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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, 2021

HOWARD COMMUNITY COLLEGE

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
Howard Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Howard Community College (the College), a component unit of Howard County, Maryland and its discretely presented component unit, the Howard Community College Educational Foundation, Inc., as of and for the year ended June 30, 2021, 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

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.



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Opinion

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, 2021, and the respective changes in their financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2021, the college adopted Government Accounting Standards Boards (GASB) Statement No. 84 *Fiduciary Activities*. This Adoption resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

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- Maryland State Retirement and Pension Systems, the Schedule of Howard Community College's Contributions- Maryland State Retirement and Pension Systems, the Schedule of Howard Community College's Proportionate Share of Net OPEB Liability- Howard County Government- OPEB, and the Schedule of Howard Community College's Contributions-Howard County Government- OPEB, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and 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 the 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.

Owings Mills, Maryland
September 1, 2021

SB & Company, LLC

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

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) 2021. In addition, this section should 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 are not presented in the financial statements; however, the college's comparative data are presented and discussed within this management discussion and analysis.

College Planning and Strategic Goals

The financial statements for the year ended June 30, 2021, 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. The college's mission, vision, and values follow.

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

The strategic goals implemented for a five-year period, 2021-2025, with 2021 being the base year, are listed on the next set of pages. Each year during the budget process, funds are allocated to achieve these initiatives. The report includes the action plans in place for FY21 and the fiscal year accomplishments related to these action plans that impacted the college's financial operations.

HOWARD COMMUNITY COLLEGE

Management’s Discussion and Analysis
June 30, 2021

Strategic Goal #1. Student Success, Completion and Lifelong Learning			
1.1	<i>Increase number of <u>students</u> graduating annually.</i>		
For FY21 - 1,293. Year over year trend: ↓			
	Lead	Action Plans for FY21	Results by June 20, 2021
1A	VPAA VPSS	Develop, evaluate, and revise program offerings (transfer and career) to meet the needs of students and the community, provide career opportunities [such as clinical placements, internships (see also strategic goal 3)] for students, and promote degree completion and transfer.	<p style="text-align: center; color: blue;">Partially Accomplished and Ongoing</p> <p>Developed and offered the general studies in liberal arts program.</p> <p>Developed and offered two new courses to update the electronics and biomedical engineering technology (BMET) programs.</p> <p>Fundamental skills for technology and engineering, ENGT-100, and biomedical device fundamentals, BMET-114, were developed and taught for the first time in fall 2020 and spring 2021, respectively; plants, people, and ecosystems, BIOL-109, was developed and offered for the first time.</p> <p>Streamlined developmental courses into new integrated reading and writing offerings, as well as created never-before-offered online offerings of developmental, English as a second language (ESL) and the new information literacy course. Created a new introduction to linguistics course.</p> <p>Created two new certificate programs, business data analytics and integrated workplace technologies, to address current employer demands.</p> <p>Visual arts articulation agreements with Salisbury University and University of Notre Dame being developed.</p> <p>Finalized articulation agreements with Capitol Technical University for computer science and with University of Baltimore for cyber forensics.</p>

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**Management’s Discussion and Analysis
June 30, 2021**

1.1B	VPAA VPSS	Increase student participation in high impact (e.g., service learning) academic and specialized student engagement experiences that promote student success and completion.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Increased the number of students in all years of the Schoenbrodt Scholars program by 27.8 percent, from 65 in fall 2019 to 90 in fall 2020. Grew the incoming class of Rouse Scholars from 47 to 61 pursuant to the phase-out of the Science, Technology, Engineering and Mathematics (STEM) Scholars program. Students participating in the scholars programs (Schoenbrodt and Rouse) were retained at a rate of 92.8 percent fall-to-spring, up from 92.1 in FY20. Cumulative GPA for scholars cohorts at the end of fall 2020 was 3.54, up from 3.49 for the fall 2019 term and 40 percent above the institutional average for fall 2020. The most recent data available for Rouse Scholars (fall 2018 cohort) demonstrates a graduation/transfer rate of 76.3 percent at two years, down from 78.8 percent for the fall 2017 cohort, and 76.3 percent at three years, down from 87.9 percent for the fall 2017 cohort.</p> <p>Step UP engaged 93 students in success coaching in fall 2020, down from 152 in fall 2019, and 115 students in spring 2021, down slightly from 118 in spring 2020. Total Step UP engagement of 208 students represented a decrease of 29.8 percent from FY20 due to challenges stemming from COVID-19. Step UP completers continued to demonstrate significantly better academic outcomes than students in a matched comparison group in relation to fall-to-spring retention (85.1 percent vs. 61.7 percent), average term GPA (3.13 vs. 2.37), and ratio of attempted to completed credits (0.87 versus 0.66).</p> <p>Engaged 679 students in service-learning experiences as part of 28 courses and developed service partnerships with eight new community organizations. Service-learning participation increased by 0.8 percent compared to FY20 in spite of restrictions related to COVID-19. The average course success rate for courses with a significant service-learning component was 92 percent, up from 89.2 percent in FY20 and significantly exceeding the institutional average.</p>
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**Management’s Discussion and Analysis
June 30, 2021**

1.1B	VPAA VPSS	CONTINUED	<p>On-site study abroad programs employing the study abroad course did not run in FY21 due to safety concerns related to COVID-19. Two new virtual study abroad programs were developed and piloted during spring 2021 (Ghana) and summer 2021 (Italy and Greece). The 22 students participating in these virtual programs demonstrated an average success rate of 85 percent, exceeding the institutional average.</p> <p>Silas Craft Collegians’ retention rates at two years after entry exceed the one-year institutional average for first-year students, with 58 percent of Silas Craft Collegians retained, down from 76 percent in FY20 but equal to 58 percent FY19. Most recently available completion data (fall 2017 entering cohort) exceed the institutional average, with a 50 percent graduation and transfer rate at three years, down from 75 percent for the fall 2016 entering cohort but greater than 46 percent for the fall 2015 entering cohort.</p> <p>Participated heavily in service learning and international activities. Brought several service activities online for the first time, such as “Right to Read.”</p> <p>Built partnerships with employers for internship and employment opportunities. The number of unique employer connections in FY21 was 404 compared to 370 in FY20. Facilitated 290 internships in FY21 compared to 252 in FY20, an increase of 15.1 percent.</p>
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**Management's Discussion and Analysis
June 30, 2021**

1.1C	VPSS VPAA VPIT	Support a percentage increase in annual graduates by providing support services to include intrusive advising of students with 45 or more credits, promoting reverse transfer, and awarding scholarships. Continue development of a guided pathways program plan for new full-time students.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Established a guided pathways workgroup resulting in the updating of the guided pathways portal site and the addition of a digital integration within SmartCatalog so that pathways content and curriculum mapping could be added to course program pages on the HCC website. Centralized resources for guided pathways advising and virtual event creation.</p> <p>Provided pathways events, activities and information to the liberal arts students, including but not limited to: a meet the liberal arts department session; annual creative write-in; Irish evening with music, literature, and dance; Bauder book connection author community/student events; and the Muse submission, publication, and reading event.</p> <p>Initiated a multicultural marketing campaign for the business pathway utilizing Perkins Grant funding (in partnership with marketing and public relations). The focus of the campaign is to increase minority enrollment in the business pathway programs. This will continue through FY22 with Perkins Grant support.</p> <p>Intrusive advising is ongoing. FY21 data pending at this time.</p> <p>Modified academic advisor assignments to reflect implementation of Pathways and provided students the ability to select preferred and/or guided pathways academic advisor.</p> <p>Implemented online graduation application process that eliminates barriers to graduation application submission by allowing eligible students to apply for graduation online.</p>
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Management’s Discussion and Analysis
June 30, 2021

1.1D	VPAA	Increase the use of open education resources.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Open education resources (OER) increased to 439 sections in fall 2020 and 721 sections in spring 2021 with zero textbook costs (ZTC) – an increase of 35.5 percent over FY20. A total of 18,368 students were served by courses with zero textbook costs, up 2.2 percent from FY20. Additionally, a total of 575 sections qualified for the low textbook cost (LTC) designator reserved for courses with textbook costs less than \$50 – an increase of 28.1 percent over FY20. A total of 10,154 students were served by courses with low textbook costs, up 7.7 percent from FY20.</p> <p>Continued to increase use of OER in the division and supported continued development of the ENGL-121, college composition, OER text and resources.</p>
<p>1.2 Increase % of developmental completers, 4 years after entry to HCC, from 35.8% (fall 2003 cohort) to 45% (fall 2016 cohort). (MHEC Indicator)</p>			<p style="text-align: center;">As of the fall 2016 cohort - 45.46% Year over year trend: ↑</p>
1.2A	VPAA	<p>Evaluate and revise as indicated the requirement for developmental mathematics students to also enroll in the First Year Experience course.</p> <p>Evaluate and expand English 121 Accelerated Learning Program.</p> <p>Implement and evaluate course redesign linked to revision of the Code of Maryland Regulations (COMAR) definition of college-level mathematics.</p> <p>Encourage eligible developmental students to</p>	<p style="text-align: center;">Accomplished and Ongoing</p> <p>Increased the success rate for MATH-037, mathematical foundations from 65 percent to 72 percent (FY20 to FY21). Increased the enrollment in MATH-132, mathematical literacy from 163 to 209 (FY20 to FY21).</p> <p>The requirement for developmental math students to take First Year Experience (FYEX) has been abolished for a couple of years, and FYEX was discontinued. The information literacy course, which also serves as a general education goal requirement, has been created and incorporates the learning supports previously provided in FYEX, as well as valuable research and information-processing information. This is still a co-requisite of the developmental ENGL-095, advanced academic reading and writing, and the ESL ENGL-086, academic advanced reading for ESL.</p> <p>Developmental English has been redesigned and the five sections have been streamlined into two courses:</p>

HOWARD COMMUNITY COLLEGE

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

		concurrently enroll in same-subject, credit-bearing course (see 1.2B).	ENGL-090,academic reading and writing, and 095. Students now have the possibility to move into college-level English, even at the lower level, although it takes longer for some. The ENGL-095 students co-enroll in the INFO-100, information literacy and college success, which is college-level. Thanks to multiple measures and the new Guided Self Placement (GSP), higher percentages of students are enrolling directly into college level, ENGL-121, saving them time and money.
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1.2B	VPAA VPSS VPIT	Evaluate College and Career Readiness and College Completion Act (CCCRA) requirement to include credit-bearing mathematics and English within the first 24 credit hours for first-time degree seeking students; encourage eligible developmental students to concurrently enroll in a same-subject, credit-bearing course; require students completing the developmental course sequence to immediately enroll in a same-subject, credit-bearing course the following semester.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>This is ongoing; students who meet these criteria are contacted each term. Over 770 students were contacted to sign up for college level mathematics and English.</p> <p>The mathematics division completed the work to introduce the new MATH-073, advanced topics in intermediate algebra co-requisite course for MATH-143, pre-calculus I, as well as the credit reduction of MATH-143 from four to three credits. This will reduce the credit count of the accelerated model from seven to five credits.</p> <p>We encourage students who place into developmental English classes to enroll in English classes every semester until they have completed their ENGL-121 requirement. Since students are now able to enroll in college-level English with one or two semesters thanks to the streamlined developmental coursework, this is more feasible.</p>
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**Management's Discussion and Analysis
June 30, 2021**

1.2C	VPAA VPSS	Expand the HCC Early Alert Program to attain positive outcomes in courses with low retention and success rates; establish a work group of faculty and staff to improve program processes and implement strategies to increase course completion and program effectiveness.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Transitioned the HCC Early Alert program from Starfish to CRM Advise starting in spring 2021. Data from Dropout Detective is now electronically used for HCC Early Alert program in CRM Advise.</p> <p>Established a working group to meet bimonthly with CRM Advise contractor to build CRM Advise to establish risk profiles used for cohort and pathway advising. CRM Advise went live in spring 2020. Dropout Detective was initiated at the same time as CRM Advise and contributes academic information toward the risk profiles. Twenty Dropout Detective training sessions were held in spring 2020. The working group is evaluating the success of CRM Advise and refining the alerts and risk profiles in preparation for FY22.</p> <p>Expanded intrusive support within courses aligned with guided pathways programs in nursing, business management, accounting, and computer technology.</p> <p>According to the completion services area, in fall 2020, 37 English faculty across 91 sections used Starfish for 1276 flags.</p> <p>According to Dropout Detective data for spring 2021, English faculty created 178 alerts through Canvas in mostly developmental, ESL, and ENGL-121 courses.</p> <p>Throughout the year, other requests for assistance were made directly to retention specialists in academic support.</p>
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**Management’s Discussion and Analysis
June 30, 2021**

1.3	<i>Increase student successful-persistence rate after 4 years for all students from 73.2% (fall 2003 cohort) to 75% (fall 2016 cohort). Close performance gaps as needed for Black, Asian, and Latino-Hispanic students. (MHEC Indicator)</i>		
As of the fall 2016 cohort (all students overall) – 75.5% Year over year trend: Black/African American: 68.7% ↓ Asian: 85.4% ↑ Latino-Hispanics: 68.8% ↓			
1.3A	VPSS VPAA	Increase participation in Ambiciones from 25 to at least 100 students by 2021. Continue to increase retention, academic standing, and transfer and graduation rates with a goal of matching the rates of all students.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>Ambiciones served 113 students in FY21, compared to 113 students in FY20, exceeding the program goal of serving 100 students by 2020. The program has a fall 2020 to spring 2021 retention rate of 83.1 percent, compared to 63.9 percent for all Hispanic/Latino students during the same time frame. In fall 2020, 82 percent of program participants had at least a 2.0 GPA, compared with 72 percent in fall 2019. In FY21, 15 students graduated as compared to 32 graduates in FY20. In FY21, 15 students transferred, compared to 19 students in FY20.</p>
1.3B	VPSS VPAA	Increase Howard P.R.I.D.E. participation by 30 percent, from 129 to 175 students, by 2021. Continue to increase retention, academic standing, and transfer and graduation rates with a goal of matching the rates of all students.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>Howard P.R.I.D.E. participation exceeded the 2021 goal of 175 students. The program served 231 students in FY21. The Howard P.R.I.D.E program constitutes about 27 percent of the African-American/Black male population and 14 percent of the minority male student population at HCC, both highest since the program's inception.</p> <p>The first-time student retention rate from fall 2020 to spring 2021 was 69.8 percent, compared with 73 percent in FY20. The fall 2020 to spring 2021 retention rate for all Howard P.R.I.D.E. students was 77.2 percent, compared with 77 percent in FY20. In fall 2020, 91.9 percent of students were in good academic standing, compared with 71.4 percent in fall 2019. In FY21, 52 students graduated from the cohort, compared with 27 students in FY20. In FY21, 45 students transferred, compared to 34 transferring in FY20.</p>

HOWARD COMMUNITY COLLEGE

Management’s Discussion and Analysis
June 30, 2021

1.3C	VPAA VPSS VPIT	Complete investigation of using multiple assessment measures as a strategy for more accurate English and mathematics placements for fall registration.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Reduced the number of students taking the lowest level of developmental mathematics (MATH-061, basic algebra and geometry, and MATH-067, elementary algebra) from 943 in FY20 to 432 in FY21.</p> <p>The English and ESL departments have been part of assessments of the Next Generation (NG) Accuplacer and Guided Self Placement (GSP) for multiple measures. For fall 2020: 513 students took the GSP and were graded at least twice within a 48-hour period. Of the 329 course grades available, 193 students placed by GSP received a C or better for a pass rate of 58.67 percent:</p> <ul style="list-style-type: none"> • Faculty raters agreed on placements a majority of the time (83 percent). • Overall, students enrolled into the courses they were placed into by faculty. • Course success for students placed by GSP was higher than the overall course success rates in ENGL-083/084, academic intermediate reading for ESL students/academic intermediate writing and grammar for ESL students, ENGL-095, and ENGL-121 EALP. For other courses, the course success for students placed by GSP was lower. • There were no significant differences among course success for students in the sample who took courses at, above or below their placement level. <p>NG Accuplacer placement scores were assessed by comparing them with theoretical placements made by experienced faculty raters.</p> <ul style="list-style-type: none"> • NG was more likely to place students into non-ESL developmental courses than the faculty raters. • The faculty raters placed more students into college-level English, while the NG placed students into developmental-level courses. • The faculty’s theoretical placement of the students was more likely to be associated with course success than the NG placement scores. <p>GPA placement was not assessed in FY21. That assessment is underway now.</p>
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**Management’s Discussion and Analysis
June 30, 2021**

1.4	<i>Increase student graduation and transfer rate after 4 years for all students from 51.9% (fall 2003 cohort) to 55% (fall 2016 cohort). Close performance gaps as needed for Black, Asian, and Latino-Hispanic students. (MHEC Indicator)</i>		
<i>Fall 2016 cohort-All students: 53.7%Year over year trend: ↑ Black/African American: 47.3% ↓ Asian:64.6% ↑ Latino-Hispanic: 46.2% ↑</i>			
1.4A	VPSS VPAA	Attract a critical mass of students to targeted programs (Howard P.R.I.D.E., Silas Craft Collegians, Ambiciones, Student Support Services, and Career Links) to provide supportive services to increase the graduation and transfer rates and close performance gaps of Black, Asian, and Latino-Hispanic students.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>In FY21, Howard P.R.I.D.E. served 231 students (252 in FY20), Ambiciones served 113 students (113 students in FY20), Career Links served 151 students (162 in FY20), and TRIO-Student Support Services served 174 students (242 in FY20 – its last grant-funded year) for a total of 669 cohort students during a pandemic impacted academic year.</p> <p>Student development cohorts documented the largest graduating class to date in FY21 with 153 graduates, as compared to 151 in FY20. Ambiciones had 15 graduates, Career Links had 32, Howard P.R.I.D.E. had 52, and TRIO-Student Support Services had 54.</p>
1.4B	VPAA	Continue the systematic evaluation plan for all academic programs.	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Completed fourteen academic program reviews and the review of the creative and critical thinking and global competency general education goals.</p>
1.4C	VPAA	Continue and evaluate the undergraduate research program for STEM students with a goal that participants complete their degrees at a rate above the general population of STEM majors.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>The average three-year completion rate for undergraduate research students is at 36.8 percent compared to 13.9 percent for all students. Engaged 42 students in year-long undergraduate research experiences through the new honors capstone course sequence (HMDV-270,honors capstone I, HMDV-271, honors capstone II), offered in three separate tracks: STEM; social sciences, arts, and humanities; and community-engaged scholarship;</p>

HOWARD COMMUNITY COLLEGE

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

1.4D	VPAA VPSS	Actively promote diversity in restricted enrollment and honors programs.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>The admissions office collaborated with the public relations and marketing office to develop broader outreach through social media engagement, student testimonials, and an influencer campaign. Partnered with the Howard County Public School System (HCPSS) high school counselors to recruit a more diverse applicant pool. Collaborated with the academic engagement office to review criteria and encourage a more diverse cohort.</p> <p>Increased racial and ethnic diversity in honors programs. Rouse Scholars: 52 percent in fall 2020, compared to 45 percent in fall 2019. Schoenbrodt Scholars: 69 percent in fall 2020, compared to 60 percent in fall 2019.</p>
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HOWARD COMMUNITY COLLEGE

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

Strategic Goal #2. Organizational Excellence												
2.1	<i>Increase % of minority employees to reflect county demographics from fall 2007 rates of 22.1% faculty and 20.9% staff (administrators and professional/technical) to 24% and 28%, respectively, by fall 2020. (MHEC Indicator)</i>											
Faculty: 28.93% Year over year trend: ↓ Staff: 31.5% Year over year trend: ↑												
	Lead	Action Plans for FY21	Results by June 30,2021									
2.1A	ALL	Improve faculty and staff recruitment efforts, outcomes, and retention.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>Increased percentage of minority employees:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Category</th> <th>Fall 2015</th> <th>Fall 2020</th> </tr> </thead> <tbody> <tr> <td>Faculty</td> <td style="text-align: center;">23.2 %</td> <td style="text-align: center;">28.9 %</td> </tr> <tr> <td>Staff*</td> <td style="text-align: center;">27.7%</td> <td style="text-align: center;">31.5%</td> </tr> </tbody> </table> <p>*Administrators and professional/technical</p> <p>Continued to advertise on diverse sites and improved the process for the selection of the diversity representative on the search committees.</p> <p>To promote community and retention of diverse faculty, the EGWL division has created Bridges: Cultivating Conversations and Connecting Communities (B4C) with sessions such as Best Practices for Introducing Diversity, Inclusivity, and Equity into Virtual Class Discussions; Diversity in College Classes in 2020: Safe Space for Faculty Concerns; Election Debrief: What We Know, What We Feel, and Where We Go.</p>	Category	Fall 2015	Fall 2020	Faculty	23.2 %	28.9 %	Staff*	27.7%	31.5%
Category	Fall 2015	Fall 2020										
Faculty	23.2 %	28.9 %										
Staff*	27.7%	31.5%										

HOWARD COMMUNITY COLLEGE

Management’s Discussion and Analysis
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2.2	<p><i>Increase stakeholder satisfaction for students from spring 2012 rates of: 86.6% for credit students; to spring 2020 rate of 87%, and for employees, from fall 2007 rate of 4.29 to fall 2019 rate of 4.35. Continuing education students will report 95% satisfaction.</i></p>		
<p>Latest available- Spring 2018 for credit students (90.9%) Year over year trend: ↓ FY21 noncredit students (98.3%) ↑, fall 2020 employees 4.12 out of 5) ↓</p>			
2.2A	ALL	<p>Use systems thinking approach to improve (Plan-Do-Check-Act) a process or processes selected by the president’s team to create cost efficiencies while ensuring quality service to students and one another.</p>	<p style="text-align: center;">Accomplished and Ongoing</p> <p>President Areas Development improved the process for providing the president’s team (PT) with a list of unmet needs so they can prioritize and award the available foundation funding. They built a connection between the HCC budget process and the request for funds from the HCCEF; broadened the number of people providing input, and moved the presentation to PT from March to April to allow more time to determine available foundation funds.</p> <p>Academic Affairs Applied the academic affairs portfolio review conducted by rpk Group to create cost efficiencies within the area. By reducing course releases, establishing practices to increase seat fill and eliminating one academic program, medical laboratory technician, cost efficiencies of \$1,279,958 are estimated by the close of FY23.</p> <p>Administration and Finance Refined and grew the fresh start initiative, a program geared at paying off small prior student balances to assist with retention efforts. Implemented electronic documents for key requests, event set-ups, and set-up approvals to streamline the approval process, and to verify areas have been scheduled correctly to create workforce efficiencies. Improved the professional development experience by streamlining registration, recordation and tracking of staff and faculty data. Required human resources (HR) staff to map HR business processes as part of the implementation of the new HRIS software and also prepare for knowledge transfer of potential retirees.</p>

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**Management's Discussion and Analysis
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2.2A	ALL	CONTINUED	<p>Student Services Created and expanded the virtual Pop-In advising model in collaboration with public relations and marketing. Established a predictable daily schedule to include both day and evening hours. Established a digital survey to solicit immediate student feedback. Increased virtual advising. In FY20, average 20 virtual advising sessions per week; FY21, averaging between 250-300 per week. Initiated Perceptive Content Workflow for both promissory notes and Veterans Affairs debt management letters, eliminating the need for printing documentation between departments.</p> <p>Information Technology Assisted every unit of the college in converting their services and instructional processes to online. Provided hardware and technical assistance to students.</p>
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<i>Make progress toward achieving a 50/50 FT/PT faculty ratio and adequate staffing to meet organizational needs.</i>			
FY21 FT:PT ratio was 48:52. Year over year trend: ↑			
2.3A	VPAA	Create scheduling efficiencies to meet the established benchmarks.	<p>Partially Accomplished and Ongoing</p> <p>Deployed the cancellation process across academic divisions resulting in an average one percent increase in seat fill rates; Fall 2019 - 76 percent to fall 2020 - 77 percent. Spring 2020 - 70 percent to spring 2021 - 71 percent Met with the chairs cohort to refine this process for future success.</p>
2.3B	All	Analyze vacancies and determine recruitment action.	<p>Partially Accomplished and Ongoing</p> <p>Every vacancy is considered before permission is given to fill, reallocate resources, or place on hold.</p>

HOWARD COMMUNITY COLLEGE

Management’s Discussion and Analysis
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2.4	<i>Increase development/training expenditure per FTE employee to stay in top quartile. 100% of budgeted employees will complete the campus-wide online training required in each annual professional development term.</i>		
<i>As of FY21 National Community College Benchmarking Project comparative data (FY20 data) – 63 percentile Year over year trend: ↓</i>			
2.4A	VPAF	Continue to effectively and efficiently expend funds on professional development, including using an optimal mix of internal and external facilitators. Explore methods to capture the value of internal facilitators.	<p>Partially Accomplished and Ongoing</p> <p>The college is still below the benchmark. However with the new software system, HR will have curated content in the new system, which should move the college higher on the percentile benchmark category and improve mandated training completion rates (FY21-92 percent - emergency operations, and 86 percent - harassment awareness and avoidance).</p>

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2.5	Reduce HCC's carbon footprint 1% each year to achieve an 100% reduction in greenhouse gas emissions over 2009 levels by 2050.		
Latest reading: 9.61 due to COVID (51.4% decrease) kg/SF Year over year trend: ↓ Down is good			
2.5A	VPAF	<p>Investigate best practices; examine and refine existing metrics; incorporate new comparator for calculation of average gross emissions per square foot of built space (per 1,000 SF) aligned with college’s Facilities Master Plan and the President’s Climate Leadership Commitment (PCLC) signatories’ gross emissions by Carnegie class.</p>	<p style="text-align: center;">Partially Accomplished and Ongoing</p> <p>Received unprecedented results in the reduction of greenhouse gas emissions for fall 2020 with a decrease of 51.4 percent due to COVID-19. This far exceeds the normal one percent reduction per year. Once more people are back on-campus, this will change. Moving forward, the college will continue efforts to revise, adjust, and implement best practices to meet and exceed national standards to reach the goal of climate neutrality by 2050.</p> <p>Incorporated new comparator for calculation of average gross emissions per square foot of built space per 1,000SF beginning in FY16. Continuing to implement this methodology for more effective benchmarking with peers using the Carnegie class reporting system. Aligned college goals with President’s Climate Leadership Commitment (PCLC) signatories for gross emissions per Carnegie class beginning in FY18 and continuing.</p> <p>Enrolled in the Association for Advancement of Sustainability in Higher Education’s (AASHE’s) Sustainability tracking, assessment, and rating system (STARS), which is a self-reporting framework for colleges and universities to measure their sustainability performance. Initiated the AASHE STARS “reporter” status in FY21 for measurable results and anticipate earning a “bronze” rating by FY23.</p> <p>Coordinated and discussed planning efforts with the Green Team to expand the Certified Green Professors (faculty promoting sustainability in the classroom) and include Certified Green Professionals (staff promoting sustainability in the office) and develop the framework for establishing sustainability development goals (SDGs).</p>

HOWARD COMMUNITY COLLEGE

Management’s Discussion and Analysis
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Strategic Goal #3. Building and Sustaining Partnerships			
3.1	<i>Increase resources to provide scholarships and facilities to students.</i>		
	<i>See data below.</i>		
	Lead	Action Plans for FY21	Results by June 30,2021
3.1A	President	Raise \$1,500,000 for scholarships and endowments	Accomplished and Ongoing Raised \$1,592,616 in overall support for scholarships and programs from the foundation to the college (\$1,287,548 for scholarships, \$260,643 for programs, and \$44,425 for grants); and raised \$277,500 through named spaces in buildings to fund the donor’s choice of scholarships, programs, or endowments.
3.1B	President	Obtain \$2.4 million in competitive grants.	Partially Accomplished and Ongoing Generated \$2,200,158 in competitive grants, toward the foundation’s \$2.4 million goal. Examples include: STARTALK grant for the 14th year; engaged in the Collaborative Online International Learning (COIL) grant through faculty participation in English, English as a second language, and Spanish courses; received a three-year grant from the National Endowment for the Humanities to reach 375 students per year by FY23 with collaborative online international learning (COIL) experiences embedded within the general education core; and began implementation (in collaboration with CEWD) of the STEM Challenge Talent Grant (\$300,000—HCC is the only community college).
3.1C	VPAA VPAF	Continue the design for the Mathematics and Athletics Complex. -	Accomplished and Ongoing Design completed; groundbreaking for the new building occurred on June 16, 2021.
3.1D	VPAF	Continue the campus wide systematic renovation.	Accomplished and Ongoing Completed 23 systemic projects and currently have 16 projects in progress. Completed a 10-year deferred maintenance plan to assist with systemic and capital requests.

HOWARD COMMUNITY COLLEGE

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3.2		<i>Increase opportunities to serve the regional needs.</i>	
		<i>See data below.</i>	
3.2A	VPAA VPSS	Increase the draw rate of HCPSS recent high school graduates to 26 percent by continuing to promote the honors/scholars brand and by increasing JumpStart, dual enrollment and Early College.	<p>Partially Accomplished and Ongoing</p> <p>The HCPSS overall draw rate remains below 26 percent, currently at 24.4 percent. With the expansion of the JumpStart program, the percentage of JumpStart students enrolling at HCC upon graduation is 30.2 percent in the fall 2020. This compares to 22.7 percent in fall 2019.</p>
3.2B	VPSS	Increase enrollment, transfer, and college completion of adult students by implementing the adult learner initiative recommendations.	<p>Partially Accomplished and Ongoing</p> <p>The cross-functional adult learner committee's recommendations were postponed due to the COVID-19 pandemic. The enrollment management team will revisit the recommendations in FY22.</p> <p>Activities to reach adult learners included two virtual Laurel College Center Open Houses featuring Laurel College Center transfer agreement information with partners (University of Maryland Global Campus, Washington Adventist University, Morgan State University).</p>

HOWARD COMMUNITY COLLEGE

**Management's Discussion and Analysis
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3.2C	VPAA VPSS VPIT	Develop credit and noncredit courses that meet regional employment needs and expand internship/apprenticeship/stackable credential opportunities.	<p style="text-align: center;">Accomplished and Ongoing</p> <p>Expanded apprenticeship offerings and student/apprentice capacity: Computer System Engineer, Data Warehousing Specialist, Software Developer (Applications), Linux System Administrator, and Electrical Worker. Ten companies engaged 111 apprentices in 11 occupations. Four apprentices are scheduled to complete their construction management apprenticeship in summer 2021, these will be HCC's first completers in apprenticeship.</p> <p>HCC's division of continuing education and workforce development and AT&T partnered to develop the Catapult Apprenticeship program, the first apprenticeship in the state of Maryland which prepares participants for a career in IT, allows apprentices to earn debt-free college credits, and enables them to obtain a high-level security clearance. The program was developed in response to AT&T's urgent need for entry-level employees. HCC developed a non-traditional apprenticeship model where courses were front-loaded, so that the bulk of related instruction occurred during the time when apprentices were awaiting security clearance. This project was the finalist for the Award of Excellence from the American Association of Community Colleges for Outstanding College-Corporate Partnership.</p> <p>Developed new occupational courses to meet regional employment needs in online modality, including medical scribe, audiology assistant, logistics technician, production technician, Google IT support professional, and dispensary technician.</p>
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HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

3.2D	VPAA VPSS	Implement selected Commission on the Future recommendations.	Partially Accomplished and Ongoing
			<p>Responded to the Commission on the Future (COF) health care recommendation to provide additional career opportunities, increase the supply of trained paraprofessionals and professionals seeking to work the community and behavioral health fields, by developing the curriculum for the certified community health worker and submitting it for state approval. A new program for surgical technicians is currently under review in collaboration with the Howard County General Hospital.</p> <p>The on-campus internship program exhibited a 13.0 percent increase in FY21 with 52 on-campus internships students participating compared to 46 in FY20.</p>

The following are some core work accomplishments that occurred during the fiscal year that impacted FY21 revenue and spending.

- Completed the college's Middle States self-study process with college-wide participation of faculty and staff and received reaccreditation status with no recommendations for improvement;
- Advocated successfully for the college's legislative agenda with federal, state, and local governments:
 - Operating Budget – Secured a fiscal year (FY) 2022 operating budget increase of 2.6 percent from the county, representing \$950,756 and a 3.12 percent increase from the state of \$720,520, allowing the college to maintain in-county tuition with no increase.
 - Capital Budget – For FY22, secured \$15,844,000 from the county and \$13,844,000 from the state to begin construction of the Mathematics and Athletics Complex. Also received \$1 million from the county for systematic renovations-deferred maintenance projects. This represents a total capital budget of approximately \$30,688,000;
- Completed the college's work with rpk Group on the academic portfolio study for a savings of over \$1.2 million for a two-year period. The academic affairs division and other key staff are continuing to review academic programs. rpk Group is a leading national consulting firm supporting colleges in making sustainable investments in mission and student success;
- Raised a total of \$1,789,444 toward the fundraising goal of \$1.5 million (includes gifts and pledges, based on gross event revenue);

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

College Planning and Strategic Goals (continued)

- Generated gross revenue of \$601,326 toward a goal of \$648,000 through virtual Vino Scholastico, HCC 5K Challenge Race, Silas Craft Collegians Dinner at Hunan Manor, President's Gala, and other smaller events.
- Minimized the budget impact of COVID-19 by constantly reviewing budgets and holding workshops to communicate to employees the importance of reducing costs;
- Created a Higher Education Emergency Relief Funding (HEERF) committee to allocate institutional federal relief funds. Over \$11 million of the HEERF institutional grant was spent in FY21 including over \$1.4 million spent directly on students outstanding balances. The other \$9.7 million of the institutional HEERF expenditures were inclusive of institutional needs such as technology, lost revenue, training and safety measures including. This grant will continue into FY22.
- Developed memorandum of understanding with Howard County Health Department to establish HCC gym as vaccination distribution site for the county;
- Upgraded the model for improvements to the staff and faculty salary schedules;
- Expanded First Day inclusive access program for savings on course materials; and,
- Secured additional coverage for cyber liability program.
- Transitioned semester schedules from all remote to partially remote/hybrid and face-to-face, starting with summer 2020 through fall 2021;
- Partnered with Howard County General Hospital and Howard County Health Department for the nursing and allied health students to help in the administration of the COVID-19 vaccinations;
- Increased enrollment in biomedical engineering technology and construction management programs. Year-to-year fall census enrollment increases by 121 percent (from 28 to 62 students) and 58 percent (from 19 to 30 students), due to apprenticeship program incentives and online course offerings;
- Graduated the first cohort of additive manufacturing certificate students, with a 100 percent (5/5) pass rate on the industry certification exam;
- Produced virtual performances for all producing partners; 180 people virtually attended the Women+ in Theatre conference with participants from 17 states and four countries;
- Launched virtual exhibitions page on the HCC website: 11 exhibitions including the 50th anniversary exhibition, four student exhibitions, and six group/solo exhibitions, four recorded artist talks, four artist lectures, and two virtual studio visits;
- Collected and distributed food to 600 families;
- Continued accreditation of all clinical programs in the health sciences division;
- Received accreditation for the Center for Hospitality and Culinary Studies (CHCS) hospitality program;
- Partnered with Bermuda Institute of Ocean Science (BIOS) and had a visiting Bermuda lecturer present to two geology classes in place of international travel;
- Transitioned all service-learning course integrations to virtual formats and increased total student participation to 679, an increase of 0.8 percent over FY20;

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

College Planning and Strategic Goals (continued)

- Expanded real-time librarian chat services by six hours per week. Increased reference and research assistance transactions by 9.2 percent, from 2,778 in FY20 to 3,033 in FY21;
- Hosted 10 social sciences and criminal justice pathway events in FY21, reaching a total of 309 students, staff, and faculty;
- Initiated a multicultural marketing campaign for the business pathway utilizing Perkins Grant funding (in partnership with public relations and marketing);
- Reviewed all data from the academic portfolio project with the deans, chairs and faculty to assemble potential cost-saving opportunities;
- Provided 2,155 laptops and 469 hotspots to students, staff, and faculty to support remote work and learning;
- Developed the technology service center to provide enhanced services to staff, faculty, and students;
- Created an information security department to focus on information security and cybersecurity campus;
- Implemented and updated security features and systems to better secure and monitor the college environment;
- Deployed enhanced cybersecurity training for faculty and staff;
- Updated cybersecurity policies and procedures;
- Upgraded infrastructure across campus to support remote work and learning;
- Created virtual environments for faculty and students to support remote learning;
- Created a "Wifi Zone" on the second floor of the east garage to provide students a safe place to study during the pandemic;
- Implemented First Day data synchronization with Barnes and Noble to ensure students have access to course materials before or on their first day of class;
- Implemented e-forms to support secure electronic data submissions for online information processing;
- Provided health screening form and integration with door checks in response to Centers for Disease Control and Prevention guidelines related to the pandemic;
- Worked with architects to design the Mathematics and Athletic Complex audiovisual and network infrastructure.
- Developed and implemented Ellucian CRM Advise for the early alert and case management modules and started to train student services staff;
- Increased the number of personal counseling remote outreach and support group programs offered in FY21 to 58, as compared to 55 in FY20;
- Increased participation in student life online orientation by 213 percent, with 454 students registered in FY21, as compared to 145 new students registered in FY20;
- Continued to offer most admissions and advising services virtually because of the COVID-19 pandemic. All events were successfully transitioned to virtual model increasing overall number of events by 35 percent, from 22 in FY20 to 30 in FY21;

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

College Planning and Strategic Goals (continued)

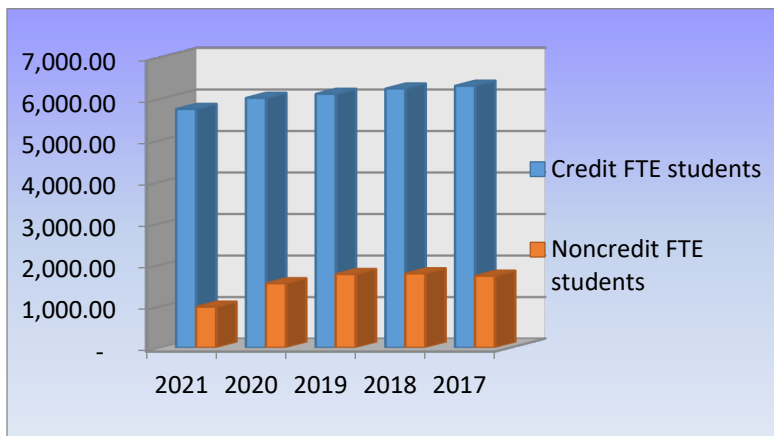
- Created collaborative academic advising hours in partnership with Howard County Public School System to assist JumpStart students through the application process at HCC;
- Continued awarding and disbursing CARES Act Higher Education Relief Funds (HEERF) for students. Awarded and disbursed over \$2.5 million to students in FY21 for a cumulative total to students of over \$3.5 million dollars from the HEERF student grant. This grant will continue into FY22;
- Created an NJCAA Division II softball program.

Enrollment Statistics and Analysis

For the year ended June 30, 2021, the college served approximately 13,911 credit and 7,543 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 an important statistic of the college as it is the basis for comparison among the various state colleges and is, in part, what determines the college's state funding.

During FY21, the state approved credit and noncredit enrollments of 5,538.10 and 855.38 FTE. As compared to the prior year, this is a decrease of 253.44 credit FTE and a decrease of 347.01 noncredit FTE. State-funded FTE do not include out-of-state students, employees who took classes, and other ineligible students determined by the state. Overall, credit FTE of 5,747.94 decreased 268.43 FTE, or 4.46 percent. Noncredit FTE of 981.72 decreased 567.37, or 36.63 percent. Together this number created a total decrease in FTE of 835.80, or 11 percent. The college had anticipated enrollment to be flat in FY21. Nationwide, community colleges are experiencing declining enrollments, as a result of the pandemic as well as declining high school populations.

The chart below shows total FTE as opposed to state-funded FTE for fiscal years 2017 through 2021.



HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Enrollment Statistics and Analysis *(continued)*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Credit	5,747.94	6,016.37	6,113.24	6,239.77	6,308.27
Noncredit	981.72	<u>1,549.09</u>	<u>1,772.05</u>	<u>1,788.07</u>	<u>1,729.86</u>
Total FTE	<u>6,729.66</u>	<u>7,565.46</u>	<u>7,885.29</u>	<u>8,027.84</u>	<u>8,038.13</u>

As seen in the data above, the 1,308.47 FTE decline was 16.3 percent for this five-year period. In the FY22 budget there is a three percent decline in credit FTE, and a slight increase in non-credit enrollment as the area recovers from the pandemic.

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, in FY21, the actual unrestricted revenue was 39 percent from students, 39 percent from the county, and 20 percent from the state, with the final two percent coming from auxiliary and miscellaneous revenue.

The college's per credit hour tuition rate increased by two dollars per credit hour. The student share of actual unrestricted revenue declined to 39 percent from 40 percent, due to the decline in enrollment and increased funding from the county.

State funds are distributed through the Cade funding formula, with the community colleges receiving a percentage of what the four-year institutions receive in funding from the state. Although the state originally had an increase in the college's appropriation budget, this was later removed, and the college received flat funding equal to the FY20 funding level. Support for the Regional Higher Education Center at the Laurel College increased by \$22,391. The state's share of actual unrestricted revenue remained the same as the prior year.

The college received a two percent, or \$716,860 increase in FY21 operating funding from the county. The county's funding percentage of actual unrestricted revenue also increased two percent over the prior year.

Revenue from auxiliary services and miscellaneous revenue, decreased 56 percent, primarily due to a decrease in cultural income due to the COVID-19 pandemic which caused theater, international and other cultural programs to cease. In addition, a decrease in interest income and the closure of the Children's Learning Center (CLC) contributed to the decline. The percentage share of actual unrestricted revenue declined one percent as compared to the prior year.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Enrollment Statistics and Analysis *(continued)*

The college's restricted fund typically fluctuates from year to year depending on the number of grants and restricted funds the college receives. In FY21 the college saw a 61 percent increase in the restricted fund. This increase is primarily a result of emergency relief funding received as a result of the COVID-19 pandemic.

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) and are designed to present the college as a whole unit, consolidating the various funds (operating, continuing 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 also 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.

The college's financial position remains positive, however, beginning in FY18, Howard County Government has required the College, as well as 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, 2020 and calculated for each entity independently. This change made a negative fiscal impact to the college's financial position. The FY20 ending unrestricted fund deficit and net assets were reduced by \$42,612,277 for the college's proportionate FY21 net OPEB liability. It should be noted that the County has always funded this liability and intends to do so in the future. 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 for the first time since 2018. At the end of FY21, the college was able to hold funds for future planned projects and potential revenue shortfalls. In addition the college held funds to partially fund the vacation liability. These initiatives have helped to increase the college's overall net position.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses *(continued)*

The total net position of the college saw a one percent increase over the prior year. The college continues to make improvements to its current facilities with major renovations, however the majority of those projects were winding down in FY21 or just starting. Therefore, there was not a major increase in the overall net position. As capital projects are winding down, the state receivable and offsetting payable to the county have decreased. The county pays for state-funded project costs upfront. The state share is reimbursed only after the county has paid its share of the project costs. The net OPEB liability increased in FY21 primarily due to a change in actuarial assumptions and change in actual and expected experience to the OPEB trust. This is explained in the OPEB footnote disclosure and supplement information. In addition, the college was able to hold funds for future planned projects and potential revenue shortfalls, which contributed to the overall increase in net position.

The decrease in operating revenue is due to a reduction of cultural, community and other programs, the closure of the Children's Learning Center (CLC) as well as a decline in tuition and fee revenue. The COVID-19 pandemic caused theater, international and other cultural programs to shut down. In addition, auxiliary revenues were down due to limited operations and the closure of the CLC. The operating expenses decreased two percent from the prior year. Capital appropriations declined about two percent due to capital projects winding down or just starting up in FY21.

Efforts continue to be made college-wide to determine cost savings within departments and divisions. The college also works to create new opportunities for cost savings by partnering with other colleges and organizations on shared goals and objectives.

A major financial challenge facing the college today is funding, and its impact on affordability. With state support at only 20 percent of unrestricted revenue, the burden of education falls heavily on the Howard County Government and HCC students. With the COVID-19 pandemic impact, the college saw declining enrollments this past year and fall is currently trending down as well. The college could see major enrollment declines in FY21. With declining enrollment trending throughout our nation and potential reduced appropriations from government sources, the college will continue to look for ways to reduce operating costs.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses (continued)

STATEMENTS OF NET POSITION

	June 30, 2021	<i>Restated</i> June 30, 2020	Dollar Variance	Percentage Variance
ASSETS				
Current assets	\$ 75,460,446	\$ 60,806,060	\$ 14,654,386	24%
Non-current assets, net	<u>269,737,593</u>	<u>275,779,494</u>	<u>(6,041,901)</u>	-2%
Total Assets	345,198,039	336,585,554	8,612,485	3%
Deferred outflows of financial resources				
– pension	813,377	803,753	9,624	1%
– other post-employment benefits	<u>9,046,990</u>	<u>5,012,075</u>	<u>4,034,915</u>	81%
Total Deferred Outflows of Financial Resources	<u>9,860,367</u>	<u>5,815,828</u>	<u>4,044,539</u>	70%
LIABILITIES				
Current liabilities	26,751,697	22,962,287	3,789,410	17%
Non-current liabilities	<u>54,811,365</u>	<u>51,941,599</u>	<u>2,869,766</u>	6%
Total Liabilities	81,563,062	74,903,886	6,659,176	9%
Deferred inflows of financial resources				
– pension	317,187	281,376	35,811	13%
– other post-employment benefits	<u>8,257,838</u>	<u>5,884,869</u>	<u>2,372,969</u>	40%
Total Deferred Inflows of Financial Resources	<u>8,575,025</u>	<u>6,166,245</u>	<u>2,408,780</u>	39%
NET POSITION				
Net investment in capital assets	259,653,185	264,794,335	(5,141,150)	-2%
Restricted funds, expendable	-	134,776	(134,776)	-100%
Unrestricted	<u>5,267,134</u>	<u>(3,597,860)</u>	<u>8,864,994</u>	-246%
Total Net Position	<u>\$ 264,920,319</u>	<u>\$ 261,331,251</u>	<u>\$ 3,589,068</u>	1%

Designations of unrestricted net position:	June 30, 2021	June 30, 2020	Variance
Continuing education	\$ 7,301,305	\$ 5,523,493	\$ 1,777,812
Auxiliary enterprises	5,316,551	4,779,409	537,142
Special funds	26,501,603	19,935,607	6,565,996
Facility funds	14,215,049	10,454,762	3,760,287
Other	2,342,282	221,868	2,120,414
Unfunded pension related items	(2,329,165)	(2,233,310)	(95,855)
Unfunded other post-employment benefits	(41,823,125)	(40,032,517)	(1,790,608)
Unfunded vacation liability	(396,206)	(2,247,172)	1,850,966
HEERF funds	(5,861,160)	-	(5,861,160)
Total unrestricted net position	<u>\$ 5,267,134</u>	<u>\$ (3,597,860)</u>	<u>\$ 8,864,994</u>

- *Total assets* increased \$8,612,485, a three percent increase over the prior year. The primary increase in *current assets* was in cash and cash equivalents as well as federal accounts receivable. The increase in current assets was offset by *non-current assets* that saw a decrease of two percent, or \$6,041,901 primarily due to additional accumulated depreciation on completed projects.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses (continued)

- The decrease in *non-current assets* is net of depreciation. Capital assets include land, buildings, renovation costs, furniture, equipment, software, library books, leaseholds, land improvements, and construction in progress (CIP). CIP, as of June 30, 2021, totaled \$5,989,459, which is the accumulated costs associated with the Mathematics and Athletics Complex. The breakdown by asset category can be found in Note 7 of the financial statements.
- *Total liabilities* increased \$6,659,176, or nine percent from the prior year. Current liabilities increased due to a one-time appreciation bonus that was not paid to employees until July. In addition, there was an increase in liabilities related to the federal HEERF institutional expenditures. There are two separate HEERF awards, one for student awards and a second to cover institutional expenses. The grant stipulates that the student award must be spent in order to claim the institutional revenue. Institutional expenditures were higher at the end of the fiscal year causing a liability for those institutional expenditures in excess of the proportionate share of student expenditures. The student portion of HEERF is planned to be fully expended in FY22, which will result in the elimination of the liability.
- *Non-current liabilities* include the college's portion of the state pension liability for certain employees, the OPEB liability, and bond debt. The college's pension liability increased three percent. The bond debt decreased by seven 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 8 of the financial statements. The OPEB liability increased \$3,452,554, or nine percent, primarily due to a change in assumptions. More information about the liability is found in Note 11.
- Deferred outflows of financial resources increased 70 percent and deferred inflows of financial resources increased 39 percent. These items are related to the college's pension liability for certain employees, discussed in note 10 of the financial statements, and the OPEB liability, discussed in note 11 of the financial statements.
- These changes resulted in an increase in the college's *net position* of \$3,589,068, an increase of about one percent from the prior year. *Restricted funds*, which decreased 100 percent, as grant obligations were satisfied during FY21.

The college's *unrestricted net position* is internally designated as outlined in the previous chart. The college's unrestricted net position is now \$5,267,134, a change of \$8,864,994 or a 246 percent increase over the prior year. The college was able to hold funds for future planned projects and potential revenue shortfalls. In addition, the college held funds to partially fund the vacation liability. These initiatives have helped to increase the college's overall net position.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses (continued)

It should be noted that the college's portion of the unfunded OPEB liability had a material negative effect on the unrestricted net position of the college. The county has funded the OPEB trust since its inception and has budgeted to fund the trust on the college's behalf in the FY22 budget. Once the planned projects are complete, the college could see a negative net position again.

The primarily increase in the special funds was from the increase in savings in the operating budget in FY21. These savings were transferred to the special funds and are planned to be used to help make up anticipated FY22 budgeted revenue shortfalls, and to fund planned special projects.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

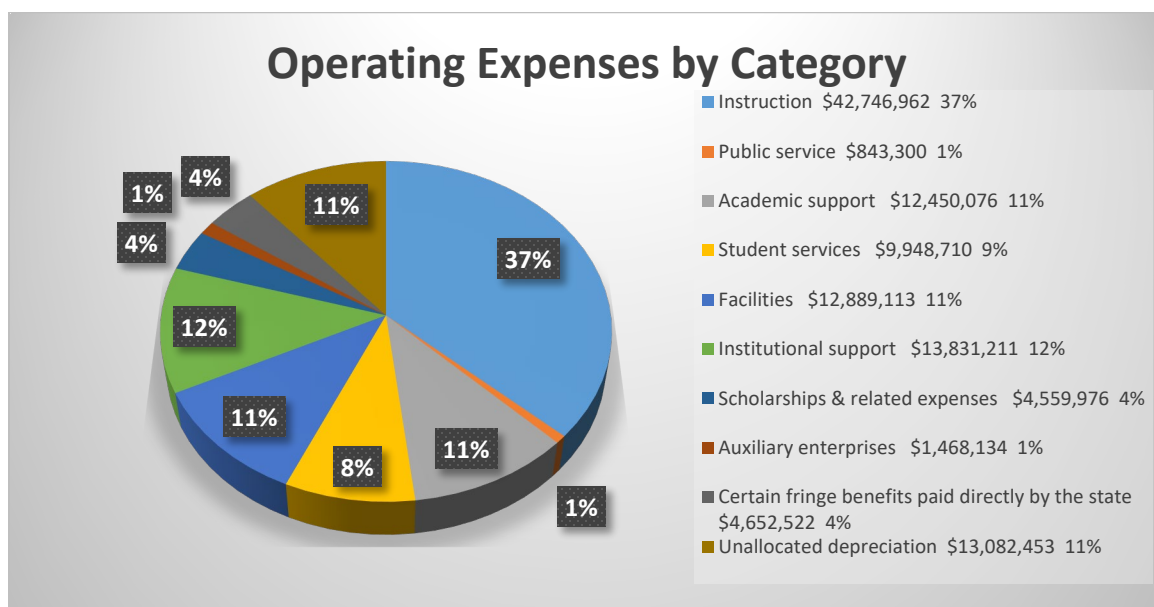
	<u>June 30, 2021</u>	<u>Restated June 30, 2020</u>	<u>Dollar Variance</u>	<u>Percentage Variance</u>
Total Operating Revenue	\$ 28,998,880	\$ 31,949,887	\$ (2,951,007)	-9%
Operating Expenses				
<i>Instruction</i>	42,746,962	46,376,957	(3,629,995)	-8%
<i>Public service</i>	843,300	831,623	11,677	1%
<i>Academic support</i>	12,450,076	12,087,405	362,671	3%
<i>Student services</i>	9,948,710	9,573,318	375,392	4%
<i>Facilities</i>	12,889,113	13,236,832	(347,719)	-3%
<i>Institutional support</i>	13,831,211	14,581,598	(750,387)	-5%
<i>Scholarships and related expenses</i>	4,559,976	3,489,472	1,070,504	31%
<i>Auxiliary enterprises</i>	1,468,134	2,947,719	(1,479,585)	-50%
<i>Certain fringe benefits paid directly by the state</i>	4,652,522	4,735,501	(82,979)	-2%
<i>Unallocated depreciation</i>	13,082,453	11,398,093	1,684,360	15%
<i>Total operating expenses</i>	<u>116,472,457</u>	<u>119,258,518</u>	<u>(2,786,061)</u>	<u>-2%</u>
Operating loss	(87,473,577)	(87,308,631)	(164,946)	0%
Non-operating Revenue (Expenses)				
<i>Government appropriations</i>	56,369,270	55,652,410	716,860	1%
<i>Grants and contracts</i>	22,127,394	17,577,504	4,549,890	26%
<i>In-kind contributions and certain fringe benefits paid directly by government</i>	6,817,260	7,014,226	(196,966)	-3%
<i>Investment income</i>	49,304	614,602	(565,298)	-92%
<i>Interest on debt to Howard County</i>	(445,976)	(487,548)	41,572	-9%
Net Non-operating Revenue	<u>84,917,252</u>	<u>80,371,194</u>	<u>4,546,058</u>	<u>6%</u>
<i>Loss before capital appropriations</i>	<u>(2,556,325)</u>	<u>(6,937,437)</u>	<u>4,381,112</u>	<u>63%</u>
<i>Capital appropriations</i>	<u>6,145,393</u>	<u>6,298,841</u>	<u>(153,448)</u>	<u>-2%</u>
<i>Change in net position</i>	<u>3,589,068</u>	<u>(638,596)</u>	<u>4,227,664</u>	<u>662%</u>
<i>Net position, beginning of year</i>	<u>261,331,251</u>	<u>261,969,847</u>	<u>(638,596)</u>	<u>0%</u>
Net Position, End of Year	\$ 264,920,319	\$ 261,331,251	\$3,589,068	1%

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses (continued)

- *Operating revenue* had a nine percent, or \$2,951,007 decrease from the prior year. This decrease was primarily in tuition and fee revenue which was down five percent. Cultural programs were also down 49 percent due to the COVID-19 pandemic shutdown of the theater, international and other cultural programs. Auxiliary revenues were down 73 percent due to the shutdown of the café and closure of the CLC.
- *Non-operating revenue* had a six percent, or \$4,546,058 increase from the prior year. The county appropriation increased two percent and the state appropriation remained flat in FY21. Grants and contracts had a 26 percent increase, primarily due to HEERF federal relief funding.



- Total *operating expenses* decreased \$2,786,061, a decrease of two percent over the prior year. *Instruction and academic support* together represent 48 percent of expenditures. This is one percent lower when compared to the prior year. Direct instructional expenses decreased two percent while academic support costs increased one percent.
- The *instructional* function decreased eight percent, or \$3,629,995 from the prior year. Major contributing factors to this reduction include reduced adjunct faculty costs and lower instructional supplies expenditure as a direct result of lower enrollment.
- The *scholarships and related expenses* increased 31 percent or \$1,070,504 as compared to the prior year. This expense represents financial assistance paid directly to students for expenses other than their college charges of tuition and fees.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses (continued)

- Expenses in *auxiliary enterprises* decreased 50 percent, or \$1,479,585. The closure of the CLC and temporary closure of food service area contributed to this decrease.
- *Grants and contracts* increased \$4,549,890, or 26 percent from the prior year. Funding received for emergency relief assistance from the pandemic are the major contributors to this change.

STATEMENTS OF CASH FLOWS

	June 30, 2021	<i>Restated</i> June 30, 2020	Dollar Variance	Percentage Variance
Cash Flows From Operating Activities				
Net cash used in operating activities	\$ (67,262,798)	\$ (65,287,799)	\$ (1,974,999)	-3%
Cash Flows From Non-Capital Financing Activities				
Net cash provided by non-capital financing activities	76,902,046	74,091,928	2,810,118	4%
Cash Flows From Capital Financing Activities				
Net cash (used) provided by capital financing activities	1,503,576	(5,514,515)	7,018,091	127%
Cash Flows From Investing Activities				
Net cash provided by investing activities	49,304	614,602	(565,298)	-92%
Net increase in cash and cash equivalents	11,192,128	3,904,216	7,287,912	187%
Cash and cash equivalents, beginning of the year	46,594,114	42,689,898	3,904,216	9%
Cash and Cash Equivalents, End of Year	\$ 57,786,242	\$ 46,594,114	\$ 11,192,128	24%

- Cash and cash equivalents increased \$11,192,128, or 24 percent from the prior year.
- The primary inflow of cash from operations continues to come from student tuition and fees. This inflow had a three percent decline for the year, due to lower enrollment. Cash inflows from auxiliary enterprises decreased 73 percent due to the closure of the Children's Learning Center. The primary outflows of cash from operations are supplier payments, employee compensation, and employee benefits costs. These outflows collectively decreased less than one percent over the prior year. As a result, *net cash used in operating activities* decreased three percent.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

Financial Statement Highlights and Analyses (continued)

- 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 two percent while the state remained flat over the prior year. Grant receipts increased 11 percent. The major increase was due to federal HEERF funding. The changes resulted in an increase in *net cash provided by non-capital financing activities* of four percent over the prior year.
- *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 decreased 194 percent over the prior year, expenditures on capital projects and bond interest payments decreased seven and nine percent respectively. The large increase in capital appropriations is a result of the ramping up of the Mathematics and Athletics Complex. Overall, the college had a 127 percent increase in *net cash provided by capital financing activities*.
- The college's *investing activity* cash flows come from investment income. Interest rates remained lower than in the first half of FY20 resulting in a 92 percent decrease in *net cash provided by investing activities*.

The college believes that its liquidity position as of June 30, 2021, is adequate. The college's current assets are deemed to be sufficient to pay its current liabilities as of June 30, 2021.

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 provide support to students with financial need. This support, exclusive of capital appropriations, is reflected on the financial statements as non-operating revenue. In FY21, the college received flat funding from the state and a two percent increase from the county.

These funds covered 73 percent of operating expenses; therefore, the economic condition of the state and county are critical to the college's future financial health.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

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

The college experienced a decline in enrollment in state funded credit FTEs in FY21 of 4.38 percent. In FY21 Howard County Public Schools changed the format of their high school schedule which allowed for larger number of dual enrolled students, which accounted for increases in the number of dual enrolled students. This change helped to keep the overall FTE decline lower. The public schools will be switching back to the pre-pandemic schedule for the 2021-2022 academic year. In FY21, dual enrolled students made up 6.5 percent of total credit area. Based on the current economic situation and continued unknown impact of the COVID-19 pandemic's impact on enrollment, the college is expecting a three percent decrease in enrollment in FY22.

As enrollment declines, tuition and fees that supported 39 percent of the operating revenue in FY21 will decline, unless tuition rates continue to rise. In the FY22 budget, in-county tuition rates remained flat while out-of-county and out-of-state rates increased six and 12 dollars, respectively. State guidelines on tuition rates caused the higher increases for non-county residents.

The college has received funding in FY22 for phased construction of the new Mathematics and Athletic Complex that will be split funded over several years. The complex supports current enrollment and growth for 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 thru FY24, with the building scheduled to open in FY25.

The U.S. economy has improved after the devastation caused by the COVID-19 pandemic in FY20. The future outlook is cautiously optimistic based on the rebound we have seen in the first half of 2021 but tempered by resurgence of COVID-19 infections driven by the Delta variant of the coronavirus. US Gross Domestic Product (GDP) growth is anticipated to rise six percent in 2021, with further growth in 2022 and 2023. As individuals were vaccinated against COVID-19, more Americans began to travel and frequent restaurants and sporting events. Consumer spending increased, but this was tempered by shortages such as motor vehicles and other appliances whose production had been hampered due to tight supplies of computer chips and parts. Higher prices, with inflation above the Federal Reserve's target of two percent also caused some to postpone purchases. The bipartisan infrastructure package worth one trillion over the next several years is unlikely to impact the US economy in 2021 but will positively impact 2022 and 2023.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

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

Since June 2020, Maryland's payroll employment increased by 177,800 jobs or 7.2 percent. However, employment was still 5.2 percent below its pre-pandemic level from February 2020. The growth in jobs was in the leisure and hospitality industries followed by education and health services. In August 2021, the Fitch Ratings continued to give Maryland a AAA bond rating on the state's general obligation (GO) bonds. Fitch noted "the rating reflects the state's broad, diverse and wealthy economy, strong forward looking fiscal management and broad budgetary flexibility." Maryland's economy benefits from proximity to the nation's capital due to the large federal presence along with the associated private contracting. In FY21, the state estimates ending the year with a \$583 billion balance in the state reserve and is projecting that FY22 will end with a \$1.1 billion in the state reserve.

The community colleges received an increase for FY22 of 1.4 percent over the FY21 original budget. The original FY21 budget had been reduced 14 percent due to state budget shortfalls due to COVID-19. For Howard Community College, this represented an increase of 3.12 percent over the original FY21 budget level and an increase of 16 percent over the reduced FY21 budget.

Howard County is currently in the midst of a demographic and economic transition. With the development of Columbia in the decades between 1970 and 2000, the County experienced strong growth. However, with changing demographics, housing and business development, and regulatory changes the county is seeing a slower revenue growth pattern. Property taxes and income taxes are the largest revenue source for the County making up approximately 90 percent of the total General Fund. The assessable base for property taxes is only expected to grow 2.3 percent based on the current state data. The strong housing market is offset by a weakening in commercial properties. Income tax, which is next largest source of revenue, is also expected to grow only slightly over the FY21 level. With less developable land and less new developments, there has been a slowdown in population growth along with an aging population. With these changes, the county's labor force declined 2.8 percent in 2020 compared to the statewide average of a 1.8 percent decline, causing a slower growth in personal income tax. The overall county budget is expected to grow 2.3 percent in FY22, with growth levels projected at 2.7 percent in FY23 and 2.4 percent in FY24. For FY22, Howard County gave the college a 2.6 percent increase. The college's economic position is closely tied to that of the county and the state, with approximately 59 percent of the college's FY21 revenue coming from these two sources.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

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

Higher education was very fortunate to receive COVID-19 relief funds along with other sectors. From the federal government, Howard Community College received two separate awards of the Higher Education Emergency Relief Funds (HEERF I and II) authorized by the Coronavirus Response and Relief Supplemental Appropriation (CARES) and also received HEERF III authorized by the American Rescue Plan. In addition, the college received funds under the Governor's Emergency Relief Fund (GEER I and II) and the Relief Act of 2021. The funds were for students and the institution use to assist with the pandemic. These grants have various end dates that extend into 2022.

In total, Howard Community College received \$34,068,414 for Covid-19 relief funding. The funds allowed the college to assist students with direct aid, debt paydown, laptops, internet access and other necessities related to the pandemic. The college was also able to obtain institutional funds for hardware and software related to remote instruction and student services, cleaning, safety and social distancing supplies, as well as train faculty on new techniques in instructional delivery and to recoup lost revenue. Expenditure of these funds will continue into FY22.

During the FY22 budget development process, the college saved \$887,000 with reductions in energy costs of \$350,000, part-time personnel of \$532,000, and \$5,000 in supplies, and mailings. Prior to the pandemic, the college made the decision to undertake a major study of the academic area with the outside consulting firm of RPK Group. The academic area had already undertaken a major initiative to reduce program offerings and this study complemented the work that was already done. The study was to uncover the institution's economic engines and identify opportunities for investment and reallocation toward institutional strategic goals. The project created a framework for moving the college toward the use of a return on investment lens. The total savings from this study was \$1,279,900, which extends from the period FY22 through FY23. Of the total savings from the study, \$532,000 was included in the FY22 budget in part-time personnel costs.

As the college moves forward, it anticipates FY22 to be an extremely challenging year, which will probably continue into FY23. However, the college is fortunate to be in Howard County where there is a highly educated workforce and an AAA bond rating. The county has growth corridors for development along with the re-development of Columbia, which will contribute to the long-term economic growth of the county.

The pandemic has shown how resilient and agile the college is and has ushered in a paradigm shift in how it delivers instruction. The college expects more changes and challenges in the road ahead and is confident it can navigate the path as it enters the new world of change, adaptation and transformation.

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2021

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

In FY2018, the county made the decision to move the college's portion of the OPEB liability from the county to the college. However, it should be noted that the college has an agreement with the county, where the county funds the college's OPEB liability. The county has continued to allocate funding for our OPEB liability each year in the budget process. It is important to the financial stability of the college that funding of the OPEB trust remains the responsibility of the county.

As it moves forward, the college anticipates FY22 to be an extremely challenging year, which will probably continue into FY23. State funding is based on FTE from two years prior, so the declining enrollments it is seeing now will have a future impact on state funding. However, the college is fortunate to be in Howard County where we have a highly educated workforce and an AAA bond rating. The county has growth corridors for development along with the re-development of Columbia, which will contribute to the long-term economic growth of the county.

The pandemic has shown how resilient and agile the college is and has ushered in a paradigm shift in how it delivers instruction. The college expects more changes and challenges in the road ahead as it transitions back to campus, but it is confident it can navigate the path it enters a new normal. The upcoming fall semester is expected to have a fairly even split between in person and remote/hybrid sections.

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 administration and finance, Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044. Email questions can be sent to 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 Vice President of Administration and Finance. Email requests should be sent to FinanceOffice@howardcc.edu.

FINANCIAL STATEMENTS

HOWARD COMMUNITY COLLEGE

Statements of Net Position June 30, 2021

	Howard Community College	Howard Community College Educational Foundation, Inc.
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 57,786,242	\$ 850,989
Investments	-	7,207,475
Tuition and other receivables, (net of allowance of \$1,676,254)	170,213	-
Federal, state, local, and other receivables	16,656,262	-
Contributions receivable, net	-	182,741
Prepaid expenses and other assets	847,729	20,350
Total current assets	75,460,446	8,261,555
Non-current Assets		
Investments and interest in irrevocable trust	-	10,045,597
Contributions receivable, net	-	123,002
Capital assets, net	269,737,593	-
Total non-current assets	269,737,593	10,168,599
Total Assets	345,198,039	18,430,154
Deferred outflow of financial resources		
Pension	813,377	-
Other post-employment benefits	9,046,990	-
Total Deferred outflow of financial resources	9,860,367	-
LIABILITIES		
Current Liabilities		
Accounts payable and accrued wages	5,340,705	63,620
Accrued compensated absences	3,018,074	-
Payable to PGCC joint venture	62,932	-
Payable to Howard County for construction	8,667,974	-
Other payables	537,180	-
Bonds payable, Howard County, current portion	710,675	-
Deposits	15,550	-
Agency funds	14,345	-
Unearned revenue	8,384,262	186,225
Total current liabilities	26,751,697	249,845

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

HOWARD COMMUNITY COLLEGE

Statements of Net Position (continued) June 30, 2021

	Howard Community College	Howard Community College Educational Foundation, Inc.
Non-current Liabilities		
Pension liability	\$ 2,825,355	\$ -
Bonds payable, Howard County, net of current portion	9,373,733	-
Other post-employment benefits	42,612,277	-
Total non-current liabilities	54,811,365	-
Total Liabilities	81,563,062	249,845
Deferred inflows of financial resources		
Pension	317,187	-
Other post-employment benefits	8,257,838	-
Total Deferred inflows of financial resources	8,575,025	-
Net investment in capital assets	259,653,185	-
Restricted for scholarships and program uses	-	15,855,171
Unrestricted	5,267,134	2,325,138
Total Net Position	\$ 264,920,319	\$ 18,180,309

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

HOWARD COMMUNITY COLLEGE

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

	Howard Community College	Howard Community College Educational Foundation, Inc.
Revenue		
Operating Revenue		
Student tuition and fees (net of discounts, allowances, and financial aid of \$12,209,431)	\$ 27,729,270	\$ -
Cultural, community, and other programs	333,842	-
Auxiliary enterprises revenue (net of financial aid of \$2,024)	335,128	-
Other operating revenue	600,640	-
Contributions, including in-kind	-	2,020,190
Special events	-	595,261
Total Operating Revenue	28,998,880	2,615,451
Operating Expenses		
Instruction	42,746,962	-
Public service	843,300	-
Academic support	12,450,076	-
Student services	9,948,710	-
Facilities	12,889,113	-
Institutional support	13,831,211	480,681
Scholarships and related expenses	4,559,976	-
Program expenses	-	1,592,616
Special events	-	58,805
Fundraising	-	427,322
Auxiliary enterprises	1,468,134	-
Certain fringe benefits paid directly by the State of Maryland	4,652,522	-
Unallocated depreciation	13,082,453	-
Total Operating Expenses	116,472,457	2,559,424
Operating (Loss)/Income	(87,473,577)	56,027
Non-Operating Revenue (Expenses)		
Howard County government appropriations	36,559,860	-
State of Maryland appropriations	19,809,410	-
Federal, state, local, and other grants and contracts	22,127,394	44,425
In-kind contributions – Howard County Government	1,158,000	-
Certain fringe paid directly by the State of Maryland and Howard County Government	5,659,260	-
Investment income	49,304	209,941
Net realized and unrealized gain on investments	-	3,124,241
Interest expense	(445,976)	-
Net Non-Operating Revenue	84,917,252	3,378,607
(Loss) Income before Capital Appropriations	(2,556,325)	3,434,634

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, 2021

	Howard Community College	Howard Community College Educational Foundation, Inc.
Capital appropriations, State of Maryland	\$ 2,277,150	\$ -
Capital appropriations, Howard County	3,868,243	-
Total Capital Appropriations	6,145,393	-
Changes in net position	3,589,068	3,434,634
Net position, beginning of year	261,331,251	14,745,675
Net Position, End of Year	\$ 264,920,319	\$ 18,180,309

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

HOWARD COMMUNITY COLLEGE**Statements of Cash Flows
For the Year Ended June 30, 2021****Howard Community College****Cash Flows From Operating Activities**

Student tuition and fees	\$ 27,931,718
Payments to suppliers	(26,750,261)
Payments to employees	(56,472,275)
Payments for employee benefits	(13,241,590)
Auxiliary enterprises	335,128
Other receipts	934,482
Net Cash From Operating Activities	(67,262,798)

Cash Flows From Non-Capital Financing Activities

Local appropriations	36,559,860
State appropriations	19,809,410
Grant and contracts	20,559,581
Student loan receipts	4,813,788
Student loan disbursements	(4,813,788)
Agency fund receipts	2,868
Agency fund disbursements	(29,673)
Net Cash From Non-Capital Financing Activities	76,902,046

Cash Flows From Capital Financing Activities

Capital appropriations	9,733,966
Purchase of capital assets	(7,040,552)
Interest expense payments	(445,976)
New bond issue	0
Principal payments on bonds, net of refunding	(743,862)
Net Cash From Capital Financing Activities	1,503,576

Cash Flows From Investing Activities

Investment interest	49,304
Net Cash From Investing Activities	49,304

Net increase in cash and cash equivalents	11,192,128
Cash and cash equivalents, beginning of year	46,594,114

Cash and Cash Equivalents, End of Year	\$ 57,786,242
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The accompanying notes are an integral part of these financial statements.

HOWARD COMMUNITY COLLEGE**Statements of Cash Flows (continued)
For the Year Ended June 30, 2021****Howard Community College****Reconciliation of Net Operating Loss to Net Cash Used in****Operating Activities:**

Operating loss	\$ (87,473,577)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	13,075,549
Loss on disposal of assets	6,904
In-kind contributions	21,368
Amounts paid directly by the state and county	6,817,260
Effects of changes in non-cash operating assets and liabilities:	
Receivables, net	341,400
Prepaid expenses and other assets	(141,515)
Pension and OPEB outflow	(4,044,539)
Accounts and other payables	(2,148,363)
Unfunded pension liability	69,668
Unfunded other post-employment benefits liability	3,452,554
Pension and OPEB inflow	2,408,780
Unearned revenue	181,200
Compensated absences	170,513
Net Cash From Operating Activities	\$ (67,262,798)

Howard Community College Educational Foundation, Inc.**Cash Flows From Operating Activities**

Changes in net position	\$ 3,434,634
Adjustments to reconcile changes in net position to net cash from operating activities:	
Net realized and unrealized gain on investments	(3,124,241)
Reinvested interest and dividends	(209,941)
Change in discount on contributions receivable	(348)
Change in allowance for uncollectible accounts	(500)
Effects of changes in non-cash operating assets and liabilities:	
Contributions receivable	716,508
Prepaid expenses and other assets	9,215
Accounts payable and accrued wages	11,472
Due to Howard Community College	(2,963)
Unearned revenue	(107,510)
Net Cash From Operating Activities	726,326
Cash Flows From Investing Activities	
Proceeds from sale of investments	2,621,234
Purchase of investments	(3,064,249)
Net Cash From Investing Activities	(443,015)
Net increase in cash and cash equivalents	283,311
Cash and cash equivalents, beginning of year	567,678
Cash and Cash Equivalents, End of Year	\$ 850,989

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

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

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 FY21, 75 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 has been 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.

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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (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.

The foundation's investments in an external investment pool have no readily determined market value and are valued at fair value as estimated by the University System of Maryland Foundation (USMF) custodian based on values as reported by the record keeper. USMF's management estimates fair value of the underlying market values of the investments. Because of the inherent uncertainty of the valuation, it is reasonably possible that such estimated values may differ from the values that would have been used had a ready market for the securities existed.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Interest in Irrevocable Trust (Continued)

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 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.

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 three weeks after the end of the semester are considered delinquent and are referred to a collection agency. The college has established a valuation allowance for the tuition receivable it estimates as uncollectible. As of June 30, 2021, the net tuition receivable was \$104,417. Included in other receivables are amounts due from the Howard Community College Educational Foundation of \$51,558 and from Barnes and Noble of \$14,238, primarily for 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 \$4,000 allowance for uncollectible accounts recorded as of June 30, 2021.

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 0.25 percent was used as of June 30, 2021. The unamortized discount of \$424 is accreted into contribution revenue.

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

Capital assets constructed or purchased are capitalized at cost, while assets acquired by gift are capitalized at their fair market 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

Accrued Compensated Absences

The college accrues for unused compensated absences at year-end. Accrued compensated absences as of June 30, 2021, were \$3,018,074.

Changes in the college's accrued compensated absences for the year ended June 30, 2021, were as follows:

	<u>June 30, 2020</u>	<u>Net change</u>	<u>June 30, 2021</u>
Payable	<u>\$ 2,847,561</u>	<u>\$ 170,513</u>	<u>\$ 3,018,074</u>

Unearned Revenue

Unearned revenue for the college is primarily comprised of tuition received for semesters beginning after June 30, 2021, 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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 includes 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 5 years for the pension items, and 5 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). As of June 30, 2021, the college did not have any nonexpendable net position.

The unrestricted balance of \$5,267,134 is detailed in the chart below:

Continuing education	\$ 7,301,305
Auxiliary enterprises	5,316,551
Cultural, community, theatre and other funds	26,501,603
Facility funds	14,215,049
Operating funds	2,342,282
Unfunded pension related items	(2,329,165)
Unfunded other post-employment benefits	(41,823,125)
Unfunded compensated absences	(396,206)
HEERF funds	<u>(5,861,160)</u>
Total	<u>\$ 5,267,134</u>

The negative unrestricted \$5,861,160 is related to HEERF funds. The college was awarded two major relief grants from the federal government, one for institutional expenditures and one for student awards. The grant stipulates the student award must be spent in order to claim the institutional revenue. Institutional expenditures were higher at the end of the fiscal year causing this negative balance for those institutional expenditures in excess of the proportionate share of student expenditures. The student portion of HEERF is planned to be fully expended in FY22, which will result in the elimination of this negative unrestricted balance line item.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

The student portion of HEERF is planned to be fully expended in FY22, which will result in the elimination of this negative unrestricted balance line item.

The net investment in capital assets of \$259,653,185 is net of related debt that includes debt to Howard County of \$10,084,408.

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, 2021, there was \$5,821,636 in net assets with donor restrictions for a specific time period or purpose.

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 \$10,045,597 for the year ended June 30, 2021.

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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, 2021, the college netted expenses in the amount of \$12,211,455, reducing tuition revenue by \$12,209,431, and auxiliary enterprise revenue by \$2,024 for these payments.

Auxiliary Enterprises, Continuing 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.

Continuing education and workforce development programs primarily represent noncredit courses offered by the college for a fee.

Cultural, community, and other programs are primarily events of Rep Stage, 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 are 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.

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 continuing education and workforce development 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.

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, 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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restricted fund.

The foundation receives contributions of various services from non-related sources. These contributions and their related expenses are reported at fair value in the period the services are performed. The estimated fair value of these contributions for the year ended June 30, 2021, was \$32,933. Additionally, the foundation receives in-kind support from the college consisting of personnel, legal, consulting, and office costs. The estimated value of these services for the year ended June 30, 2021, was \$881,619.

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).

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, 2021. 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. 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, 2021. The foundation is still open to examination by taxing authorities from FY18 forward.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

Adopted

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, and concluded that they controlled the assets and benefited from the activities. The college had recorded these assets as a liability due to the student groups in prior years; however, with the adoption of GASB No. 84, these funds are considered assets of the college. The adoption of this Statement resulted in the college restating its net position as of July 1, 2020, to remove the liability and increase its net position for these funds.

Net position, July 1, 2020, as previously reported	\$260,208,107
Restatement for adoption of new pronouncement	<u>1,123,144</u>
Net position, July 1, 2020, as restated	<u>\$261,331,251</u>

Pending

GASB issued statements No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and 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.

3. CASH AND CASH EQUIVALENTS

A. Deposits

As of year-end, the carrying amount of the college's deposits was \$4,048,298 and the bank balance was \$4,840,426. The deposits of the college, as of June 30, 2021, 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, 2021. The collateral is held by the bank's agent in the college's name.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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).

As of June 30, 2021, the college's investment balance consisted of \$53,735,644 in the MLGIP. The investment is considered a cash equivalent for financial statement purposes.

<u>Types</u>	<u>Amounts</u>
Cash on hand	\$ 2,300
Carrying amount of deposit	4,048,298
Carrying amount of MLGIP	<u>53,735,644</u>
Total cash and cash equivalents	<u>\$ 57,786,242</u>

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, 2021, 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 \$49,304 for the year ended June 30, 2021.

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

3. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

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, 2021.

4. INVESTMENTS AND INTEREST IN IRREVOCABLE TRUST

The foundation's investments and interest in irrevocable trust as of June 30, 2021, were summarized as follows:

	Amortized Cost	Gross Unrealized Gain/(Loss)	Fair Value
Fixed income - corporate bonds	\$ 4,757,014	\$ 95,757	\$ 4,852,771
Mutual funds - equities	8,160,252	2,594,234	10,754,486
Interest in external investment pool	418,837	1,060,016	1,478,853
Interest in irrevocable trust	87,262	79,700	166,962
Total	<u>\$ 13,423,365</u>	<u>\$ 3,829,707</u>	<u>\$ 17,253,072</u>

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 value of the trust was \$2,741,131 as of June 30, 2021. As of June 30, 2021, the interest in irrevocable trust was recorded at \$166,962, net of the related discount of \$381,264. The foundation used the IRS guideline suggested discount rate of 6.8 percent as of June 30, 2021.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

5. FAIR VALUE MEASUREMENTS

Fair value is defined under Accounting Standards Codification (ASC) topic no. 820, *Fair Value Measurements and Disclosures*, 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 under ASC topic no. 820 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.

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

- **Interest in external investment pool** - The Foundation's investment in the investment pool is held in the USMF investment pool which is valued based on level 3 inputs within the fair value hierarchy. The investments of USMF related to the Foundation's pool holds the majority of its investment assets in global equities, hedged global and US equity, private capital, absolute return, and real estate funds. USMF carries its investments at market value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is estimated by the investment manager under the general oversight of the Board of Trustees of USMF after consideration of factors considered to be relevant, including but not limited to, the type of investment, position size, marketability (or absence thereof), cost, restrictions on transfer, and available quotations of similar instruments. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material.

Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that USMF might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market.

The Foundation does not directly invest in the underlying securities of the USMF, but instead holds units in the overall United Investment Fund. The amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions. The Foundation's interest in the external investment pool of USMF was 0.00077 percent of the total investment portfolio as of June 30, 2021.

- **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 have been no changes in the valuation methodologies used as of June 30, 2021.

HOWARD COMMUNITY COLLEGE

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

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

The following tables set forth, by level within the fair value hierarchy, the foundation's investment assets at fair value as of June 30, 2021. As required by ASC topic no. 820, 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, 2021			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ 4,852,771	\$ -	\$ -	\$ 4,852,771
Mutual funds	10,754,486	-	-	10,754,486
Interest in external investment pool	-	-	1,478,853	1,478,853
Interest in irrevocable trust	-	166,962	-	166,962
Total	\$ 15,607,257	\$ 166,962	\$1,478,853	\$17,253,072

The following table presents the foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC topic no. 820-10 for the year ended June 30, 2021:

June 30, 2021	Amounts
Balance, beginning of year	\$2,709,002
Realized gains	133,026
Unrealized gains	481,716
Investment fees	(25,205)
Sales/redemptions	(1,820,186)
Purchases	500
Balance, end of year	\$ 1,478,853

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, 2021**

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

Quantitative information as of June 30, 2021, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) was as follows:

Description	Fair Value	Principal Valuation Technique	Unobservable input	Weighted Average
Interest in external investment pool	\$ 1,478,853	Net Asset Value	Values assigned to underlying fund investments, including capital activity (capital calls and distributions) and performance estimates as received from the fund manager	N/A

Level 3 Valuation Process

The USMF custodian determines the fair value of the overall investment pool and provides that information to the record keeper. A unitized accounting methodology is used for the valuation process. This methodology takes into account the beginning units along with the withdrawal units. The earnings are then allocated and any additions and transfers are added at the current month value. USMF personnel also have regular calls with management of the funds and meet periodically with the foundation's investment committee and report the performance of the funds.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the foundation's interest in the external investment pool are subject to market risks resulting from changes in the market value of its investments and other events that may occur over the life of the investments and may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable of the foundation as of June 30, 2021, were recorded as follows:

Due in:	Amounts
Less than one year	\$ 186,742
One to five years	123,425
Total	310,167
Less: discount for net present value of three percent	424
Less: allowance for uncollectible accounts	4,000
Contributions Receivable, Net	\$ 305,743

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, 2021:

	June 30, 2020	Addition/ Transfers	Retirements	June 30, 2021
Capital assets not being depreciated				
Land	\$ 378,578	\$ -	\$ -	\$ 378,578
Construction in progress	1,677,231	4,312,227	-	5,989,459
Total capital assets not being depreciated	2,055,809	4,312,227	-	6,368,037
Capital assets being depreciated				
Land improvements	1,397,520	-	-	1,397,520
Buildings	260,289,933	-	-	260,289,933
Building renovations	104,587,951	2,063,791	(1,305,494)	105,346,248
Furniture and equipment	22,320,141	643,838	(1,696,379)	21,267,599
Library books	284,003	20,696	(44,088)	260,611
Leasehold improvements	332,648	-	-	332,648
Total capital assets being depreciated	389,212,196	2,728,325	(3,045,961)	388,894,559
Less: accumulated depreciation				
Land improvements	(1,211,452)	(55,901)	-	(1,267,353)
Buildings	(55,554,667)	(5,155,303)	-	(60,709,970)
Building renovations	(39,051,730)	(6,885,497)	1,305,494	(44,631,733)
Furniture and equipment	(19,379,255)	(932,347)	1,689,475	(18,622,127)
Library books	(202,701)	(24,324)	44,088	(182,937)
Leasehold improvements	(88,706)	(22,177)	-	(110,883)
Total accumulated depreciation	(115,488,511)	(13,075,549)	3,039,057	(125,525,003)
Total assets being depreciated, net	273,723,685	(10,347,224)	(6,904)	263,369,556
Capital assets, net	\$ 275,779,494	\$ (6,034,997)	\$ (6,904)	\$ 269,737,593

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

8. BONDS PAYABLE, HOWARD COUNTY

The college is indebted to the county for bond issues in the amount of \$10,084,408, as of June 30, 2021, 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 2038 at interest rates ranging from 0.5 percent to five percent.

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

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 710,675	\$ 401,756
2023	795,673	366,158
2024	669,890	327,654
2025	729,035	296,508
2026	642,751	265,298
2027-2031*	2,958,950	943,708
2032-2036*	2,762,909	403,477
2037-2038*	814,525	39,642
Total	<u>\$ 10,084,408</u>	<u>\$ 3,044,201</u>

Changes in the college's long-term liabilities for the year ended June 30, 2021, are as follows:

	<u>June 30,</u> <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2021</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Bonds payable	<u>\$ 10,828,270</u>	<u>\$ 58,220</u>	<u>\$ 802,082</u>	<u>\$ 10,084,408</u>	<u>\$ 710,675</u>

9. RESTRICTED NET POSITION

Restricted for expendable net position of the college was zero as of June 30, 2021. Restricted for expendable net position of the foundation of \$5,821,636 as of June 30, 2021, 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 \$10,045,597, as of June 30, 2021, are restricted in perpetuity, the income from which is expendable to support the general obligations of the foundation and to provide scholarships. The \$13,804,852, reflected with donor restriction in the endowment, is comprised of the \$10,045,597 to be held in perpetuity and the expendable earnings from those funds.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

9. RESTRICTED NET POSITION (CONTINUED)

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.

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

9. RESTRICTED NET POSITION (CONTINUED)

Endowment (Continued)

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 seven percent spending rate for the year ended June 30, 2021.

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.

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, there were no deficiencies of this nature reported in expendable net position, as of June 30, 2021.

Composition of the Endowment by Net Position

As of June 30, 2021, the composition of the endowments was as follows:

	As of June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Donor- restricted and board designated funds	\$ 546,559	\$ 13,804,852	\$ 14,351,411

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

9. RESTRICTED NET POSITION (CONTINUED)

Endowment (Continued)

Change in Endowment Net Position

The changes in endowment net position were as follows:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 545,559	\$ 10,953,133	\$11,499,692
Investment return:			
Investment income	-	166,843	166,843
Net appreciation	-	2,492,234	2,492,234
Total investment return	-	2,659,077	2,659,077
Contributions	-	471,497	471,497
Appropriated for expenditures	-	(358,372)	(358,372)
Transfers	-	79,517	79,517
Endowment Net Assets, June 30, 2021	\$ 546,559	\$ 13,804,852	\$14,351,411

During the year ended June 30, 2021, transfers were made among without donor restrictions net position and with donor restrictions net position. The transfers were based on a more accurate understanding of the donors' intentions for contributions received by the foundation.

10. 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 \$45,487,819. The payroll of employees covered by either the MSRPS or an ORP was \$34,252,647.

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, 2021

10. 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 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.

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, 2021, the state paid \$4,652,522 in retirement costs, equal to approximately 10.15 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, 2021

10. RETIREMENT BENEFITS (CONTINUED)

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 employee options to establish an ORP. The state contribution rate is determined by state law and is currently 7.25 percent of salary. 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.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

As of June 30, 2021, the college reported a liability of \$2,825,355, for its proportionate share of the MSRPS plans liability. The net pension liability was measured as of June 30, 2020, 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 a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. As of June 30, 2021, the college's proportion was .0125 percent.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the college recognized pension expense related to the employee's system, of \$404,723. This does not include amounts included in the \$4,652,522 of state paid benefits. The net amount of \$496,190, reported as deferred outflows and inflows of resources related to pensions, was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements
June 30, 2021

10. RETIREMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

As of June 30, 2021, 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	\$ -	\$ (86,750)
Net difference between projected and actual earnings on pension plan investments	214,812	
Changes in assumption	10,585	(74,997)
Change in allocation rate	279,113	(155,440)
College contributions subsequent to the measurement date	308,867	-
Total	\$ 813,377	\$ (317,187)

The net amount of \$496,190, reported as deferred outflows of resources and (deferred inflows) of resources related to pensions, will be recognized in pension expense as follows:

<u>For The Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 356,433
2023	95,445
2024	51,042
2025	(6,730)

Actuarial Assumptions

Investment rate of return - 7.40 percent a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.10 percent to 11.6 percent, including inflation.

Inflation - 2.60 percent general, 3.10 percent wage

Mortality assumptions - The healthy life post-employment mortality table used in this valuation of the system was the Fully generational – Pub-2010/MP2018 Mortality Table.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

10. RETIREMENT BENEFITS (CONTINUED)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return adopted by the Maryland State Pension Plan Board after considering input from the system's investment consultant(s) and actuary(s). For each major asset class that is included in the systems target asset allocation, these best estimates are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	5.2%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.3%
Credit Opportunity	9%	2.8%
Real Assets	14%	4.3%
Absolute Return	<u>8%</u>	1.8%
Total	<u>100%</u>	

The above was the Maryland State Pension Plan Board adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2021.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 3.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.40 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.40 percent. 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 the 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

10. RETIREMENT BENEFITS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher.

	<u>1% Lower (6.40%)</u>	<u>Discount Rate (7.40%)</u>	<u>1% Higher (8.40%)</u>
Howard Community College proportionate share of the net pension liability	\$4,022,350	\$2,825,355	\$1,828,370

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maryland State Retirement and Pension System Comprehensive Annual Financial Report.

11. 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.

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, 2021, the college recognized the county payment made on behalf of the college of \$1,006,738, which was made during the measurement period.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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 June 30, 2021, the plan was 9.81 percent funded.

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

As of June 30, 2021, the college reported a liability of \$42,612,277 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2021, the college's proportion was 2.62 percent.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the college recognized an OPEB expense of \$2,797,346. This amount includes the contribution of \$1,006,738 made by the county. As of June 30, 2021, the college reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 349,796	\$ (1,260,643)
Net difference between projected and actual earnings on OPEB plan investments	34,237	-
Changes in assumption	8,292,028	(2,556,909)
College contributions subsequent to the measurement date	370,929	-
Change in proportionate share	-	(4,440,286)
Total	\$ 9,046,990	\$ (8,257,838)

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The college reported \$370,929 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, 2022. The prior year contribution of \$343,147 was included as OPEB expense in FY21. The deferred outflows of \$9,046,990 combined with the deferred inflows of resources of (\$8,257,838) related to OPEB will be recognized in OPEB expenses as follows:

<u>For The Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 279,000
2023	(74,508)
2024	(70,416)
2025	(75,674)
2026	(86,691)
Thereafter	817,441

The long-term expected rate of return on OPEB plan investments

The assumed asset allocation of the OPEB plan's portfolio, long-term expected rate of return on OPEB plan investments was determined for expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	3.14%
Fixed Income	1.13%

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020, with update procedures used to roll forward the total OPEB liability to June 30, 2020.

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 2020. 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 2.84% as of 6/30/20
Inflation	2.5%
Municipal Bond Rate	2.45% as of 6/30/20 based on the Bond Buyer General Obligation 20-year Bond Municipal Bond Index
Projected Cash Flows	Long-term expected rate of return was applied of fiscal years 2020 through 2040.
Long-Term Expected Real Rate of Return, Based on Geometric Means	3.07% for Equity investments (based on 65% target allocation) and 1.05% for Fixed Income investments (based on 35% target allocation), or a total of 4.12%
Mortality	Pub-2010 Safety Retirees Headcount - Weighted Mortality Projected with Fully Generational MP2019 Mortality
Healthcare Cost Trend Rate	4.00% based upon 2016 SOA Model, 1.6% GDP, adjusted for the anticipated impact of the ACA Excise Tax

Discount Rate

The discount rate used to measure the total OPEB liability was 2.84 percent, a decrease of .72 percent from the prior year discount rate of 3.56 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.

HOWARD COMMUNITY COLLEGE

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

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

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 (1.84%) or one percentage point higher (3.84%) than the current discount rate:

	1% Decrease (1.84%)	Discount Rate (2.84%)	1% Increase (3.84%)
Net OPEB liability	\$ 52,932,138	\$ 42,612,277	\$ 34,610,834

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 (4.00% decreasing to 3.000%) or one percentage point higher (4.00% increasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Healthcare Cost Trend Rates (4.00% medical trend)	1% Increase (5.00%)
Net OPEB liability	\$ 33,909,344	\$ 42,612,277	\$ 54,452,433

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

12. 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 self-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 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. In addition, during this unprecedented time as a result of COVID-19, the college was able to increase the excess liability amount for its cyber policy to cover potential exposures associated with increased telework. The new limits for cyber liability are \$5,000,000 per claim and \$10,000,000 aggregate.

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, 2021, was \$543,026.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

12. RISK MANAGEMENT (CONTINUED)

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 \$8,462,040 for the year ended June 30, 2021.

13. 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, 2021, the college provided \$881,619 of in-kind administrative and overhead support to the foundation. During the same period, the foundation provided \$1,287,548 in scholarships awarded to students and \$305,068 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 this 77,200 square feet of space. The college has recognized \$1,158,000 in non-operating revenue and facilities expense for this in-kind county contribution.

14. JOINT VENTURE - LAUREL COLLEGE CENTER (LCC)

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 \$4,316,203 and expenses of \$3,272,106 associated with the LCC equally. For the year ended June 30, 2021, 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, 2021, the amount of \$62,932 is due to PGCC from HCC.

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, 2021, was \$645,978.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

14. JOINT VENTURE - LAUREL COLLEGE CENTER (LCC) (CONTINUED)

In FY13, the colleges entered into a five-year lease, with two additional five-year renewal options. The lease contains a non-appropriation clause. In this lease agreement, if after 10 years the LCC continued to lease the space, the LCC would receive a rent abatement of \$1,005,651 in year 10. The lease contains an escalation clause of three percent per year. The lease increased the lease space by 4,514 square feet on another floor of the building.

During FY14, the colleges agreed to increase the lease space by another 7,694 square feet on the fifth floor of the building and renewed the existing leased space agreement for five years. The rent abatement increased from \$450,000 to \$1,455,651, and will be spread evenly between September 1, 2014, and August 31, 2021.

In FY21, the colleges renewed the existing leased space agreement for two years, ending August 31, 2023. The rent amount after abatement will be fixed at \$95,706 per month over the life of the renewed agreement.

The college's proportionate share of the future minimum lease payments under the terms of the leases as of June 30, 2021, were:

<u>For the Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 575,447
2023	574,234
2024	95,706
TOTAL	<u><u>\$ 1,245,387</u></u>

15. COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of business, the college becomes involved in legal actions. There are no legal actions pending at the current time.

As of June 30, 2021, the college has commitments of approximately \$8,360,330, to complete outstanding capital construction projects.

Grants

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.

HOWARD COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2021

16. SUBSEQUENT EVENTS

The college's management evaluated the accompanying financial statements for subsequent events and transactions through September 3, 2021, 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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
College's proportion of net pension liability	0.0125%	0.0134%	0.0121%	0.0106%	0.0117%	0.0124%	0.0110%
College's proportions share of net pension liability	\$ 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	\$ 3,247,201	\$ 3,435,325	\$ 3,214,415	\$ 3,031,305	\$ 3,021,313	\$ 2,983,599	\$ 2,738,973
College's proportionate share of net pension liability as a percentage of its covered-employee payroll	87.01%	80.22%	79.21%	75.73%	91.25%	86.47%	68.57%
Plan fiduciary net position as a percentage of total pension liability	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%

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 is available.

Howard Community College

Schedule of Howard Community College’s Contributions - Maryland State Retirement and Pension Systems

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Statutory required contributions	\$ 308,868	\$ 268,025	\$ 274,358	\$ 241,992	\$ 216,075	\$ 227,640	\$ 261,657	\$ 246,615
Contributions in relations to statutorily required contributions	\$ 308,868	\$ 268,025	\$ 274,358	\$ 241,992	\$ 216,075	\$ 227,640	\$ 261,657	\$ 246,615
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
College's covered-employee payroll	\$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	9.1%	8.3%	8.0%	7.5%	7.1%	7.5%	8.8%	9.0%

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 is available.

HOWARD COMMUNITY COLLEGE

Notes to Required Supplementary Information for Pensions June 30, 2021

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 2020 valuation.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Inflation	2.60%	2.65%	2.60%	2.65%	2.00%
Salary Increase	3.10% to 11.6%	3.10% to 11.6%	3.10% to 9.10%	3.15% to 9.15%	3.30% to 9.20%
Investment Rate of Return	7.40%	7.40%	7.45%	7.50%	7.55%

HOWARD COMMUNITY COLLEGE

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
College's proportion of net OPEB liability	2.62%	2.92%	2.92%	3.01%
College's proportions share of net OPEB liability	\$ 42,612,277	\$ 39,159,723	\$ 34,243,904	\$ 33,279,623
College's covered-employee payroll	\$ 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-employee payroll	93.43%	88.94%	79.40%	81.42%
Plan fiduciary net position as a percentage of total OPEB liability	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 information is available.

HOWARD COMMUNITY COLLEGE

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Statutory required contributions	\$ 370,929	\$ 343,147	\$ 305,856	\$ 269,612	\$ 250,080
Contributions in relations to statutorily required contributions	\$ 370,929	\$ 343,147	\$ 305,856	\$ 269,612	\$ 250,080
Contribution deficiency (excess)	-	-	-	-	-
College's covered-employee payroll	\$ 44,471,480	\$ 45,610,772	\$ 44,031,241	\$ 43,128,303	\$ 40,876,378
Contributions as a percentage of covered-employee payroll	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 is available.

HOWARD COMMUNITY COLLEGE

**Notes to Required Supplementary Information for OPEB
June 30, 2021**

Changes of benefits terms: There were not changes of benefit terms.

Changes of assumptions: There were the following changes in assumptions from 2016-2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Investment Rate of Return	2.84%	3.56%	3.98%	3.94%	3.20%

Because this OPEB plan does not depend on salary, no salary information is shown.