

 Frederick Community College

# ANNUAL FINANCIAL REPORT



**JUNE 30, 2021**

**FREDERICK COMMUNITY COLLEGE  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2021**

**TABLE OF CONTENTS**

<b><u>DESCRIPTION</u></b>	<b><u>PAGE</u></b>
<b>Report of Independent Public Accountants</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Financial Statements</b>	
Statements of Net Position	8
Statements of Revenue, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to the Financial Statements	12
Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Frederick Community College

### **Report on the Financial Statements**

We have audited the financial statements of the business-type activities and the discretely presented component unit of Frederick Community College (the College), a component unit of Frederick County, Maryland, as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2021 and 2020, and the respective changes in their financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of the College's internal controls 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls 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 controls over financial reporting and compliance.

Owings Mills, Maryland  
September 27, 2021

# **FREDERICK COMMUNITY COLLEGE**

## **Management's Discussion and Analysis June 30, 2021 and 2020**

### **Overview and Basis of Presentation**

This section of the Frederick Community College (the College) basic financial statements presents management discussion and analysis (MD&A), which provides an overview of its financial activities as of and for the years ended June 30, 2021 and 2020, with 2019 for comparative purposes. This should be read in conjunction with the financial statements, as well as the more detailed information in the related notes to the financial statements. The MD&A, financial statements, and the related notes are the responsibility of management.

### **Discretely Presented Component Units**

The College reporting entity includes the College and the Frederick Community College Foundation (the Foundation) as a component unit of the College, whose sole purpose is to serve the institution by providing resources for scholarships and other College projects. The financial statements of the Foundation as of and for the years ended June 30, 2021 and 2020, are displayed in the financial statements section of this report.

### **Significant Financial and Enrollment Highlights**

- An unreserved fund balance of \$9.0 million remains in the Current Unrestricted Educational and General Subfund to be used for unanticipated revenue shortfalls and changing fiscal conditions. The auxiliary fund balance is (\$0.3) million. These fund balances are included in the Unrestricted Net Position on the Statements of Net Position.
- The Reserve Policy and Procedures were revised and approved by the College Board of Trustees in May 2016. This policy created a goal of establishing a Contingency Fund Reserve (CFR) designated for fiscal stability equal to 5% of the current year operating budget. This policy also consists of a Strategic Fund Balance Reserve (SFBR) and a Budgeted Annual Operating Reserve (BAOR) equal to up to 2% and 1%, respectively, of the current approved operating budget. The SFBR may be used to provide a funding source for opportunities that cannot be funded in the current fiscal year through the operating budget and the BAOR is to provide a funding source for unexpected expenses that may occur. As of June 30, 2021, the CFR was \$3.0 million, and the SFBR was \$1.2 million and both reserves are fully funded.
- In-County tuition rates were increased by \$3 per credit hour, out-of-county rates increased by \$7 per credit hour and out-of-state rates increased by \$9 per credit hour in fiscal year 2021.
- The county and state share of unrestricted revenue for fiscal year 2021 was 36.9% and 25.3%, respectively.
- Bookstore had a net loss of \$82 thousand, Children's Center had a net loss of \$42 thousand, and Dining Services had a net loss of \$16 thousand for fiscal year 2021, mainly due to the Coronavirus pandemic.

# FREDERICK COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2021 and 2020

### Significant Financial and Enrollment Highlights (continued)

- Full-time equivalent (FTE) enrollment decreased by 356 students between fiscal year 2021 and fiscal year 2020. The following summarizes state-reimbursable FTE trends over the past five years:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Credit	3,424	3,534	3,293	3,318	<b>3,139</b>
Non-credit	647	652	639	572	<b>395</b>
<b>Total</b>	<u>4,071</u>	<u>4,186</u>	<u>3,932</u>	<u>3,890</u>	<u><b>3,534</b></u>

### Statements of Net Position

The Statements of Net Position present all assets and liabilities of the College as of the end of the fiscal year. The net position represents the difference between assets and liabilities and is one way to measure the financial health of the College.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021/2020 Change</u>	<u>2020/2019 Change</u>
<b><u>Assets</u></b>					
Current assets	\$ 25,456,081	\$ 18,851,775	\$ 17,808,848	\$ 6,604,306	\$ 1,042,927
Non-current assets	<b>86,245,530</b>	87,278,667	83,973,037	(1,033,137)	3,305,630
<b>Total Assets</b>	<u><b>111,701,611</b></u>	<u>106,130,442</u>	<u>101,781,885</u>	<u>5,571,169</u>	<u>4,348,557</u>
<b><u>Liabilities and Net Position</u></b>					
<b>Liabilities:</b>					
Current liabilities	<b>9,325,301</b>	6,360,490	5,752,674	2,964,811	607,816
Non-current liabilities	<b>4,836,241</b>	5,135,838	5,468,993	(299,597)	(333,155)
<b>Total Liabilities</b>	<u><b>14,161,542</b></u>	<u>11,496,328</u>	<u>11,221,667</u>	<u>2,665,214</u>	<u>274,661</u>
<b>Net Position:</b>					
Capital assets	<b>81,143,338</b>	81,896,676	78,321,247	(753,338)	3,575,429
Restricted	<b>618,390</b>	759,757	773,775	(141,367)	(14,018)
Unrestricted	<b>15,778,341</b>	11,977,681	11,465,196	3,800,660	512,485
<b>Total Net Position</b>	<u><b>\$ 97,540,069</b></u>	<u>\$ 94,634,114</u>	<u>\$ 90,560,218</u>	<u>\$ 2,905,955</u>	<u>\$ 4,073,896</u>

Net position increased to \$97.5 million in fiscal year 2021 and increased from \$90.6 million in fiscal year 2019 to \$94.6 million in fiscal year 2020. Current assets increased by \$6.6 million in fiscal year 2021 due mainly to an increase in County and State receivables for capital projects and funding received from the Higher Education Emergency Relief Fund (HEERF). Non-current assets decreased by \$1.0 million in fiscal year 2021 due mainly to depreciation of fixed assets. Current assets increased by \$1.0 million in fiscal year 2020 due mainly to an increase in County and State receivables for capital projects. Non-current assets increased by \$3.3M in 2020 due mainly to the completion of Student Center building upgrades, building access controls and automation upgrades, flat roof replacements, and LED exterior lighting upgrades. Current liabilities and total liabilities increased by \$3.0 million and \$2.7 million, respectively, as of June 30, 2021, due to increased unearned revenue related to the HEERF grant.

# FREDERICK COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2021 and 2020

### Statements of Revenue, Expenses, and Change in Net Position

The Statements of Revenue, Expenses and Change in Net Position present the operating results of the College, as well as the non-operating revenue and expenses. Annual county and state appropriations, while budgeted for operations, are considered non-operating revenues according to accounting principles generally accepted in the United States. Accordingly, public colleges will show an operating loss prior to the display of non-operating revenue, which is primarily governmental funding support.

	2021	2020	2019	2021/2020 Change	2020/2019 Change
<b>Operating Revenue</b>					
Tuition and fees, net	\$ 15,573,992	\$ 15,774,609	\$ 16,134,862	\$ (200,617)	\$ (360,253)
Grants and contracts	4,950,107	2,778,658	2,220,843	2,171,449	557,815
Auxiliary enterprises	1,217,874	2,492,742	3,260,810	(1,274,868)	(768,068)
Other revenue	3,567,246	2,539,132	2,691,915	1,028,114	(152,783)
<b>Total Operating Revenue</b>	<b>25,309,219</b>	<b>23,585,141</b>	<b>24,308,430</b>	<b>1,724,078</b>	<b>(723,289)</b>
<b>Operating Expenses</b>					
Education and general	58,403,291	56,376,216	55,709,965	2,027,075	666,251
Depreciation expense	3,954,431	3,955,029	3,789,482	(598)	165,547
Auxiliary enterprises	1,362,264	2,779,345	3,460,448	(1,417,081)	(681,103)
Other expenses	61,703	62,744	346,109	(1,041)	(283,365)
<b>Total Operating Expenses</b>	<b>63,781,689</b>	<b>63,173,334</b>	<b>63,306,004</b>	<b>608,355</b>	<b>(132,670)</b>
<b>Operating Loss</b>	<b>(38,472,470)</b>	<b>(39,588,193)</b>	<b>(38,997,574)</b>	<b>1,115,723</b>	<b>(590,619)</b>
<b>Nonoperating Revenue (Expenses)</b>					
Government appropriations	31,406,689	30,011,984	28,166,710	1,394,705	1,845,274
State retirement	2,755,714	2,716,763	2,535,494	38,951	181,269
Capital appropriations	3,094,617	6,145,823	5,379,597	(3,051,206)	766,226
Investment Income	25,404	199,469	265,328	(174,065)	(65,859)
Other	4,096,001	4,588,050	4,465,721	(492,049)	122,329
<b>Total Nonoperating Revenue</b>	<b>41,378,425</b>	<b>43,662,089</b>	<b>40,812,850</b>	<b>(2,283,664)</b>	<b>2,849,239</b>
<b>Change in Net Position</b>	<b>\$ 2,905,955</b>	<b>\$ 4,073,896</b>	<b>\$ 1,815,276</b>	<b>\$ (1,167,941)</b>	<b>\$ 2,258,620</b>

County appropriations, including in-kind appropriations, in support of the operating budget increased \$1.4 million, 7.4% and \$1.1 million, 6.2% in fiscal year 2021 and 2020, respectively. State appropriations did not increase in fiscal year 2021 and increased \$742 thousand, 7.1% in fiscal year 2020.

Total educational and general expenses increased 3.6% in fiscal year 2021 primarily due to pandemic driven HEERF related expenses and increases in salary and benefit expenses while the 2020 increase of 1.2% was primarily related to salary and benefit expense increases. In fiscal year 2021, College employees received a 3.5% cost of living increase (COLA).

# FREDERICK COMMUNITY COLLEGE

## Management's Discussion and Analysis June 30, 2021 and 2020

### Statements of Cash Flows

The Statements of Cash Flows provide information about cash receipts and cash payments during the year. These statements also help users assess the ability of the College to generate net cash flow and its ability to meet obligations as they come due.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021/2020 Change</u>	<u>2020/2019 Change</u>
<b>Cash and Cash Equivalents From</b>					
Operating activities	\$ (28,891,138)	\$ (31,880,909)	\$ (31,433,219)	\$ 2,989,771	\$ (447,690)
Non-capital financing activities	32,449,032	33,912,539	31,836,744	(1,463,507)	2,075,795
Capital and related financing activities	(111,777)	(1,408,738)	(313,451)	1,296,961	(1,095,287)
Investing activities	25,404	199,469	265,328	(174,065)	(65,859)
<b>Net Change in Cash and Cash Equivalents</b>	<u>\$ 3,471,521</u>	<u>\$ 822,361</u>	<u>\$ 355,402</u>	<u>\$ 2,649,160</u>	<u>\$ 466,959</u>

The primary cash receipts from operating activities consist of tuition and fees, auxiliary enterprises, and grants and contracts. Major cash outlays in operating activities consist of salaries and benefits, outsourced services, and technology spending. State and local appropriations are the primary source of non-capital financing.

Capital and related financing activities include appropriations for renovation and construction projects from state and county sources.

The investment activity of the College is related to money management accounts and the Maryland Local Government Investment Pool (MLGIP), which generate interest revenue.

### Economic Factors That Will Affect the Future

The Coronavirus pandemic (COVID-19) began in 2020 and measures taken by governments to contain the virus have affected economic activity throughout the United States and the world. In March 2020, the College responded to the Maryland Governor's orders regarding COVID-19. At that time, academic courses moved to online instruction; Dining Services and the Carl and Norma Miller Children's Center temporarily ceased operations. In addition, the Bookstore moved exclusively to an online ordering process with curbside pickup. In summer 2021, the Carl and Norma Miller Children's Center resumed operations and the Bookstore began offering in-person services along with no-contact purchasing options. In fall 2021, courses and campus services will be offered face to face, with online courses and resources available as needed.

The College has taken a number of measures to monitor and mitigate the effects of COVID-19 and to implement safety and health measures for our employees. The College developed a comprehensive Roadmap to Resilience and Recovery plan, increased cleaning and disinfecting, instilled social distancing measures, and implemented remote working arrangements whenever possible.



## **FREDERICK COMMUNITY COLLEGE**

### **Management's Discussion and Analysis June 30, 2021 and 2020**

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

Federal and state governments have also announced the implementation of government grants to mitigate some of the financial impact of COVID-19. To the extent appropriate, we have applied for such government grants and have been awarded financial assistance through the Higher Education Emergency Relief Fund and the Governor's Emergency Relief Fund. Management is in the process of implementing plans for the use of these funds.

The current operating conditions described above continued through the year ended June 30, 2021 and are expected to continue during the foreseeable future. The Governor and the College have implemented a phased approach to resuming normal operations with no established end date. The impact on the College financial results has not been significant through June 30, 2021 and at this stage, based on our experience to date, we expect this to remain the case for the foreseeable future.

The impact of COVID-19 on state and county governments, our two largest operating funding sources, results in additional uncertainty. With modest reductions expected in enrollment, the College continues to work closely with the state and county governments to maintain adequate funding for its operations.

As shown in the Significant Financial and Enrollment Highlights above, an unreserved fund balance of \$9.0 million remains in the Current Unrestricted Educational and General Subfund to be used for unanticipated revenue shortfalls and changing fiscal conditions, if the need arises. These fund balances are included in the Unrestricted Net Position on the Statements of Net Position.

#### **Contacting Frederick Community College Financial Management**

This report is designed to provide interested parties with a general overview of the financial activities of the College. If you have questions about this report or would like additional financial information, contact Frederick Community College, Finance Office, 7932 Opossumtown Pike, Frederick, Maryland, 21702.

# FREDERICK COMMUNITY COLLEGE

## Statements of Net Position As of June 30, 2021 and 2020

	Frederick Community College		Component Unit Frederick Community College Foundation, Inc.	
	2021	2020	2021	2020
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 17,769,700	\$ 14,298,179	\$ 116,123	\$ 248,469
Investments	-	-	19,885,122	16,039,295
Accounts receivable:				
Governmental	6,155,995	3,102,337	-	-
Student & third party, net of allowance	271,541	314,106	-	-
Other accounts receivable	356,149	428,345	-	-
<b>Total accounts receivable</b>	<b>6,783,685</b>	<b>3,844,788</b>	<b>-</b>	<b>-</b>
Prepaid expenses and other assets	340,262	183,318	1,350	2,550
Inventory	562,434	525,490	-	-
<b>Total Current Assets</b>	<b>25,456,081</b>	<b>18,851,775</b>	<b>20,002,595</b>	<b>16,290,314</b>
Noncurrent Assets:				
Beneficial interest in charitable remainder trust	-	-	34,483	26,584
Capital assets, net of accumulated depreciation	86,245,530	87,278,667	-	-
<b>Total Noncurrent Assets</b>	<b>86,245,530</b>	<b>87,278,667</b>	<b>34,483</b>	<b>26,584</b>
<b>TOTAL ASSETS</b>	<b>111,701,611</b>	<b>106,130,442</b>	<b>20,037,078</b>	<b>16,316,898</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	1,216,713	1,249,220	53,803	10,475
Accrued salaries	814,802	812,872	-	-
Accrued liabilities	1,305,901	1,069,240	-	-
Accrued leave	1,821,990	1,692,258	-	-
Bond payable	295,000	285,000	-	-
Unearned revenue	3,870,895	1,251,900	2,600	19,250
<b>Total Current Liabilities</b>	<b>9,325,301</b>	<b>6,360,490</b>	<b>56,403</b>	<b>29,725</b>
Noncurrent Liabilities:				
Bond payable, net of discount	4,807,192	5,096,991	-	-
Accrued leave	29,049	38,847	-	-
<b>Total Noncurrent Liabilities</b>	<b>4,836,241</b>	<b>5,135,838</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>14,161,542</b>	<b>11,496,328</b>	<b>56,403</b>	<b>29,725</b>
<b>NET POSITION</b>				
Net investment in capital assets	81,143,338	81,896,676	-	-
Net Assets Restricted by Purpose or Time	618,390	759,757	11,323,870	8,774,405
Net Assets Restricted in Perpetuity	-	-	5,098,914	4,972,763
Unrestricted Net Assets	15,778,341	11,977,681	3,557,891	2,540,005
<b>TOTAL NET POSITION</b>	<b>\$ 97,540,069</b>	<b>\$ 94,634,114</b>	<b>\$ 19,980,675</b>	<b>\$ 16,287,173</b>

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

# FREDERICK COMMUNITY COLLEGE

## Statements of Revenue, Expenses, and Changes in Net Position For the Years Ended June 30, 2021 and 2020

	Frederick Community College		Component Unit Frederick Community College Foundation, Inc.	
	2021	2020	2021	2020
<b>Operating Revenue</b>				
Tuition and fees, net of scholarship allowances of \$582,062 and \$1,676,440	\$ 15,573,992	\$ 15,774,609	\$ -	\$ -
Grants and contracts	4,950,107	2,778,658	-	-
Auxiliary enterprises	1,217,874	2,492,742	-	-
Contributions	-	-	499,307	468,698
In-kind contributions	-	-	346,083	370,335
Other revenue	3,567,246	2,539,132	230,367	154,087
<b>Total Operating Revenue</b>	<b>25,309,219</b>	<b>23,585,141</b>	<b>1,075,757</b>	<b>993,120</b>
<b>Operating Expenses</b>				
Instruction				
Academic	21,461,784	21,577,557	-	-
Continuing education	3,947,196	4,252,872	-	-
<b>Total Instruction</b>	<b>25,408,980</b>	<b>25,830,429</b>	<b>-</b>	<b>-</b>
Academic support	1,168,427	1,201,017	-	-
Student services	6,722,481	7,898,436	-	-
Plant operations and maintenance	7,031,292	7,019,766	-	-
Institutional support	10,615,657	9,457,472	-	-
Scholarships	3,942,515	2,057,486	-	-
Student aid	3,513,939	2,911,610	-	-
Depreciation	3,954,431	3,955,029	-	-
Auxiliary enterprises	1,362,264	2,779,345	-	-
Direct Program services	-	-	1,048,893	950,289
Support services	-	-	517,600	511,632
Other expenses	61,703	62,744	-	-
<b>Total Operating Expenses</b>	<b>63,781,689</b>	<b>63,173,334</b>	<b>1,566,493</b>	<b>1,461,921</b>
<b>Operating Loss</b>	<b>(38,472,470)</b>	<b>(39,588,193)</b>	<b>(490,736)</b>	<b>(468,801)</b>
<b>Nonoperating Revenue</b>				
State appropriations	11,154,005	11,154,005	-	-
County appropriations	20,252,684	18,857,979	-	-
State and County capital projects appropriations	3,094,617	6,145,823	-	-
Student aid	4,096,001	4,588,050	-	-
Investment income, net of fees	25,404	199,469	76,858	104,890
Net unrealized and realized gain (loss) on investments	-	-	4,107,380	(42,465)
Change in the value of charitable remainder trust	-	-	-	2,022
State paid benefits	2,755,714	2,716,763	-	-
<b>Nonoperating Revenue</b>	<b>41,378,425</b>	<b>43,662,089</b>	<b>4,184,238</b>	<b>64,447</b>
<b>Change in Net Position</b>	<b>2,905,955</b>	<b>4,073,896</b>	<b>3,693,502</b>	<b>(404,354)</b>
<b>Net Position - Beginning of year</b>	<b>94,634,114</b>	<b>90,560,218</b>	<b>16,287,173</b>	<b>16,691,527</b>
<b>Net Position - End of year</b>	<b>\$ 97,540,069</b>	<b>\$ 94,634,114</b>	<b>\$ 19,980,675</b>	<b>\$ 16,287,173</b>

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

**FREDERICK COMMUNITY COLLEGE**

**Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020**

<b>Cash Flows From Operating Activities</b>	<b>2021</b>	<b>2020</b>
Tuition and fees received	\$ 15,611,280	\$ 15,922,293
Payments to suppliers	(19,659,517)	(14,128,088)
Payments to employees	(40,923,008)	(41,632,852)
Auxiliary enterprise charges	1,234,316	2,509,377
Other receipts	14,845,791	5,448,361
<b>Net Cash From Operating Activities</b>	<b>(28,891,138)</b>	<b>(31,880,909)</b>
 <b>Cash Flows From Noncapital Financing Activities</b>		
Federal revenue	4,096,001	4,588,050
State and County appropriations	28,353,031	29,324,489
<b>Net Cash From Noncapital Financing Activities</b>	<b>32,449,032</b>	<b>33,912,539</b>
 <b>Cash Flows From Capital and Related Financing Activities</b>		
State and County capital appropriations	3,094,617	6,145,823
Purchase of capital assets	(2,921,394)	(7,279,561)
Payments of bonds	(285,000)	(275,000)
<b>Net Cash From Capital and Related Financing Activities</b>	<b>(111,777)</b>	<b>(1,408,738)</b>
 <b>Cash Flows From Investing Activities</b>		
Investment income, net of fees	25,404	199,469
 <b>Change in Cash and Cash Equivalents</b>	<b>3,471,521</b>	<b>822,361</b>
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<b>14,298,179</b>	<b>13,475,818</b>
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 17,769,700</b>	<b>\$ 14,298,179</b>

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

# FREDERICK COMMUNITY COLLEGE

## Statements of Cash Flows For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Loss</b>	<b>\$ (38,472,470)</b>	<b>\$ (39,588,193)</b>
<b>Adjustments to reconcile operating loss to net cash from operating activities:</b>		
Amortization of deferred financing costs	5,201	5,201
Depreciation	3,954,431	3,955,029
State paid benefits	2,755,714	2,716,763
Loss on disposal of assets	100	18,902
<b>Effect of the changes in non-cash operating assets and liabilities</b>		
Accounts receivable	114,761	326,365
Prepaid expenses	(156,944)	107,729
Inventory	(36,944)	32,835
Accounts payable	(32,507)	(476,120)
Accrued salaries	1,930	601,918
Accrued liabilities	236,661	352,972
Accrued leave	119,934	164,831
Unearned revenue	2,618,995	(99,141)
<b>Net Cash From Operating Activities</b>	<b><u>\$ (28,891,138)</u></b>	<b><u>\$ (31,880,909)</u></b>

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

# **FREDERICK COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2021 and 2020**

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

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The College is considered a business-type special-purpose government using the activities reporting model. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. Given the importance of tuition, fees, and other exchange-type transactions in financing higher education, the College adopted the financial model required by business-type activities (BTA). Colleges reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds. The BTA model requires the following financial statement components:

- Management's Discussion and Analysis;
- Statements of Net Position;
- Statements of Revenue, Expenses and Change in Net Position;
- Statements of Cash Flows; and
- Notes to the Financial Statements.

#### **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles whereby all revenue is recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. The summer semesters of the College overlap fiscal years. Consistent with generally accepted accounting principles, summer semester revenue is recorded as earned and expenditures are recorded as incurred in each fiscal year.

#### **Reporting Entity**

The College is a separate legal entity created by state law and accordingly prepares its own financial statements and reports. Since the County Council of Frederick County approves the operating budget of the College, the College is also included as a component unit in the financial statements of Frederick County, Maryland. Although the College does not control the timing or amount of receipts from the Frederick Community College Foundation, Inc. (the Foundation), all of the resources or income thereon that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for, the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the accompanying financial statements of the College. Complete financial statements for the Foundation can be obtained by contacting Frederick Community College Foundation, Inc., 7932 Opossumtown Pike, Frederick, MD, 21702.

# **FREDERICK COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2021 and 2020**

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

#### **Budgetary Accounting**

The College maintains a system of budgetary control for management purposes and to meet requirements of State Law. Encumbrance accounting is used for budgetary purposes. Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in these financial statements.

#### **Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the Statements of Net Position and Statements of Cash Flows, cash and cash equivalents include deposits and short-term investment funds held at financial institutions.

#### **Accounts Receivable**

Accounts receivable relates to transactions involving student tuition and fee billings, governmental appropriations, grants and contracts, financial aid, and other miscellaneous transactions.

#### **Allowance for Doubtful Accounts**

Accounts receivable is reduced by a valuation allowance that reflects the best estimate by management of the amount of accounts receivable that will not be collected. This valuation allowance is based on the age, historical trends and estimated collectability of receivables. The allowance for doubtful accounts was \$137,061 and \$154,595, as of June 30, 2021 and 2020, respectively.

#### **Scholarship Allowance**

Student tuition and fees are reported net of any scholarship allowance. A scholarship allowance is the difference between the stated charge for tuition, goods and services provided by the College and the amount that is paid by the student or third parties making payments on behalf of the student. These scholarship allowances represent funds received from outside resources such as the Title IV Federal Grant Program.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital Assets

Capital assets are either recorded at cost or, in the case of contributed assets, at the fair value at the date of donation. The policy of the College is to include only those capital assets with a purchase price or fair value at donation of at least \$5,000, and a minimum life of 1 year. The library collection is recorded and valued annually as a group at cost or estimated cost without regard to individual item cost. It is depreciated on a unit basis with additions for each year comprising an individual unit.

Capital asset additions constructed using funding provided by the State or County government agencies are stated at the cost incurred for such additions by the agency. Depreciation is expensed over the estimated economic life of the asset on a straight line basis as follows:

	<u>Number of Years</u>
Buildings and improvements	10-40
Library collection	10
Furniture and equipment	5-10

#### Inventory

Inventory is carried at the lower of average cost or market as of June 30, 2021 and 2020.

#### Revenue Recognition and Unearned Revenue

Tuition revenue is recognized when instruction is provided. Grant and appropriation revenue is recognized when all of the conditions are met.

Unearned revenue is primarily tuition received for semesters beginning after June 30, 2021.

#### Operating Revenue and Expenses

The principal ongoing operations of the College determine operating flow activities. Ongoing operations of the College include, but are not limited to, providing intellectual, cultural and social services through two-year associate degree programs, continuing education programs and continuous learning programs.

Operating revenue of the College consists of tuition and fees, grants and contracts and auxiliary enterprise income. Operating expenses include those expenses required to be incurred to generate the operating revenue of the College. All other expenses and revenue are considered non-operating.



# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Expenses

The Statements of Revenue, Expenses, and Changes in Net Position categorize expenses by function. The following summarizes expenses by type:

	<b>For the Years Ended</b>	
	<b><u>June 30, 2021</u></b>	<b><u>June 30, 2020</u></b>
Salaries and benefits	\$ 41,200,581	\$ 42,329,808
Supplies and materials	2,244,660	2,155,878
Depreciation	3,954,431	3,955,029
Contracted services	2,386,644	2,776,289
Conferences and meetings	213,839	565,346
Communications	182,677	175,505
Utilities	608,045	742,074
Insurance	218,941	191,265
Scholarships	7,456,454	4,969,096
Campus projects and equipment	984,476	519,284
Cost of good sold (bookstore and food service)	865,878	1,214,742
Miscellaneous	709,349	862,255
Certain fringe benefits paid directly by the state of Maryland	<u>2,755,714</u>	<u>2,716,763</u>
<b>Total operating expenses</b>	<b><u>\$ 63,781,689</u></b>	<b><u>\$ 63,173,334</u></b>

#### Reclassification

Certain fiscal year 2020 amounts have been reclassified for consistency with the fiscal year 2021 presentation. The reclassifications did not affect the results of operations or net position.

#### Compensated Absences

Eligible full-time regular administrators, full-time regular support staff, and interpreter support staff on a full-time schedule will receive twenty (20) days (140 hours) of annual leave per year, which is earned monthly. All employees who are part-time regular administrators, part-time regular support staff, or interpreters on a part-time schedule and who work at least 17.5 hours per week are eligible for a prorated share of annual leave.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Compensated Absences (continued)

Regular employees hired and working prior to July 1, 1987, may accumulate a maximum of 40 days of annual leave and are paid up to a maximum of 30 days upon separation from employment for resignation, retirement, or non-renewal. Those hired after June 30, 1987, may accumulate a maximum of 30 days and there is no cash payout of unused annual leave upon separation from employment.

Annual leave benefits earned but not yet taken are charged to expense in the current fiscal year. These benefits will be funded by future appropriations when paid.

All full-time regular administrators, full-time regular support staff, interpreter support staff on a full-time schedule, and full-time faculty are eligible for sick leave, earned at a rate of one (1) day (7 hours) of sick leave for each month worked. All employees who are part-time regular administrators, part-time regular support staff, or interpreters on a part-time schedule and who work at least 17.5 hours per week are eligible for sick leave earned on a prorated basis. Unlimited sick leave may be accumulated. Eligible staff employed prior to July 1, 1985, are eligible for payout upon termination of 40% of sick leave accumulated up to a maximum of 120 days. For those hired after June 30, 1985, there is no cash payout of unused sick leave upon separation from employment.

#### 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 is exempt from taxation under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no income taxes are reflected in these financial statements.

#### Net Position

The College maintains the following net position classifications:

##### *Net Investment in Capital Assets*

Capital assets, net of accumulated depreciation and outstanding debt.

##### *Restricted*

Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the College or by the passage of time.

##### *Unrestricted*

Unrestricted net position may be designated for specific purposes by the College Board of Trustees. When both restricted and unrestricted net position are available for expenditure, the decision as to which assets are used first is left to the discretion of the College.

# **FREDERICK COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2021 and 2020**

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

#### **Frederick Community College Foundation, Inc. (the Foundation)**

##### **Basis of Accounting**

The Foundation is a publicly supported foundation, incorporated under the laws of the State of Maryland. The Foundation is organized exclusively for charitable, scientific, literary and educational purposes; to promote, augment and further the educational purposes and programs of Frederick Community College, a non-profit educational institute of higher learning, and to assist in developing and carrying out the educational functions of the College for the benefit of students, faculty and the community at large. The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

##### **Revenue Recognition**

The Foundation is a private non-profit organization that accounts for its activities under Financial Accounting Standards Board (FASB) standards, as denoted in the FASB Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation financial information in the College financial statements for these differences.

##### **Foundation Assets**

On January 29, 2019, the Foundation was formally notified that they were one of several remainder beneficiaries of an irrevocable Charitable Remainder Unitrust (CRUT). A qualifying charitable remainder trust provides lifetime income to the donor and/or family members of the donor, with the remaining trust assets passing to the Foundation when the trust ends. The trust was created by donors independent of the Foundation and is neither in the possession nor under the control of the Foundation. The Trust is administered by outside fiscal agents as designated by the donors. The original trust agreement was signed on February 24, 1998.

The Foundation recorded the present value of the remainder interest in the Charitable Remainder Trust, discounted at a rate of 5.44%, totaling \$34,483 and \$26,584, respectively, for each of the years ended June 30, 2021 and 2020.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Endowment Fund Management Policy

The Foundation follows accounting principles generally accepted in the United States of America (GAAP). GAAP require that the amount classified as with donor restrictions shall be the amount of the fund (a) that must be retained in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, determined by the governing board of the organization, must be retained consistent with the relevant law. GAAP also expand the disclosures required for both donor-restricted and board-designated endowment funds.

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as it relates to making a determination to appropriate or accumulate donor restricted endowment funds and as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary.

#### Fair Value Measurement

GAAP establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value Measurement (continued)

The asset or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Realized and unrealized gains and losses are reflected in the Statements of Revenue, Expenses, and Change in Net Position. Investment income from money market funds is recognized on a monthly basis. Investment income from the University System of Maryland Foundation (USMF) is recorded on a monthly basis as notified by the fund. At year-end, an accrual is made for interest earned through that date. The investment objectives of the Foundation are to provide stable and predictable spendable cash income from year to year, and to preserve the capital value of the fund protecting it from wide variations in market value. The investment manager and custodial management fees are deducted from investment income earned.

#### Classification of Net Assets

As required under generally accepted accounting principles in the United States, the Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Contributions not subject to donor imposed stipulations, or whose restrictions have been satisfied in the same reporting period, in which the contribution is received, are recorded as net assets without donor restrictions. As of June 30, 2021 and 2020, net assets without donor restrictions were \$3,557,891 and \$2,540,005 respectively.

Net assets with donor restrictions are contributions subject to donor-imposed stipulations that will be met by the Foundation through the passage of time, conduct of service, or incurrence of expenditures. When donor restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with donor restrictions that are received and expended in the same fiscal year are treated as revenue and net assets with donor restrictions released from restrictions in that year.

**FREDERICK COMMUNITY COLLEGE**

**Notes to the Financial Statements  
June 30, 2021 and 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Classification of Net Assets (continued)**

Net assets with donor restrictions by purpose as of June 30, 2021 and 2020, consisted of the following:

	<u>As of</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Scholarships	\$ 4,801,423	\$ 3,350,831
Scholarship Quasi-Endowment	5,822,509	4,774,770
Program Support	619,237	564,588
Academic Purposes	80,701	84,216
<b>Total Net Assets Restricted by Purpose</b>	<b>\$ 11,323,870</b>	<b>\$ 8,774,405</b>

Net assets released from donor restrictions during the years ended June 30, 2021 and 2020, were as follows:

	<u>For the Year Ended</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Scholarships	\$ 779,310	\$ 869,792
Program Services	53,462	80,497
Support Services (Events)	7,087	650
Administrative Fees (Endowment)	78,988	74,045
<b>Total Net Assets Released from Restriction</b>	<b>\$ 918,847</b>	<b>\$ 1,024,984</b>

Certain net assets with donor restrictions are contributions subject to donor imposed restrictions that must be maintained in perpetuity by the Foundation. Net assets with donor restrictions in perpetuity as of June 30, 2021, and 2020, consisted of the following:

	<u>As of</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Scholarships	\$ 5,007,432	\$ 4,881,281
Other program support	91,482	91,482
<b>Total Net Assets Restricted in Perpetuity</b>	<b>\$ 5,098,914</b>	<b>\$ 4,972,763</b>

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New Accounting Pronouncements

##### Frederick Community College

During the year ended June 30, 2021, the College adopted GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements and those that do not are considered assets of the entity to be included in its net position. The College evaluated its funds held as custodian of others, primarily student groups of the College. The adoption of this pronouncement did not have a material effect on the accompanying financial statements. GASB issued statements; No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 96, *Subscription-Based Information Technology*. The College is analyzing the effects of these pronouncements and if appropriate, will implement them by their effective dates. However, the College does not expect the adoption of these pronouncements to have a material effect on its financial statements.

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

##### Frederick Community College

The College includes cash on hand, cash in bank accounts and cash invested in the Maryland Local Government Investment Pool (MLGIP) as cash and cash equivalents in the accompanying financial statements.

Cash on hand for petty cash and change funds as of June 30, 2021 and 2020, was \$8,300, respectively.

##### Deposits

The carrying amount of the College deposits as of June 30, 2021 and 2020, was \$8,809,754 and \$5,348,151, respectively, and the bank balance was \$9,199,510 and \$6,636,617, respectively. All of the College bank balances are collateralized by federal agency securities held in safekeeping by the Federal Reserve.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

#### MLGIP

Article 95, Section 22 of the Annotated Code of the Public General Laws of Maryland and the College investment policy, determines the allowable investments the College can make. 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, bankers 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). The College investment balance in the MLGIP as of June 30, 2021 and 2020, was \$8,951,645 and \$8,941,728 respectively. This investment is considered to be a cash equivalent for financial statement purposes. The College has no unfunded commitments nor significant terms or conditions for redemption.

#### Reconciliation of Cash and Cash Equivalents as shown on the Statements of Net Position:

	<u>As of</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash on hand	\$ 8,300	\$ 8,300
Carrying amount of deposits	8,809,754	5,348,151
Carrying amount of MLGIP	<u>8,951,645</u>	<u>8,941,728</u>
<b>Total cash and cash equivalents per statement of net position</b>	<u><b>\$ 17,769,700</b></u>	<u><b>\$ 14,298,179</b></u>

Investment income includes net interest and dividends of \$25,404 and \$199,469, for the years ended June 30, 2021 and 2020, respectively.

#### *Investment 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 exposure to fair value losses arising from increasing rates, the College investment policy limits the term of investment maturities. For the years ended June 30, 2021 and 2020, the College investments were limited to the MLGIP. 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. The investments as of June 30, 2021 and 2020, met the College investment policy.



## FREDERICK COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2021 and 2020

#### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

##### *Credit Risk*

The College invests in MLGIP which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95, Section 22G, of the Annotated Code of Maryland and is rated AAAM by Standard & Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 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 possession of an outside party. The College investments were all invested in the MLGIP.

#### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

##### **Frederick Community College Foundation, Inc.**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund scholarships and programs. In addition, the Foundation receives support without donor restrictions.

The Foundation considers investment income without donor restrictions and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the fiscal year of the Foundation.

The Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Foundation operating account balance was \$116,123 as of June 30, 2021. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments including a Certificate of Deposit. The Foundation has an 18-month Certificate of Deposit with a balance of \$236,414 as of June 30, 2021, at 2.05% APY with a one-time penalty free withdraw, which it can draw upon in the event of an unanticipated liquidity need. In addition, as of June 30, 2021, the Foundation has \$3,223,454 in unrestricted non-endowed investments at the USMF that is readily available for withdrawal if needed, upon Board approval. The Foundation's endowment funds consist of donor-restricted and board restricted quasi-endowments. Investments and income from donor-restricted and quasi-endowments are restricted for specific purposes and therefore are not available for general expenditure.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents Foundation financial assets available for general expenditures within one year as of June 30, 2021:

	<u>2021</u>
<b>Financial assets available within one year for general use</b>	
Cash	\$ 116,123
Certificate of Deposit	236,414
Unrestricted Investments available for current use	<u>3,223,454</u>
<b>Total Financial Assets available within one year for general use</b>	<u>\$ 3,575,991</u>

### 4. RELATIONS WITH FREDERICK COUNTY, MARYLAND

#### Frederick Community College

Frederick County, Maryland provides approximately 34% of the operating budget of the College. The College budget is subject to the approval of the County Council. The County provided an in-kind appropriation for PeopleSoft and information technology support of \$352,076 and \$396,772, for the years ended June 30, 2021 and 2020, respectively. They also provided an in-kind appropriation for internal audit services and appraisals of \$59,106 and \$19,705, for the years ended June 30, 2021 and 2020, respectively, which has been included in the County appropriation revenue and as part of Institutional Support expenses in the accompanying financial statements.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 5. CAPITAL ASSETS

#### Frederick Community College

Schedules of capital assets and accumulated depreciation for the years ended June 30, 2021 and 2020, were as follows:

	<u>June 30, 2020</u>	<u>Additions &amp; Transfers</u>	<u>Retirements &amp; Transfers</u>	<u>June 30, 2021</u>
Capital assets not being depreciated				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in Progress	<u>4,139,089</u>	<u>1,158,536</u>	<u>(3,597,164)</u>	<u>1,700,461</u>
Total capital assets not being depreciated	<u>4,410,709</u>	<u>1,158,536</u>	<u>(3,597,164)</u>	<u>1,972,081</u>
Capital assets being depreciated				
Building and Improvements	124,988,893	5,032,547	-	130,021,440
Site Improvements	7,998,466	-	-	7,998,466
Furniture and Equipment	6,797,170	321,396	(464,935)	6,653,631
Library Collection	<u>2,065,438</u>	<u>6,079</u>	<u>-</u>	<u>2,071,517</u>
Total capital assets being depreciated	<u>141,849,967</u>	<u>5,360,022</u>	<u>(464,935)</u>	<u>146,745,054</u>
Less: Accumulated Depreciation				
Building and Improvements	(45,406,540)	(3,261,826)	-	(48,668,366)
Site Improvements	(6,325,429)	(170,261)	-	(6,495,690)
Furniture and Equipment	(5,233,447)	(505,236)	464,835	(5,273,848)
Library Collection	<u>(2,016,593)</u>	<u>(17,108)</u>	<u>-</u>	<u>(2,033,701)</u>
Total accumulated depreciation	<u>(58,982,009)</u>	<u>(3,954,431)</u>	<u>464,835</u>	<u>(62,471,605)</u>
Total assets being depreciated, net	<u>82,867,958</u>	<u>1,405,591</u>	<u>(100)</u>	<u>84,273,449</u>
Capital assets, net	<u>\$ 87,278,667</u>	<u>\$ 2,564,127</u>	<u>\$ (3,597,264)</u>	<u>\$ 86,245,530</u>

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 5. CAPITAL ASSETS (continued)

	<u>June 30, 2019</u>	<u>Additions &amp; Transfers</u>	<u>Retirements &amp; Transfers</u>	<u>June 30, 2020</u>
Capital assets not being depreciated				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in Progress	<u>2,115,220</u>	<u>3,849,734</u>	<u>(1,825,865)</u>	<u>4,139,089</u>
Total capital assets not being depreciated	<u>2,386,840</u>	<u>3,849,734</u>	<u>(1,825,865)</u>	<u>4,410,709</u>
Capital assets being depreciated				
Building and Improvements	120,453,926	4,534,967	-	124,988,893
Site Improvements	7,850,888	147,578	-	7,998,466
Furniture and Equipment	6,636,954	573,147	(412,931)	6,797,170
Library Collection	<u>2,065,438</u>	<u>-</u>	<u>-</u>	<u>2,065,438</u>
Total capital assets being depreciated	<u>137,007,206</u>	<u>5,255,692</u>	<u>(412,931)</u>	<u>141,849,967</u>
Less: Accumulated Depreciation				
Building and Improvements	(42,248,341)	(3,158,199)	-	(45,406,540)
Site Improvements	(6,155,168)	(170,261)	-	(6,325,429)
Furniture and Equipment	(5,019,147)	(608,329)	394,029	(5,233,447)
Library Collection	<u>(1,998,353)</u>	<u>(18,240)</u>	<u>-</u>	<u>(2,016,593)</u>
Total accumulated depreciation	<u>(55,421,009)</u>	<u>(3,955,029)</u>	<u>394,029</u>	<u>(58,982,009)</u>
Total assets being depreciated, net	<u>81,586,197</u>	<u>1,300,663</u>	<u>(18,902)</u>	<u>82,867,958</u>
Capital assets, net	<u>\$ 83,973,037</u>	<u>\$ 5,150,397</u>	<u>\$ (1,844,767)</u>	<u>\$ 87,278,667</u>

### 6. LONG-TERM LIABILITIES

#### Frederick Community College

The College records a liability for accrued annual leave for eligible employees and a liability for sick leave based on expected retirement age and to the extent payable to its employees at retirement according to College policy. Employees hired after June 30, 1985, must use their sick leave prior to termination.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 6. LONG-TERM LIABILITIES (continued)

	For the Years Ended June 30,				
	2019	Addition (Reduction) in Accrual	2020	Addition (Reduction) in Accrual	2021
Annual Leave liability	\$ 1,340,746	\$ 183,368	\$ 1,524,114	\$ 130,701	\$ 1,654,815
Sick Leave liability	114,223	(30,251)	83,972	(19,289)	64,683
Estimated Payroll Taxes	111,305	11,714	123,019	8,522	131,541
<b>Total Liability</b>	<u>1,566,274</u>	<u>164,831</u>	<u>1,731,105</u>	<u>119,934</u>	<u>1,851,039</u>
Less: Current Portion	(1,474,071)	(218,187)	(1,692,258)	(129,732)	(1,821,990)
<b>Long-Term Portion</b>	<u>\$ 92,203</u>	<u>\$ (53,356)</u>	<u>\$ 38,847</u>	<u>\$ (9,798)</u>	<u>\$ 29,049</u>

The College issued Certificates of Participation in December 2010 to finance a new parking garage and a portion of the enrollment services building. Manufacturers and Traders Trust Company serves as trustee for the transaction and there is a term of approximately 25 years. Principal payments began in 2013. The following table summarizes this liability:

	June 30, 2020	Principal Payment	Premium Discount Amortization	June 30, 2021	Current Portion	Long Term Portion
<b>Bond payable</b>	\$ 5,381,991	\$ (285,000)	\$ 5,201	\$ 5,102,192	\$ 295,000	\$ 4,807,192

	June 30, 2019	Principal Payment	Premium Discount Amortization	June 30, 2020	Current Portion	Long Term Portion
<b>Bond payable</b>	\$ 5,651,790	\$ (275,000)	\$ 5,201	\$ 5,381,991	\$ 285,000	\$ 5,096,991

### 7. PENSION AND RETIREMENT PLAN

#### Frederick Community College

All regular employees of the College are covered under one of the two cost-sharing multiple-employer pension/retirement plans. One of these plans is provided directly by the State of Maryland, and the employer funding for eligible College employees is provided directly by the State. The other retirement plan, provided through TIAA/CREF or Fidelity, is an option for certain professional employees and is also provided for those College employees for which the State does not provide employer share funding of retirement benefits.

#### Maryland State Teachers Retirement and Pension System

*Plan description.* Eligible employees employed by the College are provided with pensions through the Teachers' Pension System of the State of Maryland (TPS) – a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at <https://sra.maryland.gov>.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 7. PENSION AND RETIREMENT PLAN (continued)

#### Maryland State Teachers Retirement and Pension System (continued)

*Benefits provided.* A member of the Teachers' 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 (1.818%) of the member's Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

An individual who is a member of the Teachers' 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 the Teachers' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's 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 the Teachers' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' 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' Pension System.

#### *Early Service Retirement*

A member of the Teachers' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' Retirement System member is 30%.

An individual who is a member of the Teachers' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' Pension System is 42%. An individual who becomes a member of the Teachers' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' Pension System is 30%.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 7. PENSION AND RETIREMENT PLAN (continued)

#### Maryland State Teachers Retirement and Pension System (continued)

##### *Disability and Death Benefits*

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 60. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

##### *Cost of Living Adjustments*

The benefit attributable to service on or after July 1, 2011, now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or the increase in the CPI, based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

*Contributions. (TPS)* The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State of Maryland is responsible for the net pension liability of TPS. The Board's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies for as a special funding situation.

##### *Unfunded Pension Liability*

In accordance with the parameters of generally accepted accounting standards, the College is not required to record its proportionate share of the unfunded pension liability since it is in a special funding situation. The Maryland Higher Education Commission (MHEC) makes the pension plan contribution directly to the Maryland State Retirement and Pension System (SRPS) on behalf of the College, and the College is not responsible for the contribution.

The College received State contributions toward retirement in the amount of \$2,755,714 and \$2,716,763, for the years ended June 30, 2021 and 2020, respectively. These amounts have been recorded as revenue and expenses in the accompanying financial statements.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 7. PENSION AND RETIREMENT PLAN (continued)

#### Other Retirement Plans

A retirement plan is provided through TIAA/CREF or Fidelity for permanent employees of the College who are not eligible for the Maryland State Teachers Retirement or Pension systems. The State also provides employer share funding for professional employees of the College who choose certain other retirement plans in lieu of participating in the State's retirement systems. These other plans include TIAA/CREF and Fidelity. The other plans are defined contribution plans requiring an employer contribution of 7.25% of the employee's base salary.

Employee contributions to a selected plan are not mandatory. Employees are 100% vested upon enrollment in a plan. All assets of the plan are held and managed by the other retirement plan providers who issue individual annuity contracts to each employee.

#### Summary of Pension and Retirement Plans

The annual pension and retirement cost and the percentage of that amount contributed for the past five years for the aforementioned plans are as follows:

<u>Fiscal Years</u>	<u>MD State Teachers Retirement and Pension System Annual Cost</u>	<u>Percentage Contributed</u>	<u>Other Plans Annual Cost</u>	<u>Percentage Contributed</u>
2021	\$ 1,867,234	100%	\$ 1,092,648	100%
2020	1,850,720	100%	1,134,001	100%
2019	1,681,755	100%	1,081,883	100%
2018	1,774,442	100%	1,003,429	100%
2017	1,733,480	100%	962,112	100%

### 8. RISK MANAGEMENT

#### Frederick Community College

The College is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The College carries commercial insurance to insure against major loss related to these risks. The College also carries commercial insurance for employee health, long-term disability, life and worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage. No significant reductions in insurance coverage have occurred.

The College is contingently liable with respect to lawsuits and other claims that may arise in the ordinary course of its operations. The College actively defends its position in all cases. In the opinion of the College, resolution of these matters will not have a material adverse effect on the financial statements.



# **FREDERICK COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2021 and 2020**

### **9. CONTINGENT LIABILITIES AND COMMITMENTS**

#### **Frederick Community College**

##### **Grants and Contracts**

Most grants and cost-reimbursable contracts specify the types of expenditure for which the grant or contract funds may be used. The expenditures 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 and contracts. In the opinion of management, the expenditures that have been made for grants and contracts were made in accordance with the provisions of such grants and contracts. In the opinion of management, any adjustments for unallowable costs that would result from audits will not have a material effect on the College financial statements.

##### **Commitments**

Total outstanding construction commitments as of June 30, 2021, were \$0.9 million.

### **10. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUST**

#### **Frederick Community College Foundation, Inc.**

In determining fair value, the Foundation uses various valuation approaches within the GAAP fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The Foundation is invested in the USMF investment pool which includes investments in three investment levels, as described in note 1. Because these level 3 investments in the pool are significant to the pool, the Foundation has classified its investment in the pool as level 3 as of June 30, 2021 and 2020.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while USMF believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**FREDERICK COMMUNITY COLLEGE**

**Notes to the Financial Statements  
June 30, 2021 and 2020**

**10. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUST (continued)**

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2021 and 2020.

	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investment in external investment pool	\$ -	\$ -	\$ 19,648,708	\$ 19,648,708
Investment in Certificate of Deposit	236,414	-	-	236,414
Investment in charitable remainder trust	-	-	34,483	34,483
<b>Total</b>	<b>\$ 236,414</b>	<b>\$ -</b>	<b>\$ 19,683,191</b>	<b>\$ 19,919,605</b>

  

	As of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investment in external investment pool	\$ -	\$ -	\$ 15,807,674	\$ 15,807,674
Investment in Certificate of Deposit	231,621	-	-	231,621
Investment in charitable remainder trust	-	-	26,584	26,584
<b>Total</b>	<b>\$ 231,621</b>	<b>\$ -</b>	<b>\$ 15,834,258</b>	<b>\$ 16,065,879</b>

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2021 and 2020:

	USMF Pool		Charitable Remainder Trust	Charitable Remainder Trust
	(Level 3) 2021	(Level 3) 2020	(Level 3) 2021	(Level 3) 2020
Balance, July 1,	\$15,807,674	\$16,082,970	\$ 26,584	\$ 24,562
Net Realized Gains	666,136	912,139		
Net Unrealized (Loss)/Gains	3,433,345	(954,604)	7,899	2,022
<b>Foundation's Share in Total Change in Market Value of the USMF Pool</b>	<b>4,099,481</b>	<b>(42,465)</b>	<b>7,899</b>	<b>2,022</b>
Investment Income	231,130	225,163	-	-
Investment Fees	(159,389)	(127,974)	-	-
Additions/(Withdrawals)	(330,188)	(330,020)	-	-
<b>Balance, June 30,</b>	<b>\$ 19,648,708</b>	<b>\$ 15,807,674</b>	<b>\$ 34,483</b>	<b>\$ 26,584</b>

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 10. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUST (continued)

On June 30, 2021, the Foundation had 380,023.9019 units of the USMF Unitized Investment Fund valued at \$51.70390 per unit with a total value of \$19,648,708. On June 30, 2020, the Foundation had 385,466.9417 units of the USMF Unitized Investment Fund valued at \$41.00920 per unit with a total value of \$15,807,674.

Investments are carried at cost and marked to market for financial statement presentation.

	As of June 30, 2021		
	Cost	Market	Unrealized Gain(Loss)
Investment in USMF investment pool	\$ 16,515,626	\$ 19,648,708	\$ 3,133,082
Investment in Certificate of Deposit	236,414	236,414	-
Investment in Charitable Remainder Trust	21,604	34,483	12,879
<b>Total</b>	<b>\$ 16,773,644</b>	<b>\$ 19,919,605</b>	<b>\$ 3,145,961</b>

  

	As of June 30, 2020		
	Cost	Market	Unrealized Gain
Investment in USMF investment pool	\$ 16,107,938	\$ 15,807,674	\$ (300,264)
Investment in Certificate of Deposit	231,621	231,621	-
Investment in Charitable Remainder Trust	21,604	26,584	4,980
<b>Total</b>	<b>\$ 16,361,163</b>	<b>\$ 16,065,879</b>	<b>\$ (295,284)</b>

Financial statement presentation of unrealized investment gains and losses follows the recommendations of accounting principles generally accepted in the United States of America. Unrealized gains and losses are recognized as changes in the net assets without donor restrictions and net assets restricted by purpose or time. For the years ended June 30, 2021 and 2020, the Foundation reported a net unrealized (loss)/gain on investments of \$3,433,345 and (\$954,604), respectively.

### 11. ENDOWMENTS

#### Frederick Community College Foundation, Inc.

The Foundation endowments consist of 126 funds established to support a variety of scholarships and programs at the College. Its endowments consist of both donor restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# FREDERICK COMMUNITY COLLEGE

## Notes to the Financial Statements June 30, 2021 and 2020

### 11. ENDOWMENTS (continued)

#### Interpretation of Relevant Law

The Board of Directors of the Foundation have interpreted the UPMIFA 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. Consequently, the Foundation classifies net assets with donor restrictions in perpetuity as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The Foundation will disclose any endowment contributed in perpetuity in which the present investment balance is below the original contribution. As of June 30, 2020, the Foundation had none to report. The remaining portion of the donor-restricted endowment fund not classified as restricted in perpetuity is classified as restricted by purpose or time until those amounts are appropriated for expenditure by the Foundation Board. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. the purpose of the Foundation and the donor-restricted endowment fund,
3. general economic conditions,
4. the possible effect of inflation and deflation,
5. the expected total return from income and the appreciation of investments,
6. other resources of the Foundation, and
7. the 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 the programs supported by the endowments. The endowment assets are invested in a manner that is intended to preserve and enhance the principal value of the fund while protecting it from wide variations in market value.

#### Spending Policy

The Foundation has a policy of appropriating up to 5.0% of a twenty-quarter trailing market value average ending December 31, provided the donor contributions (principal) are not invaded. The Finance Committee recommends to the Foundation Board the spending rate in the spring preceding the fiscal year in which the distribution is planned.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Foundation expects the current spending policy will allow its endowment to retain the original fair value of the gift.

**FREDERICK COMMUNITY COLLEGE**

**Notes to the Financial Statements  
June 30, 2021 and 2020**

**11. ENDOWMENTS (continued)**

**Strategies Employed for Achieving Objectives**

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

**Endowment Net Asset Composition by Type of Fund as of June 30, 2021:**

	<b>Restricted by Purpose or Time</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Donor restricted endowment funds	<b>\$ 3,390,749</b>	<b>\$5,098,914</b>	<b>\$ 8,489,663</b>
Board designated Quasi endowments for General & Erwin Scholarships	<b>5,822,509</b>	-	<b>5,822,509</b>
<b>Total Funds</b>	<b><u>\$ 9,213,258</u></b>	<b><u>\$5,098,914</u></b>	<b><u>\$14,312,172</u></b>

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021:**

	<b>Restricted by Purpose or Time</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets, beginning of year	<b>\$ 6,607,704</b>	<b>\$4,972,763</b>	<b>\$11,580,467</b>
Investment return:			
Investment income	<b>51,358</b>	-	<b>51,358</b>
Net depreciation	<b>2,908,181</b>	-	<b>2,908,181</b>
Total	<b><u>2,959,539</u></b>	<b><u>-</u></b>	<b><u>2,959,539</u></b>
Contributions collected	<b>1,425</b>	<b>120,747</b>	<b>122,172</b>
Reclassification	-	<b>5,404</b>	<b>5,404</b>
Release of endowment assets for expenditure	<b>(355,410)</b>	-	<b>(355,410)</b>
<b>Endowment Net assets, end of year</b>	<b><u>\$ 9,213,258</u></b>	<b><u>\$5,098,914</u></b>	<b><u>\$14,312,172</u></b>

## FREDERICK COMMUNITY COLLEGE

### Notes to the Financial Statements June 30, 2021 and 2020

#### 11. ENDOWMENTS (continued)

##### Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	<b>Restricted by Purpose or Time</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Donor restricted endowment funds	\$ 1,832,934	\$ 4,972,763	\$ 6,805,697
Board designated Quasi endowments for General & Erwin Scholarships	4,774,770	-	4,774,770
Total Funds	<u>\$ 6,607,704</u>	<u>\$ 4,972,763</u>	<u>\$ 11,580,467</u>

##### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020:

	<b>Restricted by Purpose or Time</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment Net assets, beginning of year	\$ 6,916,627	\$ 4,726,922	\$ 11,643,549
Investment return:			
Investment Income	68,257	-	68,257
Net appreciation	(26,762)	-	(26,762)
Total	<u>41,495</u>	<u>-</u>	<u>41,495</u>
Contributions collected	8,075	221,713	229,788
Reclassification	-	24,128	24,128
Release of endowment assets for expenditure	(358,493)	-	(358,493)
Endowment Net assets, end of year	<u>\$ 6,607,704</u>	<u>\$ 4,972,763</u>	<u>\$ 11,580,467</u>

#### 12. FREDERICK COMMUNITY COLLEGE FOUNDATION, INC.

The Frederick Community College Foundation, Inc. (the Foundation) is a component unit of Frederick Community College (the College). The Foundation operates exclusively for charitable and educational purposes, including but not limited to receiving contributions, accepting holdings and investing and reinvesting any gifts or other donations for the benefit of the College, its students and faculty. The Foundation and the College have a written agreement specifying the details of their relationship. State regulations require that the Foundation reimburse the College for any costs or services provided to the Foundation, or that the cost of these services be offset, by the Foundation providing contributions or services to the College.

The College estimates the approximate value of services (including staff time) provided to the Foundation to be \$345,047 and \$333,832, for the years ended June 30, 2021 and 2020, respectively. These amounts have been included in the financial statements of the Foundation. The value of contributions and support provided by the Foundation to the College is \$1,048,894 and \$950,289 for the years ended June 30, 2021 and 2020, respectively.

# **FREDERICK COMMUNITY COLLEGE**

## **Notes to the Financial Statements June 30, 2021 and 2020**

### **13. RELATIONSHIP BETWEEN FREDERICK COMMUNITY COLLEGE FOUNDATION, INC. AND FOUNDATION FOR THE FCC FUND, INC.**

The Foundation for the FCC Fund, Inc. (the Affiliate) was established during fiscal year 2000 to handle non-cash gifts, where potential liability may be involved (i.e. Gifts of land or buildings). The Foundation board governs the operations of the Affiliate and thus the Affiliate has been consolidated in accordance with the accounting principles generally accepted in the United States of America.

During the years ended June 30, 2021 and 2020, Foundation for the FCC Fund, Inc. received no gifts and incurred no expenses. As of June 30, 2021 and 2020, Foundation for the FCC Fund, Inc. had no assets or liabilities.

### **14. SUBSEQUENT EVENTS**

U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the revenues, expenses, and cash flows of the College and the Foundation cannot be determined at this time. All subsequent events have been evaluated through September 27, 2021, which is the date the financial statements were available to be issued. The review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.



**S B & C O M P A N Y, L L C**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Board of Trustees  
Frederick Community College

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Frederick Community College (the College), a component entity of Frederick County, Maryland, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 27, 2021.

**Internal Controls over Financial Reporting**

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

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

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





**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Owings Mills, Maryland  
September 27, 2021

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.