federal, state, and local grant programs. This statement also highlights spending in the various functional areas. Finally, the statement of cash flows identifies sources and uses of cash, and the change in the cash balance from the previous fiscal year.

Beginning in FY18, Howard County Government required the College, and other county component units, to record its respective portion of the Other Post-Employment Benefits (OPEB) liability. The most recent liability was measured as of June 30, 2023, and calculated for each entity independently. This change resulted a negative fiscal impact to the college's financial position. The FY24 ending unrestricted fund deficit and net assets were reduced by \$43.8 million for the college's proportionate FY24 net OPEB liability. It should be noted that the County has always funded this liability and intends to do so in the future. The net OPEB liability saw a slight decrease in FY24 primarily due to a change in deferred inflows from expected and actual and change in projected and actual experience to the OPEB trust. This is explained in the OPEB footnote disclosure and supplemental information. Together, the increase in capital assets and reduction in OPEB liability attributed to the overall net position increase.

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2024

#### Financial Statement Highlights and Analyses *(continued)*

Despite this liability being included in the college's financial statement, the college was able to end the year with a positive unrestricted net position. At the end of FY24, the college was able to hold funds for future planned projects. These initiatives have helped to increase the college's overall net position.

The total net position of the college saw a 13 percent increase over the prior year. The college continues to make improvements to its current facilities with major renovations. With the major construction associated with the Mathematics and Athletics Complex, the college saw an 9 percent increase in capital asset investments.

Operating revenue saw a slight decrease of 0.2 percent and is attributed to increased tuition and fee revenue because of rising tuition costs for out-of-county and out-of-state students. Auxiliary sales declined in the café and vending services due to a shift in food service vendors. Commissions from the bookstore saw declines as well due to declining sales of course materials and textbooks. Operating expenses increased 2.7 percent from the prior year. This increase is primarily associated with increased instructional costs due to increased wages. Non-operating revenue saw an overall increase of 9.2 percent and is primarily a result of higher federal grant revenue, increased county and state appropriations as well as increased interest income. Capital appropriations increased about 33.4 percent due to the Mathematics and Athletics Complex continuing in the construction phase of the project.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Financial Statement Highlights and Analyses *(continued)*

	June 30, 2024	June 30, 2023	Dollar Variance
<b>ASSETS</b>			
Current assets	\$ 148,137,156	\$ 120,403,792	\$ 27,733,364
Non-current assets, net	320,895,621	295,402,097	25,493,524
<b>Total Assets</b>	<b>469,032,777</b>	<b>415,805,889</b>	<b>53,226,888</b>
Deferred outflows of financial resources			
- pension	954,148	829,821	124,327
- other post-employment benefits	9,245,309	10,889,085	(1,643,776)
<b>Total Deferred Outflows of Financial Resources</b>	<b>10,199,457</b>	<b>11,718,906</b>	<b>(1,519,449)</b>
<b>LIABILITIES</b>			
Current liabilities	55,766,741	45,810,709	9,956,032
Non-current liabilities	39,342,927	39,725,807	(382,880)
<b>Total Liabilities</b>	<b>95,109,668</b>	<b>85,536,516</b>	<b>9,573,152</b>
Deferred inflows of financial resources			
- pension	1,050,749	842,890	207,859
- other post-employment benefits	24,881,540	28,220,644	(3,339,104)
<b>Total Deferred Inflows of Financial Resources</b>	<b>25,932,289</b>	<b>29,063,534</b>	<b>(3,131,245)</b>
<b>NET POSITION</b>			
Net investment in capital assets	270,648,452	283,415,073	(12,766,621)
Restricted funds, expendable	14,167	14,066	101
Unrestricted	87,527,658	29,495,606	58,032,052
<b>Total Net Position</b>	<b>\$ 358,190,277</b>	<b>\$ 312,924,745</b>	<b>\$ 45,265,532</b>

- The designation of the unrestricted net position of \$50,057,840 as of June 30, 2024, is as follows:

Emergency and board reserve	\$ 30,100,000
Student success and academic projects	4,000,000
Technology and unplanned capital repairs	20,414,575
Talent cultivation	1,000,000
Strategic planning and future proofing	16,000,000
Facility funds	25,413,418
Unfunded pension, benefits, and absences	(46,870,153)
	<u>\$ 50,057,840</u>

- The net investment in capital assets of \$270,648,452 is net of related debt that includes bond debt to Howard County of \$7,904,765 and accounts payable related to construction of \$37,469,818.

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2024

#### Financial Statement Highlights and Analyses (*continued*)

- Net assets with donor restrictions are those whose use by the Foundation has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, 2024, there was \$7,561,400 in net assets with donor restrictions for a specific time period or purpose.
- *Total assets* increased \$50.5 million, a 12 percent increase over the prior year. The primary increase in *current assets* was in cash and cash equivalents attributable to increased revenue and liabilities throughout the year, as well as federal and state accounts receivable associated with the Kahlert Foundation Complex (KC), formerly referred to as the Mathematics and Athletics Complex capital project. *Non-current assets* also saw an increase of eight percent primarily due to the increase in construction in progress (CIP) associated with the KC.
- The increase in *non-current assets* is net of depreciation. Capital assets include land, buildings, renovation costs, furniture, equipment, software, library books, leaseholds, land improvements and CIP. CIP, as of June 30, 2024, totaled \$80 million, which is the accumulated costs associated with the Kahlert Foundation Complex of \$78.1 million and the Workforce Development Trade Center costs of \$1.8 million.
- *Total liabilities* increased by \$9.6 million, or 11 percent from the prior year. The primary increase in liabilities is associated with the increase in the current liability associated with the payable to Howard County for construction.
- *Non-current liabilities* include the college's portion of the state pension liability for certain employees, the OPEB liability, lease and subscription-based information technology assets (SBITA) liability, and bond debt. The college's bond debt decreased by nine percent. The bonds are held by the county on behalf of the college and provided funding for the garage and other capital assets. The debt repayment schedule is detailed in Note 9 of the financial statements. The OPEB liability increased \$660 thousand, or two percent, primarily due to a change in deferred inflows. More information about the OPEB liability is found in Note 12.
- Deferred outflows of financial resources decreased 13 percent and deferred inflows of financial resources decreased 11 percent. These items are related to the college's pension liability for certain employees, discussed in note 11 of the financial statements, and the OPEB liability, discussed in note 12 of the financial statements.

# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Financial Statement Highlights and Analyses (continued)

- These changes resulted in an increase in the college's *net position* of \$42.5 million, an increase of 13 percent from the prior year.
- The college's *unrestricted net position* is internally designated as outlined in the previous chart. The college's unrestricted net position is now \$50.1 million, a change of \$17.8, or a 55 percent increase over the prior year. The college was able to hold funds for future projects which have helped to increase the college's overall net position.

	June 30, 2024	June 30, 2023	Dollar Variance	Percentage Variance
<b>Total Operating Revenue</b>	<b>\$ 28,541,294</b>	<b>\$ 28,601,946</b>	<b>\$ (60,652)</b>	<b>0%</b>
<b>Operating Expenses</b>				
Instruction	45,978,786	43,395,460	2,583,326	6%
Public service	1,008,042	893,013	115,029	13%
Academic support	13,434,361	13,353,794	80,567	1%
Student services	9,166,913	9,411,648	(244,735)	-3%
Facilities	12,913,940	14,645,610	(1,731,670)	-12%
Institutional support	16,680,194	16,112,904	567,290	4%
Scholarships and related expenses	2,937,387	2,780,971	156,416	6%
Auxiliary enterprises	1,540,240	1,066,638	473,602	44%
Certain fringe benefits paid directly by the state	4,256,825	4,617,210	(360,385)	-8%
Depreciation	13,423,873	13,199,456	224,417	2%
Amortization on right to use asset	1,566,822	1,862,105	(295,283)	-16%
Total operating expenses	122,907,383	121,338,809	1,568,574	1%
<b>Operating loss</b>	<b>(94,366,089)</b>	<b>(92,736,863)</b>	<b>(1,629,226)</b>	<b>2%</b>
<b>Non-operating Revenue (Expenses)</b>				
Government appropriations	75,974,559	69,985,948	5,988,611	9%
Grants and contracts	17,077,264	16,043,240	1,034,024	6%
In-kind contributions and certain fringe benefits paid directly by government	5,288,369	6,751,646	(1,463,277)	-22%
Loss on disposal of assets	916	-	916	
Investment income	4,990,567	2,982,559	2,008,008	67%
Interest on debt to Howard County	(327,599)	(364,987)	37,388	-10%
Interest expense - lease/SBITA expense	(67,968)	(116,123)	48,155	-41%
<b>Net Non-Operating Revenue</b>	<b>102,936,108</b>	<b>95,282,283</b>	<b>7,653,825</b>	<b>8%</b>
Income (Loss) before capital appropriations	8,570,019	2,690,271	5,879,748	-219%
Capital appropriations	33,954,166	25,446,462	8,507,704	33%
Change in net position	42,524,185	28,136,733	14,387,452	-51%
Net position, beginning of year	315,667,924	287,820,893	27,847,031	10%
<b>Net Position, End of Year</b>	<b>\$ 358,192,109</b>	<b>\$ 315,957,626</b>	<b>\$42,234,483</b>	<b>13%</b>

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2024

#### Financial Statement Highlights and Analyses *(continued)*

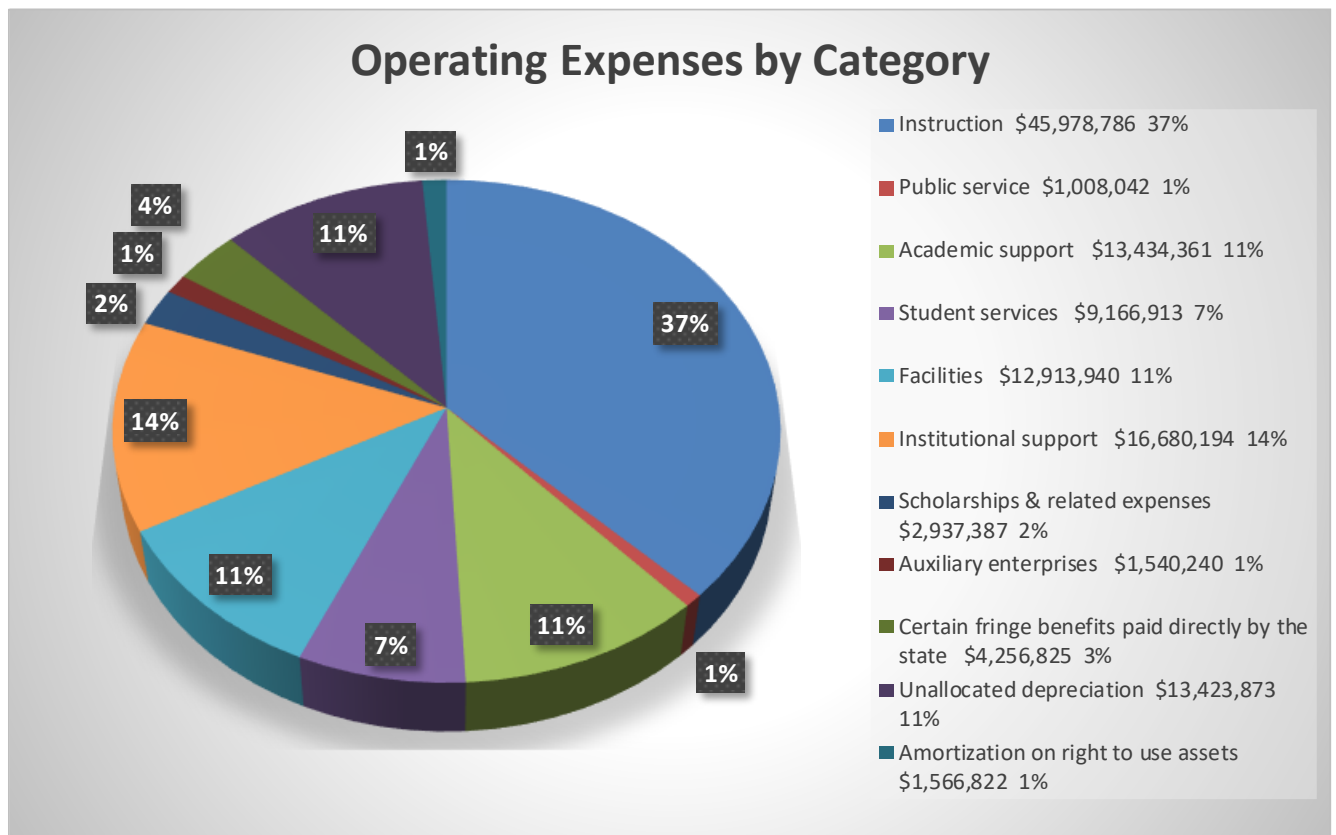
- *Operating revenue* remained relatively flat with a minor decrease of \$60 thousand over the prior year. The slight increase in student tuition and fees was offset by a decrease in cultural programs which were down 28 percent and auxiliary enterprise revenue which was down 56 percent.
- Total *operating expenses* increased \$1.5 million or one percent over the prior year. *Instruction and academic support* together represent 48 percent of expenditures, which is a one percent increase when compared to the prior year. Direct instructional expenses increased one percent and academic support costs remained a comparable percentage of total operating expenses. Student services saw a decrease of three percent. Scholarships and related expenditures saw a six percent increase.
- *Non-operating revenue* had a eight percent, or \$7.7 million increase from the prior year. The county appropriation increased five percent, and the state appropriation increased 13 percent.
- *Grants and contracts* increased \$1.0 million, or six percent from the prior year.
- *Government appropriations* increased \$14.5 million, or 15 percent from the prior year. Increased county and state operating appropriations of \$6.0 million, or nine percent, as well as increased capital funding of \$8.5 million, or nine percent, contributed to this increase.



# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Financial Statement Highlights and Analyses *(continued)*

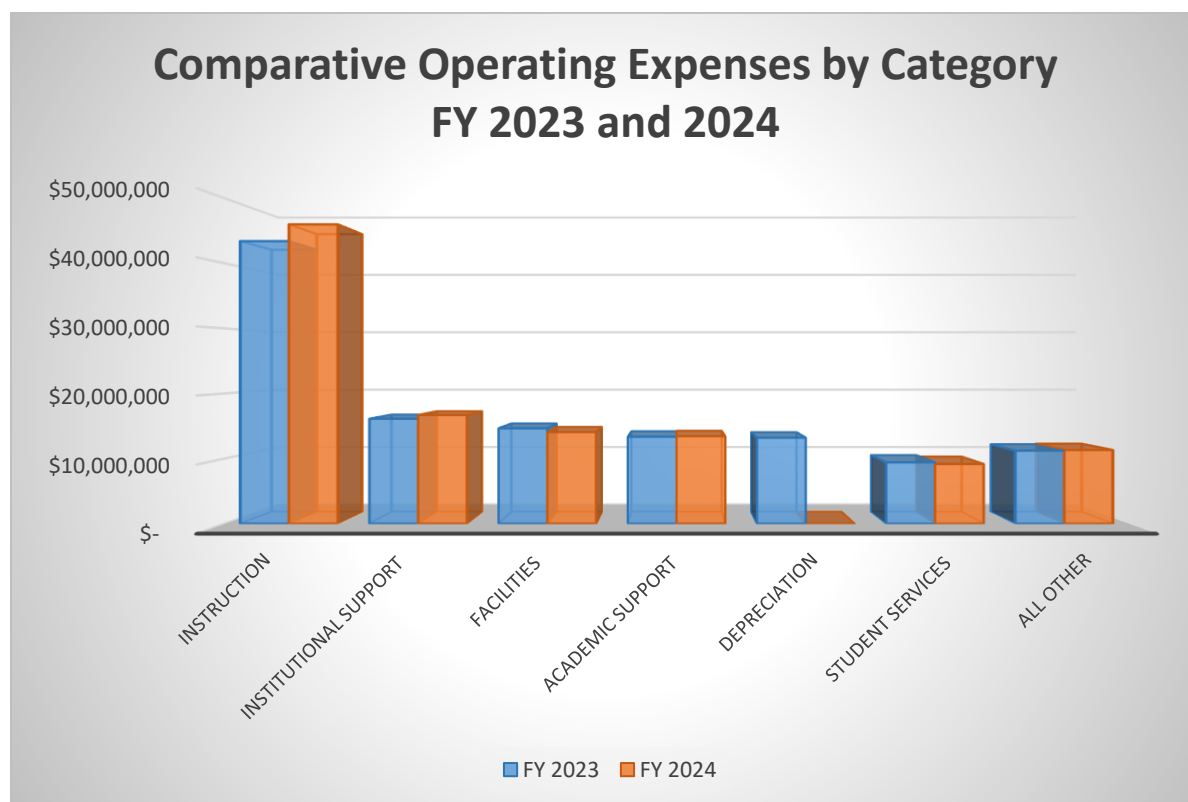


# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Financial Statement Highlights and Analyses *(continued)*

- Operating expenses, with the exception of Instruction, remained relatively flat over the last fiscal year as demonstrated in the chart below:



# HOWARD COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2024

### Financial Statement Highlights and Analyses (*continued*)

	June 30, 2024	June 30, 2023	Dollar Variance	Percentage Variance
<b>Cash Flows From Operating Activities</b>				
Net cash used by operating activities	<u>\$ (65,337,803)</u>	<u>\$ (56,241,130)</u>	<u>\$ (9,096,673)</u>	<u>16%</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Net cash provided by non-capital financing activities	<u>93,033,857</u>	<u>85,997,042</u>	<u>7,036,815</u>	<u>8%</u>
<b>Cash Flows From Capital Financing Activities</b>				
Net cash used by capital financing activities	<u>(15,000,523)</u>	<u>(17,631,492)</u>	<u>2,630,969</u>	<u>-15%</u>
<b>Cash Flows From Investing Activities</b>				
Net cash provided by investing activities	<u>4,990,567</u>	<u>2,982,559</u>	<u>2,008,008</u>	<u>67%</u>
<b>Net increase in cash and cash equivalents</b>	<u>17,686,098</u>	<u>15,106,979</u>	<u>2,579,119</u>	<u>17%</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>85,958,780</u>	<u>70,851,801</u>	<u>15,106,979</u>	<u>21%</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 103,644,878</u>	<u>\$ 85,958,780</u>	<u>\$ 17,686,098</u>	<u>21%</u>

- Cash and cash equivalents increased \$17.7 million, or 21 percent from the prior year.
- The primary inflow of cash from operations continues to come from student tuition and fees. This inflow had a two percent increase for the year, due to slightly higher receivables. The primary outflows of cash from operations are supplier payments, employee compensation, and employee benefits costs. These outflows collectively increased five percent over the prior year. As a result, *net cash used in operating activities* increased 17 percent.
- State and local appropriations are typically the primary cash inflows from *non-capital financing activities*. Other funds come from grants and contracts. The county increased five percent, and the state increased 13 percent over the prior year and grant receipts increased seven percent. The changes resulted in an increase in *net cash provided by non-capital financing activities* of eight percent over the prior year.

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2024

#### Financial Statement Highlights and Analyses *(continued)*

- *Capital financing activities* include resources received from the county and state for the college's capital projects, purchase of capital assets, and the issuance and repayment of debt. Cash receipts for appropriations increased 68 percent over the prior year, expenditures on capital projects increased 27 percent and bond interest expense payments decreased 10 percent and bond principal payments decreased 15 percent. Interest expense on leases/SBITAs decreased 41 percent and principal payments on leases decreased 33 percent.

The college believes that its liquidity position as of June 30, 2024, is adequate. The college's current assets are deemed to be sufficient to pay its current liabilities as of June 30, 2024.

As the college collects the majority of its tuition revenue at the beginning of each term and receives its grants and appropriations regularly, liquidity should not be an issue for the next fiscal year.

#### Economic Factors that Will Affect the Future

Howard County and the State of Maryland provide significant resources to the college for both its operating and capital budgets. Restricted funding from federal, state, and local governments covers significant expenses for college programs and provides support to students with financial need. This support, exclusive of capital appropriations, is reflected in the financial statements as non-operating revenue. These governmental and grant funds covered 80 percent of operating expenses; therefore, the economic condition of the state and county is critical to the college's future financial health.

The college experienced an increase in enrollment of state funded credit FTEs in FY24 of 3.2 percent. The college had budgeted for a decline of 2.5 percent; however, overall enrollment goals were met. Based on the current economic situation and assessment of enrollment projections, the college built the FY25 budget on a 2.0 percent decrease

We anticipate that as enrollment remains flat or declines and governmental support increases, tuition and fees that supported 32 percent of the operating revenue in FY24 will continue to decline, unless tuition rates or enrollment rise. In the FY24 budget, in-county tuition rates remained flat while out-of-county and out-of-state rates increased 8 and 24 dollars, respectively. State guidelines on tuition rates resulted in higher increases for non-county residents.

## HOWARD COMMUNITY COLLEGE

### Management's Discussion and Analysis June 30, 2024

#### **Economic Factors that Will Affect the Future** *(continued)*

The college received capital funding in FY24 for phased construction of the new Mathematics and Athletic Complex that has been funded over several years. The complex supports current enrollment and allows for growth in the mathematics division and athletics programs while addressing existing facilities inadequacies and severe space deficits. Funding and continued construction costs will take place over a five-year period with the building scheduled to open in FY25.

This year the college advocated for a Workforce Development and Trades Center which will service the skilled trades area. Credit programs expected in the building include manufacturing, welding, and automotive. Non-credit programs include electrical, HVAC, plumbing, and forklift/heavy equipment operations. The detailed room by room requirements for the project were submitted to the state for approval. Design of the building began in FY24.

On the operating side, in FY25, the college will receive an additional \$2,100,000 or a 4.9 percent increase from the county. The state reduced their funding by \$524,290 or 1.5 percent. Together, county and state funding will make up 52 percent of the college's operating budget for FY 25.

According to the Howard County Budget Office, the Maryland economy continues to lag behind the national economy as a result of slow population growth and slow federal spending. This is expected to continue. According to Moody's Economy.com, "The U.S. economy is performing well. Unemployment remains below 4%, where it has been for the past two years. The last time unemployment was this low for this long was in the late 1960s. Inflation is moderating, and the moderation will continue as weak rental growth works its way into the data. Prospects are good that the economy will perform well this year. Consumers are doing their part and spending just enough to support broader economic growth."

Maryland (2.1%) and Howard County (1.7%) unemployment rates have returned to well below the national average (3.5%); however, Howard County's workforce contracted more than the State or nation's workforce in 2020 and 2021 and remains below pre-Covid Recession levels. After outpacing the nation nearly continuously since 2001, Howard County experienced larger job losses than both the State and nation in 2020 and recovered more slowly; however, personal income growth in the County exceeded the State and nation in 2022 after lagging the nation for much of the 2017-21 period.

## **HOWARD COMMUNITY COLLEGE**

### **Management's Discussion and Analysis**

**June 30, 2024**

#### **Economic Factors that Will Affect the Future** *(continued)*

In December 2023, the U.S. News and World Report named the fifteen richest counties in the United States; Howard County was ranked number seven. In addition, Columbia was recently named the “2024 Best Cities to Live in America” and “2024 Best Cities to Raise a Family in America” by Niche.com. According to the Monthly Labor Review published by the Maryland Office of Workforce Information and Performance, Howard County has the lowest unemployment rate among the counties in Maryland, at 2.7 percent.

In the long-term, the county is transitioning from a “growth county” to a “maturing county.” The county’s population is aging, resulting in slower growth in personal income tax and additional needs for an aging population. In addition, with the limited availability of developable land there is a significant shift to more dense and multi-family driven housing for development, also lowering our income tax revenue. Other factors that could restrict growth are uncertain interest rates, a shift in office space demand as well as state and federal policies.

The college was fortunate to receive increases in state and county funding for the past three years, however, funding in FY25 was decreased and the college will need to use its reserves in order to meet the demands of its operating costs. Hence, the college must look to other sources such as enrollment growth and prudent spending to manage our budget. The significant changes made in teaching and learning and student success along with our transition to eight-week courses will help us with our enrollment growth and retention. Although there are significant challenges ahead, the college is confident in our ability to innovate and elevate into the future.

#### **Requests for Information**

The management’s discussion and analysis financial report is intended to provide a general overview of the college’s finances. Questions concerning information within this report or requests for additional information should be addressed to the office of finance and administration, Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044. Email questions can be sent to [FinanceOffice@howardcc.edu](mailto:FinanceOffice@howardcc.edu).

Electronic versions of this audit report are provided for information only and for the convenience of the reader. While reasonable efforts have been made to ensure the integrity of electronic statements, they should not be relied on. A copy of the printed financial statements will be provided upon written request made to: Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044; Attention: The Office of the Executive Vice President for Finance and Administration. Email requests should be sent to [FinanceOffice@howardcc.edu](mailto:FinanceOffice@howardcc.edu).

## **FINANCIAL STATEMENTS**

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# HOWARD COMMUNITY COLLEGE

## Statements of Net Position June 30, 2024

	Howard Community College	Howard Community College Educational Foundation, Inc.
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 103,644,878	\$ 1,431,735
Investments	-	6,292,841
Tuition and other receivables, (net of \$2,529,708 allowance)	1,145,989	-
Federal, state, local and other receivables	42,843,831	-
Contribution receivable, net	-	674,192
Prepaid expenses/other assets	502,458	27,050
Total current assets	148,137,156	8,425,818
<b>Non-current Assets</b>		
Investments and interest in irrevocable trust	-	10,876,641
Contribution receivable, net	-	976,895
Capital assets, not being depreciated	80,369,194	-
Capital assets, net of accumulated depreciation and amortization	240,526,427	-
Total non-current assets	320,895,621	11,853,536
<b>Total Assets</b>	469,032,777	20,279,354
<b>Deferred outflows of financial resources</b>		
Pension	954,148	-
Other post-employment benefits	9,245,309	-
<b>Total Deferred outflows of financial resources</b>	10,199,457	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued wages	11,481,316	121,354
Accrued compensated absences	2,317,642	-
Payable to PGCC joint venture	518,434	-
Payable to Howard County for construction	37,469,818	-
Other liabilities	211,396	-
Bonds payable, Howard County, current portion	728,692	-
Lease liability, current	7,415	-
SBITA liability, current	871,553	-
Deposits	22,165	-
Unearned revenue	2,138,310	99,451
Total current liabilities	55,766,741	220,805

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



# HOWARD COMMUNITY COLLEGE

## Statements of Net Position *(continued)* June 30, 2024

	Howard Community College	Howard Community College Educational Foundation, Inc.
<b>Non-Current Liabilities</b>		
Pension liability	\$ 3,243,887	\$ -
Other post-employment benefits	28,197,661	-
Bonds payable, Howard County, net of current portion	7,176,073	-
Lease liability, net of current	-	-
SBITA liability, net of current	725,306	-
Total non-current liabilities	39,342,927	-
<b>Total Liabilities</b>	<b>95,109,668</b>	<b>220,805</b>
<b>Deferred inflows of financial resources</b>		
Pension	1,050,749	-
Other post-employment benefits	24,881,540	-
<b>Total Deferred inflows of financial resources</b>	<b>25,932,289</b>	<b>-</b>
Net investment in capital assets	270,648,452	-
Restricted for scholarships and program uses	14,167	18,438,041
Unrestricted	87,527,658	1,620,508
<b>Total Net Position</b>	<b>\$ 358,190,277</b>	<b>\$ 20,058,549</b>

The accompanying notes are an integral part of these financial statement.

# HOWARD COMMUNITY COLLEGE

## Statements of Revenue, Expenses and Changes in Net Position For the Year Ended June 30, 2024

	Howard Community College	Howard Community College Educational Foundation, Inc.
<b>Revenue</b>		
Operating Revenue		
Student tuition and fees		
Net of discounts, allowances, and financial aid of \$14,468,622	\$ 27,199,987	\$ -
Cultural, community, and other programs, net of financial aid of \$43,794	570,175	-
Auxiliary enterprise revenue	107,379	-
Other operating revenue	663,753	-
Contributions	-	2,382,208
In-kind contributions	-	1,016,921
Special events	-	301,351
<b>Total Operating Revenue</b>	<b>28,541,294</b>	<b>3,700,480</b>
<b>Operating Expenses</b>		
Instruction	45,978,786	-
Public service	1,008,042	-
Academic support	13,434,361	-
Student services	9,166,913	-
Facilities	12,913,940	-
Institutional support	16,680,194	570,758
Scholarships and related expenses	2,937,387	1,415,729
Program expenses	-	578,008
Special events	-	40,628
Fundraising	-	463,272
Auxiliary enterprises	1,540,240	-
Certain fringe benefits paid directly by the State of Maryland	4,256,825	-
Depreciation	13,423,873	-
Amortization on right to use asset	1,566,822	-
<b>Total Operating Expenses</b>	<b>122,907,383</b>	<b>3,068,395</b>
<b>Operating (Loss)</b>	<b>(94,366,089)</b>	<b>632,085</b>
<b>Non-Operating Revenue (Expenses)</b>		
Howard County Government appropriations	42,400,000	-
State of Maryland appropriations	33,574,559	-
State of Maryland RHEC	143,286	-
Federal grants and contracts	14,005,700	-
State grants and contracts	1,982,831	213,449
Local grants and contracts	169,173	72,934
Other grants and contracts	503,286	65,565
Foundation grants and contracts	272,988	-
In-kind contributions - Howard County Government	1,031,544	-
Loss on disposal of assets	916	-
Certain fringe benefits paid directly by the State of Maryland	4,256,825	-
Investment income	4,990,567	370,593
Net realized and unrealized gain on investments	-	1,652,268
Interest expense - bonds	(327,599)	-
Interest expense - lease & SBITA expense	(67,968)	-
<b>Net Non-Operating Revenue</b>	<b>102,936,108</b>	<b>2,374,809</b>
<b>Income (Loss) before Capital appropriations</b>	<b>8,570,019</b>	<b>3,006,894</b>

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

## HOWARD COMMUNITY COLLEGE

### Statements of Revenue, Expenses and Changes in Net Position *(continued)* For the Year Ended June 30, 2024

	Howard Community College	Howard Community College Educational Foundation, Inc.
Capital appropriations, State of Maryland	\$ 16,881,368	\$ -
Capital appropriations, Howard County	17,072,798	-
<b>Total Capital Appropriations</b>	<b>33,954,166</b>	<b>-</b>
Changes in net position	42,522,353	3,006,894
Net position, beginning of year	315,667,924	17,351,655
Transfer from endowment to other organization		(300,000)
<b>Net position, End of year</b>	<b>\$ 358,190,277</b>	<b>\$ 20,058,549</b>

The accompanying notes are an integral part of these financial statement.

# HOWARD COMMUNITY COLLEGE

## Statements of Cash Flows For the Year Ended June 30, 2024

	<u>Amount</u>
<b>Cash Flows From Operating Activities</b>	
Student tuition and fees	\$ 26,583,667
Student loan receipts	(5,027,165)
Student loan disbursements	5,027,165
Payments to suppliers	(14,664,230)
Payments to employees	(63,674,177)
Payments for employee benefits	(13,674,059)
Auxiliary enterprises	107,379
Other receipts	(16,383)
<b>Net Cash From Operating Activities</b>	<u>(65,337,803)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>	
Local appropriations	42,400,000
State appropriations	33,574,559
Grants, contracts, and foundation	17,059,067
Agency funds receipts	3,890
Agency funds disbursements	(3,659)
<b>Net Cash From Non-Capital Financing Activities</b>	<u>93,033,857</u>
<b>Cash Flows From Capital Financing Activities</b>	
Capital appropriations	25,038,131
Purchase of capital assets	(37,257,794)
Interest expense on bonds	(327,599)
Principal payments on bonds, net of refunding	(669,664)
Interest on leases/SBITAs	(67,968)
Payments on leases/SBITAs	(1,715,629)
<b>Net Cash From Capital Financing Activities</b>	<u>(15,000,523)</u>
<b>Cash Flows From Investing Activities</b>	
Investment Interest	<u>4,990,567</u>
<b>Net Cash From Investing Activities</b>	<u>4,990,567</u>
Net increase in cash and cash equivalents	17,686,098
Cash and cash equivalents, beginning of year	85,958,780
<b>Cash and Cash equivalents, End of Year</b>	<u><u>\$ 103,644,878</u></u>

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

**Statements of Cash Flows (continued)**  
**For the Year Ended June 30, 2024**

	<u>Amount</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating loss	\$ (95,525,005)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	13,423,873
Lease/SBITA amortization	1,566,822
Loss on disposal of assets	0
In-kind contributions	18,197
Amounts paid directly by the state and county	6,446,369
Effects of changes in non-cash operating assets and liabilities:	
Receivables, net	(1,568,660)
Prepaid expenses and other assets	237,818
Pension and OPEB Outflow	1,519,449
Accounts and other payables	11,008,148
Unfunded pension liability	352,454
Unfunded OPEB liability	659,965
Pension and OPEB inflow	(3,131,245)
Unearned revenue	(375,719)
Compensated absences	29,731
<b>Net Cash From Operating Activities</b>	<u><u>\$ (65,337,803)</u></u>
 <b>Noncash Capital and Related Financing Activities</b>	
Capital assets acquired by capitalization of SBITA contracts totaling \$473,715.	\$ 473,715

The accompanying notes are an integral part of these financial statement.

# **HOWARD COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2024**

### **1. ORGANIZATION AND BACKGROUND**

Howard Community College (the “college”), founded by the Board of Education of Howard County (the “county”), was formally authorized by the County Commissioners to provide a full range of educational services to the county’s citizens; however, citizens of other counties, states and countries are also eligible to attend. In FY24, 75.3 percent of the college’s credit student populations were county residents. The college is fully accredited by the Middle States Commission on Higher Education and by the Maryland Higher Education Commission to offer programs of learning and to award associate degrees and certificates of proficiency.

A seven-member board of trustees, appointed by the Governor of Maryland, governs the college. The college president is a non-voting member and serves as the secretary-treasurer.

The college is defined as a component unit of Howard County, Maryland government, and the college’s financial statements are included in the comprehensive annual report of the county in accordance with generally accepted accounting principles in the United States of America.

The Howard Community College Educational Foundation, Inc. (the “foundation”) is a separate legal entity with a separate board of directors. The foundation is a nonprofit organization established in 1978 to provide charitable benefits to the college and financial aid to qualified students attending the college. The college’s president holds the position of secretary and the college’s director of development holds the position of executive director. The foundation operates independently of the college.

Since the foundation was established for the purpose of obtaining resources and to provide charitable benefits to the college, it is considered a component unit of the college, and is discretely presented in the college’s financial statements.

Complete financial statements of the foundation can be obtained by contacting the foundation’s administrative office located at Howard Community College, 10901 Little Patuxent Parkway, Columbia, MD 21044-3197. Email requests can be sent to [Foundation@howardcc.edu](mailto:Foundation@howardcc.edu).

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements are prepared using accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB).

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB), including FASB Accounting Standards Codification Topic no. 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the college's financial reporting entity for these differences.

#### Use of Estimates

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

#### Cash and Cash Equivalents

The college and the foundation consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Funds invested through the Maryland Local Government Investment Pool are also considered cash equivalents.

#### Investments and Interest in Irrevocable Trust

Investments of the foundation that are comprised of mutual funds and fixed income securities are reported at fair value, based upon the net asset value per share as determined by quoted market prices.

Changes in fair value are recognized in the statement of revenue, expenses, and changes in net position in the period in which the change occurs and are included in net realized and unrealized gains on investments.

Interest in irrevocable trust represents the foundation's interest in an irrevocable trust donated to the foundation during the year ended June 30, 2009. The foundation's interest is reported as the net present value of the estimated fair value based on the foundation's share of the trust, the fair value of the assets in the trust, and the expected life of the donor.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Tuition and Other Receivables**

The college's tuition receivable represents obligations of students resulting from course registrations. The receivable is due before the end of the semester for which it was incurred. Amounts that remain uncollected after the college's payment deadlines are considered delinquent. When attempts to collect the balances are unsuccessful, accounts are referred to a collection agency after the end of the semester. The college established a valuation allowance based on prior trends for the tuition receivable it estimates as uncollectible. As of June 30, 2024, the net tuition receivable was \$1,020,183. Included in other receivables are amounts due from the Howard Community College Educational Foundation of \$120,283, and from Slingshot of \$5,521, primarily for May and June's commission on sales.

#### **Contributions Receivable**

The foundation's contributions receivable represents unconditional promises to give from various contributors including individuals, foundations, local businesses, and governments. There was a \$9,000 allowance for uncollectible accounts recorded as of June 30, 2024.

Contributions receivable are recorded at the donated amount or net present value for those contributions expected to be collected in excess of one year. A discount rate of 5 percent was used as of June 30, 2024. The unamortized discount of \$94,270 is accreted into contribution revenue.

The college's federal, state, local and other receivables represent obligations from governmental or grant agencies primarily associated with reimbursement of expenditures that have already occurred. As of June 30, 2024, the total receivable was \$42,843,831. The majority of this receivable, \$40,583,108, is associated with ongoing capital projects, with receivable due from the county of \$1,556,645, and state of \$39,026,463.

#### **Capital Assets**

Capital assets of the college are long-lived tangible assets that will benefit future periods. These assets have been capitalized and are depreciated over their estimated useful lives. Capital assets are defined as land, land improvements, buildings, building renovations, leasehold improvements, furniture and equipment (including software), and library books that have initial useful lives extending beyond a single reporting period.

The college has established a threshold of \$5,000 for furniture and equipment for items to be capitalized. Library books are capitalized as one component unit for the purchases within the fiscal year.



# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets constructed or purchased are capitalized at cost, while assets acquired by gift are capitalized at their acquisition value at the time of donation. The college depreciates all capital assets, except for land. Depreciation expense is not allocated functionally on the financial statements. Cost incurred for construction in progress is capitalized as incurred and not depreciated until the assets are ready to be placed in service.

Depreciation is computed on a straight-line basis over estimated useful lives (as listed below), beginning the year after acquisition, except for buildings, which are depreciated in the first year of their use.

<u>Class of Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Land improvements	25 years
Renovations and leasehold improvements	15 years (or lease term, if shorter)
Library books	8 years
Furniture, equipment and software	3 – 10 years

#### Right to Use Asset and Liabilities

The college has entered into lease agreements for equipment and the Laurel College Center building. As the college enters into a lease, the right to use an asset and associated liability are recorded at the net present value. The useful life of the asset ranges from 3-5 years, and the asset is amortized over shorter of the term of the lease or the useful life.

#### Accrued Compensated Absences

The college accrues for unused compensated absences as of year-end. Accrued compensated absences as of June 30, 2024, were \$2,287,911.

The change in the college's accrued compensated absences for the year ended June 30, 2024, was as follows:

	<u>June 30, 2023</u>	<u>Net change</u>	<u>June 30, 2024</u>
Payable	<u>\$ 2,287,911</u>	<u>\$ 29,731</u>	<u>\$ 2,317,642</u>

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Unearned Revenue**

Unearned revenue for the college is primarily comprised of tuition received for semesters beginning after June 30, 2024, and grant revenue received during the year that has restrictions on spending related to time or purpose, which has been deferred until those restrictions are met. The foundation collects advance receipts for fundraising events. Funds received for foundation fundraising events are recognized as special events revenue upon the occurrence of the event.

#### **Deferred Inflows and Outflows Related to Pension and Other Post-Employment Benefits**

Deferred inflows include differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual earnings, and a change in the college's proportional rate.

Deferred outflows include amounts paid to the county for the college's related expense. They also include changes in actuarial assumptions, and the net difference between projected and actual earnings.

Deferred inflows and outflows are amortized over five years for the pension items, and five or 10 years for the other post-employment benefits items.

#### **Net Position**

Net position of the college is classified as restricted, unrestricted, or net investment in capital assets. Restricted net position is reported as either expendable or nonexpendable. Nonexpendable net position is to be maintained in perpetuity. Expendable net position, for which there are externally imposed constraints, are obligated or expensed within those condition(s). The restricted net position of \$14,167 represents grants given to the college for a specific use. As of June 30, 2024, the college did not have any nonexpendable net position.

The net investment in capital assets of \$308,118,270 is net of related debt that includes bond debt to Howard County of \$7,904,765.

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Foundation has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, 2024, there was \$7,561,400 in net assets with donor restrictions for a specific time period or purpose.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net assets with donor restrictions also consist of contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned and capital gains, if any, on the related investments for general or specific purposes. Investment income earned from such contributions is restricted to support the purpose designated. Net assets with donor restrictions, in perpetuity, was \$10,876,641 for the year ended June 30, 2024.

#### **Revenue Recognition**

The financial statements of the college have been prepared on the accrual basis of accounting, whereby all revenue is recorded when earned and all expenses are recorded when they have been incurred. These financial statements are intended to report the public institution as an economic unit that includes all measurable assets and liabilities, financial and capital, of the institution. Internal activity between programs has been eliminated.

The college's tuition and fee revenue is shown net of scholarship allowances. A scholarship allowance is defined as the difference between the stated charge for tuition, fees, goods, and services provided by the college and the amount that is paid by the student and/or third parties making payments on behalf of the student. The scholarship allowance represents the amount the college receives as tuition from outside sources, such as the Title IV Federal Grant Program, the foundation, other restricted grants, and the college's own scholarship program. Funds received on behalf of students from outside sources, such as third-party payers, are reported in the appropriate revenue classification.

Certain aid, such as loans and third-party payments, are credited to the student's account as if the student made the payment. For the year ended June 30, 2024, the college netted expenses in the amount of \$14,512,416, reducing tuition revenue for these payments.

#### **Auxiliary Enterprises, Workforce, Career, and Community Education, and Cultural, Community, and Other Programs**

Auxiliary enterprises operated by the college include the student athletic programs. The bookstore, food service, and vending are outsourced.

Workforce, career, and community education programs primarily represent noncredit courses offered by the college for a fee.

Cultural, community, and other programs are primarily events of the Laurel College Center (LCC), summer instructional and sports camps, the youth music program, the international programs, various student services programs, and athletic activities sponsored by the college for the community. Net position for these programs is part of the unrestricted net position balance.

Contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Auxiliary Enterprises, Workforce, Career, and Community Education, and Cultural, Community, and Other Programs *(continued)***

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Howard Community College Educational Foundation statements of activities and changes in net assets as net assets released due to satisfaction of donor restrictions.

#### **Defined Benefit Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension Systems (MSRPS) and additions to/deductions from MSRPS fiduciary net position have been determined on the same basis as they are reported by MSRPS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

#### **Operating and Non-operating Components**

The college has elected to report its operating expenses by functional classification, with the exception of certain fringe benefits paid directly by the state and depreciation expense, which are presented as distinct expenses. The statement of cash flows is presented as required using the direct method that depicts cash flows from operating activities and a reconciliation of operating loss and operating cash flows.

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, non-capital financing, or investing activities. The college's principal ongoing operations determine operating activities. Ongoing operations of the college include, but are not limited to, providing intellectual, cultural, and social services through associate degree and certificate programs, along with workforce, career, and community education programs. Operating revenue of the college consists of tuition and fees; cultural, community, and other programs; auxiliary enterprise revenue; and other operating revenue.

Non-operating components include transactions and other events that are defined as non-capital financing activities, capital financing activities, and investing activities.

Non-capital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest.

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Operating and Non-operating Components** *(continued)*

Non-operating activities include certain intergovernmental receipts and payments, such as state and local appropriations, grants, payments paid on behalf of the college, investment earnings, and interest on debt. The college has also identified student financial aid assistance, including Pell Grants and Supplemental Educational Opportunity Grants, as non-operating revenue as the college does not consider them to be exchange transactions.

Capital financing activities include acquiring and disposing of capital assets used in providing services or producing goods; borrowing money for acquiring, constructing, or improving capital assets, leasing equipment or buildings, and repaying the amounts borrowed, including interest; and paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments and the related investment earnings.

#### **In-Kind Contributions**

The foundation is the designated recipient for all college gifts. The foundation receives and records all in-kind gifts intended for the college, such as artwork, books, equipment, etc. This property is transferred to the college immediately upon receipt. Annually, the college records all in-kind gifts in the special fund.

The foundation receives contributions of various goods from non-related sources. These contributions and their related expenses are reported at fair value in the period the goods were received. The estimated fair value of these contributions for the year ended June 30, 2024, was \$19,652. Additionally, the foundation receives in-kind support from the college consisting of personnel and office costs. The estimated value of these services for the year ended June 30, 2024, was \$979,903.

The college has also recognized in-kind OPEB benefits from the county of \$1,031,544 in non-operating revenue and operating expense.

#### **Federal and State Income Tax Status**

The college is exempt from federal and state income taxes as it is essentially a political subdivision of the state. The foundation has been granted an exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Federal and State Income Tax Status** *(continued)*

The IRS has also determined that the foundation is not a private foundation. The foundation is required to report unrelated business income to the IRS. The foundation did not have any unrelated business income for the year ended June 30, 2024. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. As of June 30, 2024, the foundation has analyzed tax positions taken for filing with the IRS and all state jurisdictions where it operates. The foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the foundation's financial position or results of activities. Accordingly, the foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of June 30, 2024.

#### **New Accounting Pronouncements**

GASB issued statement No. 100, *Accounting Changes*, to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This pronouncement is effective for fiscal years beginning after June 15, 2023. The implementation of this standard did not have any impact on the college's financial statements for the year ended June 30, 2024.

### 3. CASH AND CASH EQUIVALENTS

#### A. Deposits

As of year-end, the carrying amount of the college's deposits was \$1,668,334 and the bank balance was \$2,992,092. The deposits of the college, as of June 30, 2024, were not exposed to custodial credit risk. The operating account is federally insured up to \$250,000 by the Federal Deposit Insurance Corporation and any amounts in excess of \$250,000 were collateralized by mortgage back securities with a market value of \$10,000,000, as of June 30, 2024. The collateral is held by the bank's agent in the college's name.

#### B. Investments

The college's allowable investments are determined by Article 95, Section 22 of the Annotated Code of the Public General Laws of Maryland and the college's investment policy. The college may invest in certificates of deposit with commercial banks in the State of Maryland, direct U.S. obligations, U.S. government agency obligations, repurchase agreements, banker's acceptances from approved banks with acceptable credit ratings, commercial paper from entities with an acceptable credit rating, money market funds, and the Maryland Local Government Investment Pool (MLGIP).

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 3. CASH AND CASH EQUIVALENTS *(continued)*

As of June 30, 2024, the college's investment is considered a cash equivalent for financial statement purposes and is detailed below:

<b>Types</b>	<b>Amounts</b>
Cash on hand	\$ 1,900
Carrying amount of deposit	1,668,334
Carrying amount of MLGIP	101,974,644
<b>Total cash and cash equivalents</b>	<b>\$ 103,644,878</b>

All of the above investments are in compliance with the college's internal investment policy.

#### **Interest rate risk**

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the college's exposure to fair value losses arising from increasing interest rates, the college's investment policy limits the term of investment maturities. As of June 30, 2024, the college's investments were limited to the MLGIP with maturity of less than one year. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the college from having to sell investments below original cost for that purpose.

Investment income included interest and dividends in the amount of \$4,990,567 for the year ended June 30, 2024.

#### **Credit Risk**

The college invests in MLGIP, which is under the administration of the state treasurer. The MLGIP is rated AAAM by Standards & Poor's, its highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of one dollar per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, market-to-market, is calculated and maintained on a weekly basis to ensure a one dollar per unit constant value.

#### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the college will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. The college's investments were all invested in the MLGIP and are not exposed to custodial credit risk.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 3. CASH AND CASH EQUIVALENTS *(continued)*

##### Foreign Currency Risk

The college's investment policy does not allow for investments denominated in foreign currencies. The college did not have any investments denominated in any foreign currency for the year ended June 30, 2024.

#### 4. INVESTMENTS AND INTEREST IN IRREVOCABLE TRUST

The foundation's investments and interest in irrevocable trust as of June 30, 2024, were summarized as follows:

	<b>Amortized Cost</b>	<b>Gross Unrealized Gain/(Loss)</b>	<b>Fair Value</b>
Fixed income - corporate bonds	\$ 4,845,483	\$ (297,817)	\$ 4,547,666
Mutual funds - equities	10,065,878	2,408,313	12,474,191
Interest in irrevocable trust	87,262	60,363	147,625
<b>Total</b>	<b>\$14,998,623</b>	<b>\$ 2,170,859</b>	<b>\$ 17,169,482</b>

On January 29, 2009, the foundation received an irrevocable bequest expectancy in which the college would receive 20 percent of a charitable remainder trust. The total value of the trust was \$2,331,924 as of June 30, 2024. The foundation used the IRS guideline suggested discount rate of 6.8 percent as of June 30, 2024.

#### 5. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participations on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value and are as follows:

##### *Basis of Fair Value Measurement*

**Level 1 Inputs:** Valuation based on quoted prices in active markets for identical unrestricted assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.



## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 5. FAIR VALUE MEASUREMENTS *(continued)*

##### *Basis of Fair Value Measurement (continued)*

**Level 2 Inputs:** Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

**Level 3 Inputs:** Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following section describes the valuation methodologies used by the foundation to measure its financial assets at fair value:

- ***Mutual funds and fixed income*** - The foundation's investments in mutual funds and fixed income are valued based upon the net asset value per share as determined by quoted market prices and open market on which the fund is traded.
- ***Interest in irrevocable trust*** - The foundation's interest in an irrevocable trust is valued at the present value of the estimated fair value of the underlying market value of investments.

There are no changes in the valuation methodologies as of June 30, 2024.

The following tables set forth, by level within the fair value hierarchy, the foundation's investment assets at fair value as of June 30, 2024. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 4,547,666	\$ -	\$ -	\$ 4,547,666
Mutual Funds	12,474,191	-	-	12,474,191
Interest in Irrevocable Trust	-	147,625	-	147,625
Total	<u>\$ 17,021,857</u>	<u>\$ 147,625</u>	<u>\$ -</u>	<u>\$ 17,169,482</u>

Unrealized gains in fair value are recorded in the statement of revenue, expenses, and changes in net position.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 6. CONTRIBUTIONS RECEIVABLE

Contributions receivable of the foundation as of June 30, 2024, were recorded as follows:

Amounts due in:	
Less than one year	\$ 674,192
One to five years	1,070,165
More than five years	<u>10,000</u>
<b>Total</b>	<b>1,754,357</b>
Less: discount for net present value at 5%	94,270
Less: allowance for uncollectible accounts	<u>9,000</u>
<b>Contributions Receivable, Net</b>	<b><u>\$ 1,651,087</u></b>

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 7. CAPITAL ASSETS

The following table presents the changes in the capital asset categories of the college, less depreciation expense for the year ended June 30, 2024:

	June 30, 2023	Additions/ Transfers	Retirements	June 30, 2024
Capital assets not being depreciated				
Land	\$ 378,578	\$ -	\$ -	\$ 378,578
Construction in progress	48,232,419	31,758,196	-	79,990,616
Total capital assets not being depreciated	48,610,997	31,758,196	-	80,369,194
Capital assets being depreciated/amortized				
Land improvements	1,082,437	-	(997,831)	84,606
Buildings	257,740,986	-	-	257,740,986
Building renovations	110,918,560	4,357,832	(2,417,487)	112,858,905
Furniture, equipment and software	21,601,899	1,124,148	(1,764,639)	20,961,408
Library books	251,213	18,534	(36,357)	233,390
Leasehold improvements	332,648	-	-	332,648
Right to use assets	1,873,458	-	(1,617,605)	255,853
Subscription based IT assets	2,833,157	473,714	-	3,306,871
Total capital assets being depreciated/amortized	396,634,358	5,974,228	(6,833,919)	395,774,667
Less: accumulated depreciation/amortization				
Land improvements	(1,044,538)	(3,384)	997,831	(50,092)
Buildings	(68,593,523)	(5,054,066)	-	(73,647,589)
Building renovations	(57,089,885)	(7,233,405)	2,417,487	(61,905,803)
Furniture and equipment	(18,116,507)	(1,088,948)	1,764,639	(17,440,817)
Library books	(136,954)	(21,893)	35,441	(123,407)
Leasehold improvements	(155,236)	(22,177)	-	(177,412)
Right to use assets	(1,226,978)	(675,681)	1,653,722	(248,937)
Subscription based IT assets	(726,925)	(927,259)	-	(1,654,184)
Total accumulated depreciation/amortization	(147,090,547)	(15,026,813)	6,869,120	(155,248,240)
Total assets, net	249,543,811	(9,052,585)	35,201 *	240,526,427
<b>Capital assets, net</b>	<b>\$ 298,154,809</b>	<b>\$ 22,705,611</b>	<b>\$ 35,201</b>	<b>\$ 320,895,621</b>

\*Loss on disposal of assets

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 8. RIGHT TO USE ASSET AND LEASE AND SUBSCRIPTION LIABILITY

The college has entered into various lease agreements as lessee primarily for office space and office equipment. The college's leases have initial terms of up to five years, and contain one or more renewals at the college's option, generally for up to five-year periods. The college has generally included these renewal periods in the lease term when it is reasonably certain that the lease renewal option will be exercised. The college's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes, and insurance, which are expensed as incurred as variable lease payments. For office space leases that include variable payments, those include payments for the college's proportionate share of the building's property taxes, insurance, and common area maintenance. The college's lease arrangements do not contain any material residual value guarantees.

As the interest rate implicit in the college's leases is not readily determinable, the college utilizes its incremental borrowing rate between 2.53 and 5 percent to discount the lease payments.

As of June 30, 2024, the statement of net position includes the following amounts relating to leases:

	June 30, 2023	Amortized Amount	June 30, 2024
Asset: Right to Use			
Building	\$ 556,585	\$ (556,585)	\$ -
Equipment	89,895	(82,979)	6,916
	<u>\$ 646,480</u>	<u>\$ (639,564)</u>	<u>\$ 6,916</u>

	June 30, 2023	Reduction	June 30, 2024
Lease Liability			
Building	\$ 632,875	\$ (632,875)	\$ -
Equipment	94,020	(86,605)	7,415
	<u>\$ 726,895</u>	<u>\$ (719,480)</u>	<u>\$ 7,415</u>

The future principal and interest lease payments as of June 30, 2024, were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	7,415	31
	<u>\$ 7,415</u>	<u>\$ 31</u>

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 8. RIGHT TO USE ASSET, LEASE AND SUBSCRIPTION LIABILITY *(continued)*

Associated with the college's lease obligations, In FY01, the college entered into a joint-venture agreement with Prince George's Community College (PGCC) to form the LCC. The LCC offers both credit and noncredit courses. The college and PGCC split revenue of \$2,908,607 and expenses of \$3,247,236 associated with the LCC equally. For the year ended June 30, 2024, the college recorded 50 percent of revenue and 50 percent of expenses of the center in the statement of revenue, expenditures, and changes in net position, as per the agreement with PGCC. As of June 30, 2024, the amount of \$518,434 is due to PGCC from HCC. HCC has ended the LCC joint-venture with PGCC effective June 30, 2024.

As part of the joint venture agreement, the college and PGCC entered into a non-cancelable operating lease agreement, which contains a non-appropriation clause. This lease had an initial term of five years with the option to renew the lease for an additional five years in one- year increments. The lease payments have an escalation clause of three percent per year and the college has recognized its proportionate share of the rent expense in accordance with the terms of the lease agreement. HCC's proportionate share of the rent expense for the year ended June 30, 2024, was \$640,414. Due to ending the LCC joint-venture effective June 30, 2024, there are no more obligations on the Laurel lease agreement.

The college has several Subscription-Based Information Technology Arrangements, that under GASB Statement No. 96, we are required to recognize and subscription liability and an intangible right-to-use subscription asset. The length of the subscriptions range from 24 – 52 months.

As the interest rate implicit in the college's subscriptions is not readily determinable, the college utilizes its incremental borrowing rate between 1.894 and 2.647 percent to discount the subscription payments.

As of June 30, 2024, the statement of net position includes the following amounts relating to subscriptions:

	June 30, 2023	Additions	Correction of Error	Reduction	Amortized Amount	June 30, 2024	
Asset: Right to Use							
Subscriptions	\$ 2,106,231	\$ 81,741	\$ 391,974	\$ -	\$ (927,258)	\$ 1,652,688	

	June 30, 2023	Additions	Correction of Error	Reduction	Amortized Amount	June 30, 2024	Amount Due in one Year
Liability							
Subscriptions	\$ 2,119,293	\$ 81,741	\$ 257,973	\$ (862,148)	\$ -	\$ 1,596,859	\$ 871,553

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 8. RIGHT TO USE ASSET, LEASE AND SUBSCRIPTION LIABILITY *(continued)*

The future principal and interest lease and subscription payments as of June 30, 2024, were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	871,553	28,777
2026	555,112	11,223
2027	170,195	1,227
	<u>\$ 1,596,860</u>	<u>\$ 41,227</u>

#### 9. BONDS PAYABLE, HOWARD COUNTY

The college is indebted to the county for bond issues in the amount of \$7,904,765 as of June 30, 2024, for construction costs of the east parking garage, the college's portion of the Horowitz Visual and Performing Arts Center, and the Campus Roadway Project that includes the east parking garage expansion. Payments began in 2008 and are due through 2039 at interest rates ranging from 0.5 percent to five percent.

The debt and interest payments in the future were as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	728,692	296,458
2026	642,407	265,250
2027	612,032	238,147
2028	589,128	212,760
2029	585,027	186,677
2030-2034	2,883,282	603,665
2035-2039	1,864,197	145,329
<b>Total</b>	<u>\$ 7,904,765</u>	<u>\$ 1,948,286</u>

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 9. BONDS PAYABLE, HOWARD COUNTY *(continued)*

Changes in the college's long-term liabilities for the year ended June 30, 2024, were as follows:

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Amount Due in One Year</u>
Bonds payable	<u>\$ 8,574,429</u>	<u>\$ -</u>	<u>\$ 669,664</u>	<u>\$ 7,904,765</u>	<u>\$ 728,692</u>

#### 10. RESTRICTED NET POSITION

Restricted for expendable net position of the college was \$14,167 as of June 30, 2024. Restricted for expendable net position of the foundation of \$7,561,400 as of June 30, 2024, consists of funds restricted for scholarship purposes and other specified programs. Net position released from restrictions were funds restricted for scholarship purposes and other specified programs whose restrictions were satisfied. Nonexpendable net position of the foundation of \$10,876,641, as of June 30, 2024, are restricted in perpetuity, the income from which is expendable to support the general obligations of the foundation and to provide scholarships. The \$13,599,065, reflected with donor restriction in the endowment, is comprised of the \$10,876,641 to held in perpetuity and the expendable earnings from those funds.

##### Endowment

The board of directors of the foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as expendable net position until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 10. RESTRICTED NET POSITION *(continued)*

##### **Endowment** *(continued)*

In accordance with SPMIFA, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of the foundation and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the foundation; and
- the investment policies of the foundation.

##### *Return Objectives and Risk Parameters*

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. Endowment assets include those assets of donor-restricted funds that the foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds.

##### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The foundation has a policy of appropriating four percent of the average year-end balance for the prior three years of the endowment at the end of each fiscal year. The foundation board may spend more or less than the four percent because balances may not be sufficient due to deposits, withdrawals, and investment returns. The Board approved funding the endowments at a four percent spending rate for the year ended June 30, 2024.

##### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment 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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 10. RESTRICTED NET POSITION *(continued)*

##### **Endowment** *(continued)*

##### *Funds with Deficiencies*

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and there were \$6,878 of deficiencies as of June 30, 2024.

##### **Composition of the Endowment by Net Position**

As of June 30, 2024, the composition of the endowments were as follows:

	Amounts		
	Without Donor Restriction	With Donor Restriction	Total
Donor- restricted and board designated funds	\$ 546,559	\$ 13,599,065	\$ 14,145,624

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 10. RESTRICTED NET POSITION *(continued)*

##### Change in Endowment Net Position

	June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ 546,559	\$ 12,380,691	\$ 12,927,250
Investment return:			
Investment income	-	293,157	293,157
Net appreciation	-	1,353,734	1,353,734
Total investment return	-	1,646,891	1,646,891
Contributions		218,610	218,610
Special events		34,454	34,454
Appropriated for expenditures		(381,581)	(381,581)
Transferred to other organization		(300,000)	(300,000)
Endowment Net Assets, June 30, 2024	\$ 546,559	\$ 13,599,065	\$ 14,145,624

The changes in endowment net position were as follows:

#### 11. RETIREMENT BENEFITS

All budgeted full-time and budgeted part-time college employees participate in either the Maryland State Retirement and Pension Systems (MSRPS) or an Optional Retirement Program (ORP), primarily the Teachers Insurance and Annuity Association (TIAA). The college's total current-year payroll for all employees was \$63,953,241. The payroll of employees covered by either the MSRPS or an ORP was \$47,399,245.

MSRPS is a cost-sharing multiple employer Public Employees Retirement System (PERS) established and administered in accordance with State Personnel and Pension Article of the Annotated Code of Maryland. Annually, the State Retirement Agency publishes a publicly-available financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained by writing to MSRPS at the State Retirement Agency, 301 West Preston Street, Baltimore, Maryland, 21201-2363.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 11. RETIREMENT BENEFITS *(continued)*

##### **MSRPS Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The system also provides disability and survivor benefits to DB plan members.

Employee benefits and contributions differ based on the employees' participation in either the retirement system (Teachers' Retirement System or Employees' Retirement System) or the pension system (Teachers' Pension System or Employees' Pension System). All new budgeted employees must join the pension system or an ORP. Employees who were members of the retirement system on December 31, 1979, can continue membership unless they elect to join the pension system or an ORP.

All employees have vested benefits after 10 years of creditable service. Retirement benefits under both the retirement and pension systems are based on years of service. Under the pension system, benefits are integrated with Social Security benefits and cost-of-living adjustments vary depending on the plan. The retirement system has no integration level.

The pension system requires individuals to contribute seven percent of their annual salary. Employees, who are members of the retirement system can, if they had elected by July 1984, contribute seven percent of their annual compensation and receive an unlimited cost-of-living adjustment.

Employer contributions to the system are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

##### **Teacher's Retirement Pension Plan**

The State of Maryland pays, on behalf of the college, the employer's share of retirement costs for teachers and related positions. During the fiscal year ended June 30, 2024, the state paid \$2,809,515 in retirement costs, equal to approximately 5.93 percent of the covered payroll costs. The college's share of retirement costs for other employees was calculated based on the accrued benefit cost method.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 11. RETIREMENT BENEFITS *(continued)*

##### General Information about the Plan

*Plan description.* The employees of the college are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. While there are five retirement and pension systems under the System, employees of the college are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <https://sra.maryland.gov/>.

*Benefits provided.* The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. For individuals who become members of the Teachers' Retirement and Pension Systems and the Employees' Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Teachers' Pension System and Employees' Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefits allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals  $1/55$  (1.81%) of the member's average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of either the Teachers' or Employees' Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members' combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 11. RETIREMENT BENEFITS *(continued)*

the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

*Contributions.* The college and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and Employees' Pension System are required to contribute 7% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

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

#### Employees Retirement and Pension Systems

At June 30, 2024, the college reported a liability of \$3,243,887 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2023. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2023, the college's proportionate share was 0.0141%, which is a decrease of .0004% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the college recognized pension expense of \$522,840. At June 30, 2024, 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
Differences between expected and actual experience	\$ -	\$ (241,509)
Net difference between projected and actual earnings on pension plan investments	300,640	-
Changes in assumption	199,029	-
Change in allocation rate	90,984	(809,240)
College contributions subsequent to the measurement date	363,494	-
<b>Total</b>	<u>\$ 954,148</u>	<u>\$ (1,050,749)</u>

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 11. RETIREMENT BENEFITS *(continued)*

The \$363,494 reported as deferred outflows related to pensions resulting from college contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2025	\$ (184,262)
2026	(196,282)
2027	(29,803)
2028	(49,748)

#### Teachers Retirement and Pension Systems

At June 30, 2024, the college did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the college and the college pays the normal cost related to the college's members in the Teachers Retirement and Pension Systems; therefore, the college is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. As of June 30, 2023, the State's proportionate share of the net pension liability assumed for the college was \$30,879,917.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%
Investment rate of return	6.80%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2022 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.25% were used in the June 30, 2023 valuation.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 11. RETIREMENT BENEFITS *(continued)*

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-range expected rate of return by weighing the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Public Equity	34%	6.90%
Private Equity	16%	8.60%
Rate Sensitive	20%	2.60%
Credit Opportunity	9%	5.60%
Real Assets	15%	5.40%
Absolute Return	6%	4.40%
Total	100%	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2023.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 3.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate.* The single discount rate used to measure the total pension liability was 6.80%. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans 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.

*Sensitivity of the Net Pension Liability.* Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the College's net pension liability, calculated using a single discount rate of 6.80%, as well as what the college's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 11. RETIREMENT BENEFITS *(continued)*

	<b>1% Decrease (5.80%)</b>	<b>Current Discount Rate (6.80%)</b>	<b>1% Increase (7.80%)</b>
College's proportionate share of the net pension liability	\$4,810,028	\$3,243,887	\$1,944,262

Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the college did not record a net pension liability related to the Teachers Retirement and Pension Systems.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

#### **Optional Retirement**

TIAA is a Fortune 100 financial services organization that is a leading retirement provider for people who work in the academic, research, medical and cultural fields. Much of TIAA operates on a non-for-profit basis, with surplus returned to participants. The TIAA program is a money purchase plan under which the benefit is determined by the retirement income purchased by state and employee contributions. Fidelity is also an available optional retirement plan. The state contribution rate is determined by state law and is currently 7.25 percent of salary. During the fiscal year ended June 30, 2024, the state paid \$1,447,310 in retirement costs for the optional retirement plan. The college reflects these on-behalf payments by the state as revenues and expenditures in its financial statements, in accordance with GASB statement No. 24. No employee contribution is required. Participants in an optional retirement plan may begin to receive their annuity income at any time after leaving the college; however, there is a penalty for those under retirement age.



## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

##### **Plan Description**

The college contributes to the Howard County Other Post-Employment Benefits Trust, a cost-sharing multiple-employer defined benefit health care plan (the plan). The county established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants. Howard County provides post-employment health insurance benefits to all eligible employees who retire from the county or its component units who wish to participate. In order to be eligible, the retiree must have a minimum of 10 years of service, and immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees of the county or its components. The county will pay a percentage of the retiree's health insurance premium based upon certain criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria must have five years of service to participate in the retirees' health insurance program by paying the full premium at the group rate. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

##### **Plan Funding Policy**

The college's required annual contribution is based on its annual retiree expense. The county, as the plan sponsor, is responsible for funding the plan. For the year ended June 30, 2024, the college recognized the county payment made on behalf of the college of \$1,031,544, which was made during the measurement period.

##### **Funding Status and Funding Process**

While the college is paying an annual contribution, the college is not funding the plan. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of the June 30, 2024 Howard County Actuarial Valuation of Other Post-retirement Benefits, the plan was 18.57 percent funded.

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(continued)*

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

As of June 30, 2024, the college reported a liability of \$28,197,661 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The college's proportion of the net OPEB liability was based on an actuarial calculation of the College's OPEB liability on a standalone basis compared to the Plan's total OPEB liability. As of June 30, 2024, the college's proportion was 2.62 percent, which did not change from the prior year.

##### **Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2024, the college recognized an OPEB expense of \$2,066,907. This amount includes the contribution of \$1,031,544 made by the county. As of June 30, 2024, the college reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Differences between expected and actual experience	\$ 233,197	\$ (7,483,377)
Net difference between projected and actual earnings on OPEB plan investments	384,199	-
Changes in assumption	8,285,349	(14,431,959)
College contributions subsequent to the measurement date	342,564	-
Change in proportionate share	-	(2,966,203)
<b>Total</b>	<b>\$ 9,245,309</b>	<b>\$ (24,881,539)</b>

The college reported \$342,564 deferred outflows of resources related to OPEB resulting from college contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. The prior year contribution of \$288,646 was included as OPEB expense in FY24. The remaining deferred outflows of \$8,902,745 combined with the deferred inflows of resources of (\$24,881,539) related to OPEB will be recognized in OPEB expenses as follows:

<b><u>For The Years Ending June 30,</u></b>	<b><u>Amount</u></b>
2025	(2,427,636)
2026	(2,438,652)
2027	(2,247,771)
2028	(2,096,647)
2029	(1,999,413)
Thereafter	(4,768,675)

# HOWARD COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2024

### 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(continued)*

#### Actuarial Assumptions

The collective total OPEB liability for the June 30, 2023, measurement date was determined by an actuarial valuation as of February 1, 2022, with update procedures used to roll forward the total OPEB liability to June 30, 2023.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior expected in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2022. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements. This actuarial valuation used the following actuarial assumptions.

Actuarial Cost Method	Entry Age Normal																								
Interest Assumption	Discount rate of 4.60% as of 6/30/24																								
Inflation	2.70%																								
Municipal Bond Rate	4.13% as of 6/30/23 based on S&P Municipal Bond 20-Year High-Grade Rate Index																								
Projected Cash Flows	The long-term expected rate of return was applied to fiscal years 2022 – 2042.																								
Long-Term Expected Real Rate of Return	<table><tr><td>Real Rate of Return</td><td></td><td></td></tr><tr><td>Equities</td><td>45%</td><td>4.85%</td></tr><tr><td>Fixed Income</td><td>23%</td><td>2.46%</td></tr><tr><td>Alternative Investments</td><td>26%</td><td>6.21%</td></tr><tr><td>Real Assets</td><td>6%</td><td>4.33%</td></tr><tr><td>Expected Real Rate of Return</td><td></td><td>4.60%</td></tr><tr><td>Inflation Rate</td><td>+</td><td><u>2.65%</u></td></tr><tr><td><b>Total Investment Rate of Return</b></td><td></td><td><b>7.25%</b></td></tr></table>	Real Rate of Return			Equities	45%	4.85%	Fixed Income	23%	2.46%	Alternative Investments	26%	6.21%	Real Assets	6%	4.33%	Expected Real Rate of Return		4.60%	Inflation Rate	+	<u>2.65%</u>	<b>Total Investment Rate of Return</b>		<b>7.25%</b>
Real Rate of Return																									
Equities	45%	4.85%																							
Fixed Income	23%	2.46%																							
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Real Assets	6%	4.33%																							
Expected Real Rate of Return		4.60%																							
Inflation Rate	+	<u>2.65%</u>																							
<b>Total Investment Rate of Return</b>		<b>7.25%</b>																							
Mortality	Based on the 6/30/22 State of Maryland Teachers’ Pension valuation mortality assumption.																								
Healthcare Cost Trend Rate	6.6%																								

## HOWARD COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2024

#### 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(continued)*

##### Discount Rate

The discount rate used to measure the total OPEB liability was 4.60 percent, an increase of 0.20 percent from the prior year discount rate of 4.40 percent. The projection of cash flows used to determine the discount rate assumed that contributions from county and the college will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees through 2040. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments through 2040 to determine the total OPEB liability.

##### Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the college, as well as what the college's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.60%) or one percentage point higher (5.60%) than the current discount rate:

	1% Decrease (3.60%)	Discount Rate (4.60%)	1% Increase (5.60%)
Net OPEB liability	\$ 34,526,660	\$ 28,197,661	\$ 23,167,105

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

The following presents the net OPEB liability of the college, as well as what the college's net OPEB liability would be if it were calculated using healthcare cost trend that are one percentage point lower (6.00% decreasing to 5.00%) or one percentage point higher (6.00% increasing to 7.00%) than the current healthcare cost trend rates:

	1% Decrease (5.00%)	Healthcare Cost Trend Rates (6.00% medical trend)	1% Increase (7.00%)
Net OPEB liability	\$ 22,937,827	\$ 28,197,661	\$ 35,109,920

### **13. RISK MANAGEMENT**

The college is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The college is insured through Howard County Government's self-insurance program, which is underwritten by the Local Government Insurance Trust (LGIT). The self-insurance fund provides general liability insurance, all-risk property, cyber liability and worker's compensation insurance for Howard County, Maryland. The Fund is a self-insurance mechanism, authorized under Maryland Law, by which local governments' pool together to provide casualty self-insurance coverage.

The limit of coverage for general liability and cyber liability is \$5,000,000 per occurrence for any single event, with the first \$1,000,000 covered under the Howard County fund and the \$4,000,000 additional through a policy of excess liability insurance directly through LGIT. The limit for property coverage is full replacement cost equal to the insurable value of real or personal property, with the first \$100,000 covered under the Howard County Fund and the remaining balance of full replacement through a policy of excess property insurance directly through LGIT. The limit of coverage for workers' compensation is the statutory coverage as required by the State of Maryland, with the first \$1,000,000 covered under the Howard County Fund and \$4,000,000 additional through a policy of excess professional liability insurance directly through LGIT. The college maintains its primary and excess automobile coverage directly through LGIT with a limit of \$1,000,000 for each automobile claim.

Under the umbrella of Howard County, the college has additional coverage from LGIT for liability and property claims in excess as described above. The county pays annual premiums to LGIT for these coverages. LGIT was created to provide broader insurance than that available from commercial insurers, coverage that otherwise would be unavailable, and loss control and risk management services for local governments. The college is covered for workers' compensation claims in excess of the \$1,000,000 per claim as described above. Settled claims have not exceeded coverage in any of the past five years.

The college makes payments to the county and LGIT based on the premiums established by the county dependent on a combination of actuarial estimates and historical cost information. The college has no liability for covered claims other than paying the premium established by the county. The amount paid to the county and LGIT and expensed during the year ended June 30, 2024, was \$653,035.

The college has also entered into an agreement with Howard County to provide health care coverage for its employees under the county's self-insured plan. The college has the option to terminate the agreement at the end of each fiscal year. The college has no liability for covered claims other than paying the premiums established by the county, which were \$8,480,089 for the year ended June 30, 2024.

## **14. RELATED PARTY TRANSACTIONS**

As discussed, the foundation has been determined to be a component unit of the college, after analyzing the requirements of accounting principles generally accepted for governmental accounting, and its financial activity is presented discretely in the college's financial statements.

For the year ended June 30, 2024, the college provided \$979,903 of in-kind administrative and overhead support to the foundation. During the same period, the foundation provided \$1,330,311 in scholarships awarded to students and \$663,426 in non-scholarship benefits, including in-kind contributions, to the college in support of college programs and other services.

Howard County Government allows the college to use the Hickory Ridge Building and the first floor of the Gateway Building for classrooms and administrative offices. Both facilities are owned by the county. The college pays all maintenance and operating costs related to the use of these 77,200 square feet of space. The college has also recognized in-kind OPEB benefits from the county of \$1,031,544 in non-operating revenue and operating expense.

## **15. COMMITMENTS AND CONTINGENCIES**

### ***Commitments***

As of June 30, 2024, the college has commitments of approximately \$20,254,428 to complete outstanding capital projects and \$593,241 in encumbrances for other special projects.

### ***Contingencies***

In the normal course of business, the college becomes involved in legal actions. There are no legal actions pending that would materially impact the college's financial position.

Most grants and cost-reimbursable contracts of the college and foundation specify the types of expenses for which the grant or contract funds may be used. The expenses made by the college under some of these grants and contracts are subject to audit. To date, the college has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

## **16. SUBSEQUENT EVENTS**

The college's management evaluated the accompanying financial statements for subsequent events and transactions through October 30, 2024, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## HOWARD COMMUNITY COLLEGE

### Schedule of Howard Community College's Proportionate Share of the Net Pension Liability – Maryland State Retirement and Pension Systems

#### Employees' Retirement and Pension System:

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.0141%	0.0145%	0.0140%	0.0125%	0.0134%	0.0121%	0.0106%	0.0117%	0.0124%	0.0110%
College's proportionate share of the net pension liability	\$ 3,243,889	\$ 2,891,433	\$ 2,102,867	\$ 2,825,355	\$ 2,755,687	\$ 2,546,231	\$ 2,295,602	\$ 2,757,041	\$ 2,579,875	\$ 1,878,075
College's covered employee payroll	\$ 3,142,989	\$ 3,120,299	\$ 3,391,185	\$ 3,247,201	\$ 3,435,325	\$ 3,214,415	\$ 3,031,305	\$ 3,021,313	\$ 2,983,599	\$ 2,738,973
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	103.21%	92.67%	62.01%	87.01%	80.22%	79.21%	75.73%	91.25%	86.47%	68.57%
Plan fiduciary net position as a percentage of the total pension liability	69.58%	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%

#### Teacher's Retirement and Pension System:

College's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
College's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability of the College	30,879,917	-	-	-	-	-	-	-	-	-
Total	\$ 30,879,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered employee payroll	\$ 22,182,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	76.83%	79.47%	85.40%	73.84%	75.43%	73.35%	71.41%	67.95%	70.76%	69.53%



# HOWARD COMMUNITY COLLEGE

## Schedule of Howard Community College's Contributions – Maryland State Retirement and Pension Systems

Last Ten Fiscal Years

### Employees' Retirement and Pension System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 363,494	\$ 343,529	\$ 329,815	\$ 308,868	\$ 26,825	\$ 274,358	\$ 241,992	\$ 216,075	\$ 227,640	\$ 261,657	\$ 246,615
Contributions in relation to the contractually required contribution	(363,494)	(343,529)	(329,815)	(308,868)	(26,825)	(274,358)	(241,992)	(216,075)	(227,640)	(261,657)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
College's covered-employee payroll	\$ 3,285,750	\$ 3,142,989	\$ 3,120,299	\$ 3,391,185	\$ 3,247,201	\$ 3,435,325	\$ 3,214,415	\$ 3,031,305	\$ 3,021,313	\$ 2,983,599	\$ 2,738,973
Contributions as a percentage of covered-employee payroll	11.06%	10.93%	10.57%	9.11%	0.83%	7.99%	7.53%	7.13%	7.53%	8.77%	

### Teachers Retirement and Pension System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
College's covered-employee payroll	\$ 23,598,371	\$ 22,182,469			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

## HOWARD COMMUNITY COLLEGE

### Notes to Required Supplementary Information for Pensions June 30, 2024

**Changes of benefit terms:** There were no changes of benefit terms.

**Changes of assumptions:** There were the following changes in assumptions from the 2016 to 2023 valuation.

<b>Inflation</b>	<b>2.25%</b>	<b>2.25%</b>	<b>2.60%</b>	<b>2.60%</b>	<b>2.65%</b>	<b>2.60%</b>	<b>2.65%</b>	<b>2.00%</b>
<b>Salary Increase</b>	<b>2.75%</b>	<b>2.75%</b>	<b>3.10%</b>	<b>3.10 to 11.6</b>	<b>3.10 to 11.6</b>	<b>3.10 to 9.10</b>	<b>3.15 to 9.15</b>	<b>3.30 to 9.20</b>
<b>Investment Rate of Return</b>	<b>6.80%</b>	<b>6.80%</b>	<b>6.80%</b>	<b>7.40%</b>	<b>7.40%</b>	<b>7.45%</b>	<b>7.50%</b>	<b>7.55%</b>

## HOWARD COMMUNITY COLLEGE

### Schedule of Howard Community College's Proportionate Share of the Net OPEB Liability – Howard County Government

	June 30, 2024*	June 30, 2023*	June 30, 2022*	June 30, 2021*	June 30, 2020*	June 30, 2019*	June 30, 2018*
College's proportion of net OPEB liability	2.62%	2.62%	2.62%	2.62%	2.92%	2.92%	3.01%
College's proportionate share of net OPEB liability	\$ 28,197,661	\$ 27,537,696	\$ 48,309,689	\$ 42,612,277	\$ 39,159,723	\$ 34,243,904	\$ 33,279,623
College's covered payroll	\$ 45,763,412	\$ 46,156,807	\$ 44,471,480	\$ 45,610,772	\$ 44,031,241	\$ 43,128,303	\$ 40,876,378
College's proportionate share of net OPEB liability as a percentage of its covered payroll	61.62%	59.66%	108.63%	93.43%	88.94%	79.40%	81.42%
Plan fiduciary net position as a percentage of total OPEB liability	18.57%	16.92%	11.43%	9.81%	10.31%	9.94%	8.62%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled, the college presents information for those years for which*

*\*The amounts presented above were determined as of June 30, 2023, 2022, 2021, 2020, 2019, 2018, and 2017 respectively.*

## HOWARD COMMUNITY COLLEGE

### Schedule of Howard Community College's Contributions – Howard County Government - Other Postemployment Benefits (OPEB)

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Statutory required contributions	\$ 342,564	\$ 288,646	\$ 379,067	\$ 370,929	\$ 343,147	\$ 305,856	\$ 269,612	\$ 250,080
Contributions in relations to statutorily required contributions	\$ 342,564	\$ 288,646	\$ 379,067	\$ 370,929	\$ 343,147	\$ 305,856	\$ 269,612	\$ 250,080
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
College's covered payroll	\$ 47,399,245	\$ 45,763,412	\$ 46,156,807	\$ 44,471,480	\$ 45,610,772	\$ 44,031,241	\$ 43,128,303	\$ 40,876,378
Contributions as a percentage of covered payroll	0.7%	0.6%	0.8%	0.8%	0.8%	0.7%	0.6%	0.6%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled, the college presents information for those years for which information*

## HOWARD COMMUNITY COLLEGE

### Notes to Required Supplementary Information for OPEB June 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016
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**Changes of benefits terms:** There were not changes of benefit terms.

**Changes of assumptions:** There were the following changes in assumptions from 2016-2023

<b>Investment Rate of Return</b>	<b>4.60%</b>	<b>4.40%</b>	<b>2.41%</b>	<b>2.84%</b>	<b>3.56%</b>	<b>3.98%</b>	<b>3.94%</b>	<b>3.20%</b>
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Because this OPEB plan does not depend on salary, no salary information is shown.

