

FREDERICK COMMUNITY COLLEGE

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2012 and 2011



SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

JUNE 30, 2012 AND 2011

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustee
Fredrick Community College

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of the Fredrick Community College (the College), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



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

SB & Company, LLC

Hunt Valley, Maryland
September 28, 2012

FREDERICK COMMUNITY COLLEGE

Management's Discussion And Analysis June 30, 2012 and 2011

Overview and Basis of Presentation

This section of the Frederick Community College's (the College) basic financial statements presents management's discussion and analysis (MD&A), which provides an overview of its financial activities as of and for the years ended June 30, 2012 and 2011. This should be read in conjunction with the financial statements, as well as the more detailed information in the related notes to the financial statements. The MD&A, financial statements and the related notes are the responsibility of management.

Discretely Presented Component Units

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "*Determining Whether Certain Organizations are Component Units*" in fiscal year 2004. Pursuant to the criteria set forth in GASB 39, it was determined that the Frederick Community College Foundation (the Foundation) is a component unit, whose sole purpose is to serve the institution by providing resources for scholarships and other College projects. The Foundation's financial statements as of and for the years ended June 30, 2012 and June 30, 2011 are displayed in the financial statements section of this report.

Significant Financial and Enrollment Highlights

- An unreserved fund balance of \$3.0 million remains in the Current Unrestricted Educational and General Subfund to be used for unanticipated revenue shortfalls and changing fiscal conditions. The auxiliary fund balance is \$1.1 million.
- A policy approved by the College's Board of Trustees in March 2007 created a goal of establishing a Contingency Fund Reserve (CFR) designated for fiscal stability equal to 5% of the current year's operating budget. This policy also established a Strategic Fund Balance Reserve (SFBR) and a Budgeted Annual Operating Reserve (BAOR) equal to up to 2% and 1%, respectively, of the current approved operating budget. The SFBR is to provide a funding source for multi-year initiatives and the BAOR is to provide a potential source for unexpected opportunities during the normal course of operations that would further the College's mission and vision. As of June 30, 2012, the CFR is \$2.4 million and the SFBR is \$0.9 million and both are fully funded. The SFBR in the amount of \$0.9 million is also allocated for use in fiscal year 2013. The remaining balance relates to the \$3.0 million prior year unreserved balance which is used in the fiscal year 2013 budget.
- In-County tuition rates were increased by \$3 per credit hour, out-of-county rates increased by \$9 per credit hour and out-of-state rates increased by \$12 per credit hour in fiscal year 2012. The county and state's share of revenue was 31% and 23%, respectively.

FREDERICK COMMUNITY COLLEGE

Management's Discussion And Analysis June 30, 2012 and 2011

Significant Financial and Enrollment Highlights (continued)

- The Mt. Airy College for Health Care Education is a new center established with Howard Community College (HCC) and Carroll Community College (CCC) to provide health care programs. The center is scheduled to open for classes in the fall of 2012. During FY12, construction and outfitting of the center occurred. A \$1,000,000 federal grant provided funding for part of the renovations needed to the facility and the college's spent an additional \$1,152,492 in construction related costs and \$23,336 in start-up operating costs for the center. FCC's share of the addition costs totaled \$391,943, and is reflected in these statements. In addition, various smaller grants, primarily for equipment needs, provided funding.
- Bookstore net profit from operations decreased \$127 thousand from the prior FY due mainly to falling textbook sales, discount programs offered to students and rising freight costs resulting from higher fuel prices. Dining Services operating performance increased by approximately \$116 thousand due mainly to increased sales and cost savings due to renegotiated contracts. Children's Center operating performance decreased \$4 thousand due mainly to the increased classroom costs.
- Academic headcount enrollment increased slightly between fiscal year 2011 and fiscal year 2012. The following summarizes state-reimbursable FTE trends over the past five years:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Credit	3,322	3,723	4,068	4,055	4,137
Non-credit	358	318	319	553	571
Total	<u><u>3,680</u></u>	<u><u>4,041</u></u>	<u><u>4,387</u></u>	<u><u>4,608</u></u>	<u><u>4,708</u></u>

Statement of Net Assets

The Statement of Net Assets presents all assets and liabilities of the College as of the end of the fiscal year. The net assets represent the difference between assets and liabilities and are one way to measure the financial health of the College.

FREDERICK COMMUNITY COLLEGE

**Management's Discussion And Analysis
June 30, 2012 and 2011**

Statement of Net Assets (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012/2011</u> <u>Change</u>	<u>2011/2010</u> <u>Change</u>
<u>Assets</u>					
Current assets	\$ 20,098,065	\$ 27,890,189	\$ 19,514,011	\$ (7,792,124)	\$ 8,376,178
Capital assets	<u>67,345,961</u>	<u>57,193,305</u>	<u>53,048,884</u>	<u>10,152,656</u>	<u>4,144,421</u>
Total Assets	<u>87,444,026</u>	<u>85,083,494</u>	<u>72,562,895</u>	<u>2,360,532</u>	<u>12,520,599</u>
<u>Liabilities and Net Assets</u>					
Liabilities:					
Current liabilities	4,735,105	3,458,454	3,042,115	1,276,651	416,339
Noncurrent liabilities	<u>12,996,039</u>	<u>13,312,098</u>	<u>1,642,102</u>	<u>(316,059)</u>	<u>11,669,996</u>
Total Liabilities	<u>17,731,144</u>	<u>16,770,552</u>	<u>4,684,217</u>	<u>960,592</u>	<u>12,086,335</u>
Net Assets:					
Capital assets	57,208,049	52,350,917	53,008,424	4,857,132	(657,507)
Restricted	523,512	435,207	611,613	88,305	(176,406)
Unrestricted	<u>11,981,321</u>	<u>15,526,818</u>	<u>14,258,641</u>	<u>(3,545,497)</u>	<u>1,268,177</u>
Total Net Assets	<u>\$ 69,712,882</u>	<u>\$ 68,312,942</u>	<u>\$ 67,878,678</u>	<u>\$ 1,399,940</u>	<u>\$ 434,264</u>

Net assets increased to \$69.7 million and \$68.3 million in fiscal year 2012 and fiscal year 2011, respectively. Capital assets increased by \$10.1 million and \$4.1 million due mainly to the construction of the Parking Garage and the Enrollment Services Building in fiscal year 2012 and the purchase of the Monroe Avenue location in fiscal year 2011. Unrestricted net assets decreased \$3.5 million in fiscal year 2012 due mainly to the disbursement of funds for the CIP projects.

Statement of Revenue, Expenses, and Changes in Net Assets

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

FREDERICK COMMUNITY COLLEGE

**Management's Discussion And Analysis
June 30, 2012 and 2011**

Statement of Revenue, Expenses, and Changes in Net Assets (continued)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012/2011 Change</u>	<u>2011/2010 Change</u>
Operating Revenue					
Tuition and fees	\$ 16,446,752	\$ 15,708,730	\$ 14,540,773	\$ 738,022	\$ 1,167,957
Grants and contracts	2,186,411	1,370,015	950,153	816,396	419,862
Auxiliary enterprises	4,661,176	4,672,197	4,543,371	(11,021)	128,826
Other revenue	2,559,533	2,380,757	1,788,966	178,776	591,791
Total Operating Revenue	<u>25,853,872</u>	<u>24,131,699</u>	<u>21,823,263</u>	<u>1,722,173</u>	<u>2,308,436</u>
Operating Expenses					
Education and general	47,160,381	46,164,201	45,111,412	996,180	1,052,789
Depreciation expense	2,618,123	2,512,466	2,392,500	105,657	119,966
Auxiliary enterprises	4,842,407	4,833,515	4,531,713	8,892	301,802
Other expenditures	1,430,428	1,331,051	630,658	99,377	700,393
Total Operating Expenses	<u>56,051,339</u>	<u>54,841,233</u>	<u>52,666,283</u>	<u>1,210,106</u>	<u>2,174,950</u>
Operating Loss	(30,197,467)	(30,709,534)	(30,843,020)	512,067	133,486
Nonoperating Revenue (Expenses)					
Government appropriations	21,560,507	21,425,026	22,482,865	135,481	(1,057,839)
State retirement	1,920,745	1,902,138	1,701,543	18,607	200,595
Capital appropriations	1,707,311	1,647,961	7,797,646	59,350	(6,149,685)
Investment income	17,899	29,433	26,061	(11,534)	3,372
Gain (Loss) on disposal of assets	19,979	8,776	(2,089)	11,203	10,865
Other	6,370,966	6,130,464	4,543,864	240,502	1,586,600
Total Nonoperating Revenue	<u>31,597,407</u>	<u>31,143,798</u>	<u>36,549,890</u>	<u>453,609</u>	<u>(5,406,092)</u>
Increase in Net Assets	<u>\$ 1,399,940</u>	<u>\$ 434,264</u>	<u>\$ 5,706,870</u>	<u>\$ 965,676</u>	<u>\$ (5,272,606)</u>

County appropriations, including in-kind appropriations, in support of the operating budget decreased .9% and 7.7% in fiscal year 2012 and fiscal year 2011, respectively. State appropriations increased by 3.2% in fiscal year 2012 and decreased .1% in fiscal years 2011.

Total educational and general expenditures increased 2.2% and 2.3% during fiscal years 2012 and 2011, respectively. In fiscal year 2011, a budget savings plan was in place all year which controlled expenditure growth, while in fiscal year 2012, although a budget savings plan was not in effect, managers controlled expenditure growth given the uncertainty of future funding.

FREDERICK COMMUNITY COLLEGE

Management's Discussion And Analysis June 30, 2012 and 2011

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the College's ability to generate net cash flow and its ability to meet obligations as they come due.

	2012	2011	2010	2011/2010 Change	2010/2009 Change
Cash and Cash Equivalents From					
Operating activities	\$ (25,200,269)	\$ (21,720,436)	\$ (29,190,806)	\$ (3,479,833)	\$ 7,470,370
Non-capital financing activities	26,125,638	29,175,132	26,422,983	(3,049,494)	2,752,149
Capital and related financing activities	(9,624,490)	3,768,401	3,587,683	(13,392,891)	180,718
Investing activities	18,597	30,166	28,190	(11,569)	1,976
Net Change in Cash and Cash Equivalents	\$ (8,680,524)	\$ 11,253,263	\$ 848,050	\$ (19,933,787)	\$ 10,405,213

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

Capital and related financing activities include appropriations for renovation and construction projects from state and county sources. Payment toward the construction of the Parking Garage and the Enrollment Services Building resulted in the cash outflow in this category in FY 2012.

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

Economic Factors That Will Affect the Future

State funding for fiscal year 2012 increased by \$253 thousand from fiscal year 2011, which had been unchanged from 2010. In fiscal year 2012, an additional \$250 thousand was provided to the College as a result of a "Keeping Maryland Community Colleges Affordable" grant. The College was eligible for this grant by keeping its tuition increase below 3%. The College's county appropriation remained the same for fiscal year 2012 as it was in 2011. An additional one-time funding increase of \$500 thousand will help in Fiscal Year 2013. However, this is not guaranteed funding for future years. With small increases in enrollment expected, the College continues to work closely with the county government to maintain adequate funding for its operations.

Contacting Frederick Community College's Financial Management

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

FREDERICK COMMUNITY COLLEGE

Statements of Net Assets June 30, 2012 and 2011

	Frederick Community College		Component Unit Frederick Community College Foundation, Inc.	
	2012	2011	2012	2011
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 15,615,944	\$ 24,296,468	\$ 527,390	\$ 703,135
Investments	-	-	9,546,180	9,460,944
Accounts receivable:				
Governmental	2,422,095	2,029,595	-	-
Student & third party, net of allowance	267,321	468,637	-	-
Pledges, net of discount	-	-	215,054	386,732
Other accounts receivable	703,688	382,245	-	-
Total accounts receivable	3,393,104	2,880,477	215,054	386,732
Accrued interest	-	698	-	-
Prepaid expenses and other assets	372,291	144,810	-	-
Inventory	716,726	567,736	-	-
Total Current Assets	20,098,065	27,890,189	10,288,624	10,550,811
Noncurrent Assets:				
Beneficial interest in charitable remainder trusts	-	-	334,539	351,990
Capital assets, net of accumulated depreciation	67,345,961	57,193,305	-	-
Total Noncurrent Assets	67,345,961	57,193,305	334,539	351,990
TOTAL ASSETS	87,444,026	85,083,494	10,623,163	10,902,801
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts payable	1,977,365	597,803	3,893	88,047
Accrued salaries	341,175	354,446	-	-
Accrued liabilities	529,816	596,846	-	-
Accrued leave	26,185	163,204	-	-
Bond Payable	255,000	-	-	-
Deferred revenue	1,346,592	1,514,796	-	-
Deposits held for others	258,972	231,359	-	-
Total Current Liabilities	4,735,105	3,458,454	3,893	88,047
Noncurrent Liabilities:				
Bond payable, net of discount	7,262,140	7,511,476	-	-
Note payable to county	4,206,398	4,351,948	-	-
Accrued leave	1,527,501	1,448,674	-	-
Total Noncurrent Liabilities	12,996,039	13,312,098	-	-
TOTAL LIABILITIES	17,731,144	16,770,552	3,893	88,047
NET ASSETS				
Invested in capital assets, net of related debt	57,208,049	52,350,917	-	-
Restricted for college purposes	523,512	435,207	-	-
Temporarily restricted	-	-	5,709,924	6,098,301
Permanently restricted	-	-	4,054,648	3,884,037
Unrestricted	11,981,321	15,526,818	854,698	832,416
TOTAL NET ASSETS	\$ 69,712,882	\$ 68,312,942	\$ 10,619,270	\$ 10,814,754

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

FREDERICK COMMUNITY COLLEGE

Statements of Revenue, Expenses, and Change in Net Assets June 30, 2012 and 2011

	Frederick Community College		Component Unit Frederick Community College Foundation, Inc.	
	2012	2011	2012	2011
Operating Revenue				
Tuition and fees, net of scholarship allowances of \$2,009,598 and \$2,348,655	\$ 16,446,752	\$ 15,708,730	\$ -	\$ -
Grants and contracts	2,186,411	1,370,015	37,000	42,565
Auxiliary enterprises	4,661,176	4,672,197	-	-
Contributions	-	-	507,664	1,140,246
In-kind contributions	-	-	393,287	541,751
Pledge revenue, net of discounts	-	-	19,621	122,814
Other revenue	2,559,532	2,380,757	105,091	100,054
Total Operating Revenue	25,853,872	24,131,699	1,062,663	1,947,430
Operating Expenses				
Instruction				
Academic	18,657,500	17,303,580	-	-
Continuing education	3,363,657	3,411,058	-	-
Total Instruction	22,021,156	20,714,638	-	-
Academic support	2,348,362	1,952,333	-	-
Student services	5,605,437	5,513,175	-	-
Plant operations and maintenance	4,739,528	5,765,574	-	-
Institutional support	8,141,154	8,395,624	-	-
Scholarships	1,356,711	1,309,689	-	-
Student aid	2,948,033	2,513,168	-	-
Depreciation	2,618,123	2,512,466	-	-
Auxiliary enterprises	4,842,407	4,833,515	-	-
Program services	-	-	777,165	725,954
Support services	-	-	486,018	585,265
Other expenses	1,430,428	1,331,051	-	-
Total Operating Expenses	56,051,339	54,841,233	1,263,183	1,311,219
Operating Loss	(30,197,467)	(30,709,534)	(200,520)	636,211
Nonoperating Revenue (Expenses)				
State appropriations	8,145,648	7,892,197	-	-
County appropriations	13,414,859	13,532,829	-	-
State and County capital projects appropriations	1,707,311	1,647,961	-	-
Student aid	4,957,631	4,873,389	-	-
Investment income	17,899	29,433	(4,530)	3,956
Net unrealized and realized gain on investments	-	-	27,016	1,363,911
Change in the value of Charitable Remainder Trusts	-	-	(17,450)	56,481
Gain on disposal of assets	19,979	8,776	-	-
Other revenue	1,413,335	1,257,075	-	-
State paid benefits	1,920,745	1,902,138	-	-
Nonoperating Revenue	31,597,407	31,143,798	5,036	1,424,348
Increase (Decrease) in Net Assets	1,399,940	434,264	(195,484)	2,060,559
Net Assets - Beginning of year	68,312,942	67,878,678	10,814,754	8,754,195
Net Assets - End of year	\$ 69,712,882	\$ 68,312,942	\$ 10,619,270	\$ 10,814,754

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

FREDERICK COMMUNITY COLLEGE

**Statements of Cash Flows
June 30, 2012 and 2011**

Cash Flows From Operating Activities	2012	2011
Tuition and fees received	\$ 16,358,911	\$ 16,009,594
Payments to suppliers	(14,908,122)	(13,507,431)
Payments to employees	(36,007,375)	(35,161,429)
Auxiliary enterprise charges	4,663,164	4,686,384
Other receipts	4,693,153	6,252,446
Net Cash From Operating Activities	(25,200,269)	(21,720,436)
Cash Flows From Noncapital Financing Activities		
Federal revenue	4,957,631	4,873,389
Direct loan revenue	3,118,287	2,368,842
Direct loan expenditures	(3,118,287)	(2,368,842)
State and County appropriations	21,168,007	24,301,743
Net Cash From Noncapital Financing Activities	26,125,638	29,175,132
Cash Flows From Capital and Related Financing Activities		
State and County capital appropriations	1,707,311	1,647,961
Other revenue	1,413,336	1,257,075
Purchase of capital assets	(12,750,801)	(6,648,111)
Proceeds from certificates of participation	5,664	7,511,476
Net Cash From Capital and Related Financing activities	(9,624,490)	3,768,401
Cash Flows From Investing Activities		
Investment income	18,597	30,166
 Net Change in Cash and Cash Equivalents	 (8,680,524)	 11,253,263
 Cash and Cash Equivalents, beginning of year	 24,296,468	 13,043,205
 Cash and Cash Equivalents, End of Year	 \$ 15,615,944	 \$ 24,296,468

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

FREDERICK COMMUNITY COLLEGE

Statements of Cash Flows June 30, 2012 and 2011

Reconciliation of Net Operating Loss To Net Cash From Operating Activities

	<u>2012</u>	<u>2011</u>
Operating Loss	\$ (30,197,467)	\$ (30,709,534)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	2,618,123	2,512,466
State paid benefits	1,920,745	1,902,138
Effect of the changes in non-cash operating assets and liabilities		
Accounts receivable	(120,127)	9,401
Prepaid expenses	(227,481)	(102,385)
Inventory	(148,990)	92,617
Accounts payable	1,379,562	(724,245)
Accrued salaries	(13,271)	52,196
Accrued liabilities	(212,580)	4,787,825
Accrued leave	(58,192)	(73,645)
Deferred revenue	(168,204)	485,145
Deposits held for others	27,613	47,585
Net Cash From Operating Activities	<u>\$ (25,200,269)</u>	<u>\$ (21,720,436)</u>

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Frederick Community College (the College)

Basis of Presentation

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

- Management's Discussion and Analysis
- Statement of Net Assets
- Statement of Revenue, Expenses and Change in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

Basis of Accounting

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity

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

Budgetary Accounting

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

Use of Estimates

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

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. These reclassifications did not result in a change to net assets.

Operating Component

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses

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

	For the Years Ended	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Salaries and benefits	\$ 35,896,742	\$ 35,073,919
Supplies and materials	1,537,038	1,443,595
Depreciation	2,618,123	2,512,466
Contracted services	2,318,268	2,758,079
Conferences and meetings	533,549	343,620
Communications	218,412	244,773
Utilities	973,504	1,047,639
Insurance	141,653	121,452
Scholarships	4,342,018	3,840,786
Campus projects and equipment	747,564	487,315
Cost of good sold (bookstore and food service)	2,591,170	2,570,653
Miscellaneous	2,212,553	2,494,797
Certain fringe benefits paid directly by the state of Maryland	1,920,745	1,902,138
Total	\$ 56,051,339	\$ 54,841,233

Cash and Cash Equivalents

For purposes of the Statements of Cash flows, cash and cash equivalents include deposits and money-market fund investments held at financial institutions.

Accounts Receivable

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Accounts

Accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amount of accounts receivable that will not be collected. This valuation allowance is based on the age, historical trends and estimated collectability of receivables.

Scholarship Allowance

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

Capital Assets

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

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

	Number of Years
Buildings and improvements	10-40
Library collection	10
Furniture and fixtures	5-10

Inventory

Inventory is carried at the lower of average cost or market as of June 30, 2012 and 2011.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Deferred Revenue

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

Deferred revenue is primarily tuition received for semesters beginning after June 30, 2012. Grant revenue received during the year that has restrictions on spending has been deferred until those restrictions are met.

Postemployment Benefits

The College's employees participate in retirement plans as more fully discussed in Note 6. Also, the College offers other post-employment benefits described in Note 7.

Compensated Absences

Qualified administrative staff as well as those at the Assistant Professor, Associate Professor and Professor levels employed on a 12-month basis earn annual leave at the rate of 20 working days per year. Assistant Instructors and Instructors earn annual leave at the rate of 15 days per year. Supportive staff employed on a 12-month basis in their first through third year earn annual leave at a rate of 10 days per year. Those with four through seven years of continuous employment accrue 15 days per year. Those with continuous employment greater than eight years accrue 20 days per year. Ten and eleven month administrative and supportive staff accrue annual leave at the same rates but will not accrue leave during the periods when they are not required to work.

Qualified 12-month faculty, administrative and supportive staff hired before July 1, 1987 may accumulate a maximum of 40 days and are paid up to a maximum of 30 days earned at termination. Those hired after July 1, 1987 may accumulate a maximum of 30 days.

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

Qualified employees are entitled to a sick leave benefit of one day for each month employed. Sick leave for part-time employees is accrued on a prorated basis. Unlimited sick leave may be accumulated. Qualified staff employed prior to June 30, 1985 are eligible for payout upon termination of 40% of sick leave accumulated up to a maximum of 120 days. Those hired after June 30, 1985 are not eligible for payout at termination.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Assets

The College maintains the following net asset classifications:

Invested in capital assets, net of related debt

Capital assets, net of accumulated depreciation and outstanding principal debt.

Restricted – expendable

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

Unrestricted

Unrestricted net assets may be designated for specific purposes by the College's Board of Trustees.

When both restricted and unrestricted assets are available for expenditure, the decision as to which assets are used first is left to the discretion of the College.

Revenue Recognition

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Frederick Community College Foundation, Inc. (the Foundation) is a publicly supported foundation, incorporated under the laws of the State of Maryland. The Foundation is organized exclusively for charitable, scientific, literary and educational purposes; to promote, augment and further the educational purposes and programs of Frederick Community College, a non-profit educational institute of higher learning and to assist in developing and carrying out the educational functions of the College for the benefits of students, faculty and the community at large. The Foundation has been granted tax-exempt status under the Internal Revenue Code Section 501 (c)(3). Financial statements of the Foundation have been prepared on the accrual basis of accounting.

Fair Value Measurement

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Classification of Net Assets

As required under generally accepted accounting principles in United States, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – Contributions not subject to donor-imposed stipulations or whose restrictions have been satisfied.

Temporarily Restricted Net Assets – This net asset group includes expendable donor restricted gifts and earnings on permanently restricted net assets, which are restricted for the following purposes:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Scholarships	\$ 1,212,529	\$ 1,830,760
Scholarships Quasi-Endowment	3,993,580	3,818,486
Other Program Support	503,815	449,055
Total	<u>\$ 5,709,924</u>	<u>\$ 6,098,301</u>

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets released from restrictions were as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Scholarships	\$ 376,503	\$ 380,718
Program Services	352,011	262,983
Support Services	28,415	9,054
Administrative Fees	52,121	49,127
Total	<u>\$ 809,050</u>	<u>\$ 701,882</u>

Permanently Restricted Net Assets – This net asset group reflects non-expendable donor restricted principal, which is restricted for the following purposes:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Scholarships	\$3,963,761	\$ 3,793,280
Other Program Support	90,887	90,757
Total	<u>\$4,054,648</u>	<u>\$ 3,884,037</u>

Investments – Investments of the Foundation are stated at fair value based upon the fair value hierarchy as described in Note 12. Realized and unrealized gains and losses are reflected in the Statements of Activities. The investment objectives of the Foundation are to provide stable and predictable spendable cash income from year to year, and to preserve the capital value of the fund protecting it from wide variations in market value. The investment manager and custodial management fees are deducted from investment income earned.

Pledges receivable – These pledges represent unconditional promises to give from various contributors including individual, local business and state and local governments. Pledges receivable in excess of one year have been discounted using a risk-free discount rate ranging from .2% to 1.8% as of June 30, 2012 and 2011, respectively, and all pledges receivable are recorded at fair value as of June 30, 2012 and 2011. As of June 30, 2012 and 2011, the allowance was \$3,951 and \$3,606, respectively.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charitable Remainder Trust – The Foundation has been named beneficiary of two charitable remainder trusts. A qualifying charitable remainder trust provides lifetime income to the donor and/or the donor's family members, with the remaining trust assets passing to the Foundation when the trust ends. These trusts were created by donors independently of the Foundation and are neither in the possession nor under the control of the Foundation. The trusts are administered by outside fiscal agents as designated by the donor. The Foundation records the present value of the remainder interest discounted at a rate of 3% for both 2012 and 2011. Charitable remainder trusts are recognized as revenue when the Foundation is notified that they have been named as a beneficiary.

Contributions of temporarily restricted net assets that are received and expended in the same fiscal year are treated as temporarily restricted revenue and net assets released from restrictions in that year.

Endowment Fund Management Policy

The Foundation adopted Accounting Standards Codification ASC 958-205, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. ASC 958-205 requires that the amount classified as permanently restricted shall be the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, determined by the organization's governing board, must be retained permanently consistent with the relevant law. ASC 958-205 also expands the disclosures required for both donor-restricted and board-designated endowment funds.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Frederick Community College

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Cash on Hand

Cash on hand for petty cash and change funds as of June 30, 2012 and 2011, was \$ 8,152 and \$8,152, respectively.

Deposits

The carrying amount of the College's deposits for the years ended June 30, 2012 and 2011, was \$7,191,546 and \$15,880,489, respectively, and the bank balance was \$7,875,769 and \$16,274,627, respectively. All of the College's bank balances are collateralized by Federal agency securities held in safekeeping by the Federal Reserve.

MLGIP

Article 95, Section 22 of the Annotated Code of the Public General Laws of Maryland and the College's investment policy, determines the College's allowable investments. The College may invest in certificates of deposit with commercial banks in the State of Maryland, direct U.S. obligations, U.S. government agency obligations, repurchase agreements, bankers acceptances from approved banks with acceptable credit ratings, commercial paper from entities with an acceptable credit rating, money market funds and the Maryland Local Government Investment Pool (MLGIP). The College's investment balance in the MLGIP as of June 30, 2012 and 2011, was \$8,416,246 and \$8,407,827, respectively. This investment is considered to be a cash equivalent for financial statement purposes.

Reconciliation of Cash, Cash Equivalents and Investments as shown on the Statement of Net Assets:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash on hand	\$ 8,152	\$ 8,152
Carrying amount of deposits	7,191,546	8,803,837
Carrying amount of MLGIP	8,416,246	8,407,827
Carrying amount of certificates of participation	-	7,076,652
Total cash and cash equivalents per statement of net assets	<u>\$ 15,615,944</u>	<u>\$ 24,296,468</u>

Investment income includes net interest and dividends of \$17,899 and \$29,433 for the years ended June 30, 2012 and 2011, respectively.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investment Rate Risk

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the College's exposure to fair value losses arising from increasing rates, the College's investment policy limits the term of investment maturities. June 30, 2012 and 2011, the College's investments were limited to the MLGIP. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the College from having to sell investments below original cost for that purpose. The investments as of June 30, 2012 and 2011, met the College's investment policy.

Credit Risk

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

Custodial Credit Risk

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

3. RELATIONS WITH FREDERICK COUNTY, MARYLAND

Frederick Community College

Frederick County, Maryland provides approximately 32% of the College's operating budget. The College's budget is subject to the approval of the County Commissioners. The County provided an in-kind appropriation for data processing of \$360,447 and \$360,447, for the years ended June 30, 2012 and 2011, respectively. They also provided an in-kind appropriation for internal audit services and real estate appraisals of \$4,910 and \$121,980, for the years ended June 30, 2012 and 2011, respectively, which has been included in the County Appropriation revenue and as part of Institutional Support expenditures in the financial statements.

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

4. CAPITAL ASSETS

Frederick Community College

Schedules of capital assets and accumulated depreciation for the years ending June 30, 2012 and 2011, were as follows:

	<u>July 1, 2011</u>	<u>Additions & Transfers</u>	<u>Retirements & Transfers</u>	<u>June 30, 2012</u>
Capital assets not being depreciated				
Land	271,620	-	-	271,620
Construction in Progress	<u>712,494</u>	<u>11,488,830</u>	<u>(191,288)</u>	<u>12,010,036</u>
Total capital assets not being depreciated	<u>984,114</u>	<u>11,488,830</u>	<u>(191,288)</u>	<u>12,281,656</u>
Capital assets being depreciated				
Building and Improvements	75,224,852	635,521	(38,202)	75,822,171
Site Improvements	5,575,005	441,915	-	6,016,920
Furniture and Equipment	4,083,057	368,969	-	4,452,026
Library Collection	<u>1,900,441</u>	<u>33,517</u>	<u>-</u>	<u>1,933,958</u>
Total capital assets being depreciated	<u>86,783,355</u>	<u>1,479,922</u>	<u>(38,202)</u>	<u>88,225,075</u>
Less: Accumulated Depreciation				
Building and Improvements	(21,822,373)	(1,950,376)	31,517	(23,741,232)
Site Improvements	(4,326,955)	(310,290)	-	(4,637,245)
Furniture and Equipment	(2,684,372)	(319,508)	-	(3,003,880)
Library Collection	<u>(1,740,464)</u>	<u>(37,949)</u>	<u>-</u>	<u>(1,778,413)</u>
Total accumulated depreciation	<u>(30,574,164)</u>	<u>(2,618,123)</u>	<u>31,517</u>	<u>(33,160,770)</u>
Total assets being depreciated, net	<u>56,209,191</u>	<u>(1,138,201)</u>	<u>(6,685)</u>	<u>55,064,305</u>
Capital assets, net	<u>57,193,305</u>	<u>10,350,629</u>	<u>(197,973)</u>	<u>67,345,961</u>

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

4. CAPITAL ASSETS (continued)

Frederick Community College (continued)

	<u>July 1, 2010</u>	<u>Additions & Transfers</u>	<u>Retirements & Transfers</u>	<u>June 30, 2011</u>
Capital assets not being depreciated				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in Progress	450,088	693,081	(430,675)	712,494
Total capital assets not being depreciated	<u>721,708</u>	<u>693,081</u>	<u>(430,675)</u>	<u>984,114</u>
Capital assets being depreciated				
Building and Improvements	69,529,001	5,695,851	-	75,224,852
Site Improvements	5,533,071	41,934	-	5,575,005
Furniture and Equipment	3,485,077	630,513	(32,533)	4,083,057
Library Collection	1,883,034	17,407	-	1,900,441
Total capital assets being depreciated	<u>80,430,183</u>	<u>6,385,705</u>	<u>(32,533)</u>	<u>86,783,355</u>
Less: Accumulated Depreciation				
Building and Improvements	(19,947,118)	(1,875,255)	-	(21,822,373)
Site Improvements	(4,046,126)	(280,829)	-	(4,326,955)
Furniture and Equipment	(2,403,897)	(321,784)	41,309	(2,684,372)
Library Collection	(1,705,866)	(34,598)	-	(1,740,464)
Total accumulated depreciation	<u>(28,103,007)</u>	<u>(2,512,466)</u>	<u>41,309</u>	<u>(30,574,164)</u>
Total assets being depreciated, net	<u>52,327,176</u>	<u>3,873,239</u>	<u>8,776</u>	<u>56,209,191</u>
Capital assets, net	<u>\$ 53,048,884</u>	<u>\$ 4,566,320</u>	<u>\$ (421,899)</u>	<u>\$ 57,193,305</u>

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

5. LONG-TERM LIABILITIES

Frederick Community College

The College records a liability for accrued vacation pay as earned to the extent payable to its employees upon termination. A liability is also recorded for sick leave payable at retirement according to College policy. Employees hired after June 30, 1987 must use their sick leave prior to termination. As those employees hired prior to June 30, 1987 retire, the College's sick leave liability is declining. The vacation liability decreased in 2012 due to an increased use of annual leave since 2011.

	2010	Addition (Reduction) in Accrual	2011	Addition (Reduction) in Accrual	2012
Accrued Vacation Liability	\$ 1,100,018	\$ 90,913	\$ 1,190,931	\$ (28,876)	\$ 1,162,056
Sick Leave Retirement Liability	390,351	(83,950)	306,401	(25,181)	281,220
Estimated Payroll Taxes	195,154	(80,608)	114,546	(4,135)	110,411
Total Liability	1,685,523	(73,645)	1,611,878	(58,192)	1,553,686
Less: current portion	(43,421)	(119,783)	(163,204)	137,019	(26,185)
Long-term portion	<u>\$ 1,642,102</u>	<u>\$ (193,428)</u>	<u>\$ 1,448,674</u>	<u>\$ 78,827</u>	<u>\$ 1,527,501</u>

The College entered into an agreement with Frederick County (County) in February 2010 in order to purchase the previously leased space at 200 Monroe Avenue. The purchase occurred in December 2010 and the College was originally to reimburse the County for the debt service payments until the amount had been paid in full. However, during the budgeting process for FY 2013, the County agreed to extinguish the debt owed from the College. Therefore, this liability will be eliminated in FY 2013. In addition, the College issued Certificates of Participation in December 2010 to finance a new parking garage and a portion of the enrollment services building. Manufacturers and Traders Trust Company serves as trustee for the transaction and there is a term of approximately 25 years. Principal payments begin in 2013. The following table summarizes each of these liabilities:

	June 30, 2011	Principal Payment	Premium/Discount Amortization	June 30, 2012	Current Portion	Long-Term Portion
Note payable to county	\$4,502,879	\$ (150,931)	\$ (145,550)	\$ 4,206,398	\$ -	\$ 4,206,398
Bond payable	7,511,476	-	5,664	7,517,140	(255,000)	7,262,140

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

6. PENSION AND RETIREMENT PLANS

Frederick Community College

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

Maryland State Teachers Retirement and Pension System

Employee benefits and contributions differ based on the employee's participation in either the retirement or pension system. Employees who were members of the retirement system on December 31, 1979 can continue membership, unless they elect to join the pension system. All employees have vested benefits after 5 years of creditable service. Members of the retirement system may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1.8% of a member's average final compensation multiplied by the number of years of creditable service. Members of the pension system may retire with full benefits after completing 30 years of eligible service regardless of age, or at age 62 or older with specified years of eligible service. On retirement from service a member shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service with a provision for additional benefits for compensation earned in excess of the social security wage base.

Both systems have provisions for early retirement and death and disability benefits. Employees who are members of the retirement system can contribute 7% of their annual compensation and receive an uncapped cost of living adjustment. Other employees can elect to remain members of the retirement system and contribute 5% of their annual compensation; however, their retirement benefits are subject to a 5% limit on their annual cost of living adjustment. Members of the pension system are required to contribute 5% of their regular salaries and wages in excess of the social security wage base.

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

6. PENSION AND RETIREMENT PLANS (continued)

Effective July 1, 1989, in accordance with the State law governing the plans, all benefits are funded in advance. The System uses the aggregate entry age normal method with projection to determine costs. Under this funding method, a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded actuarial liability rate (UAL). The unfunded accrued liability was calculated based on post employment benefit increases ranging from 3% to 4% per year and annual increases in members' salaries ranging from approximately 0% to 8.50%. A rate of return on investments of 7.75% compounded annually is used to compute pension benefit obligations. The employer share of contributions for eligible employees is the responsibility of the State. The State contribution for these employees is estimated at \$1,208,270, based on covered payroll of \$7,529,075 for fiscal year 2012 and \$1,192,413 based on payroll of \$7,956,667 for fiscal year 2011. Total payroll for Frederick Community College was \$30,477,114 and \$29,473,136 for the years ended June 30, 2012 and 2011, respectively. A substantial portion of Frederick Community College employees are not enrolled in a retirement plan due to the temporary, part-time nature of their work. This includes temporary part-time hourly and adjunct faculty. A complete report of the Maryland State Teachers Retirement and Pension System can be obtained by contacting this agency at 301 W. Preston Street, Baltimore, Maryland 21201.

Other Retirement Plans

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

Employer contributions and covered payroll were as follows:

	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	<u>Covered Payroll</u>	<u>Employer Contributions</u>	<u>Covered Payroll</u>	<u>Employer Contributions</u>
Professional Employees - funded by State and College contributions	\$ 9,817,179	\$ 711,745	\$ 9,784,079	\$ 709,781
Employees ineligible for State Teacher Pension/ Retirement system funded by College contributions	<u>2,403,195</u>	<u>174,232</u>	<u>2,394,824</u>	<u>173,190</u>
Total	<u>\$ 12,220,374</u>	<u>\$ 885,977</u>	<u>\$ 12,178,903</u>	<u>\$ 882,971</u>

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

6. PENSION AND RETIREMENT PLANS (continued)

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

Certain Fringe Benefits Paid Directly by State

The College received State contributions toward retirement in the amount of \$1,920,745 and \$1,902,138 for the years ended June 30, 2012 and 2011, respectively. These amounts have been recorded as revenue and expenses in the financial statements.

Summary of Pension and Retirement Plans

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

<u>Fiscal Years</u>	<u>MD State Teachers Retirement and Pension System Annual Cost</u>	<u>Percentage Contributed</u>	<u>Other Plans Annual Cost</u>	<u>Percentage Contributed</u>
2012	\$ 1,208,270	100%	\$ 885,977	100%
2011	1,192,413	100%	882,971	100%
2010	1,005,917	100%	874,586	100%
2009	798,501	100%	801,749	100%

7. POSTEMPLOYMENT HEALTHCARE PLAN

Frederick Community College

Plan Description. The Frederick Community College Healthcare Plan is approved by the Board of Trustees and is defined in Policy 3.20. This policy provides for those retirees who are collecting benefits through either the Maryland State System or one of the state-approved Optional Retirement Plans (ORPs) to continue their healthcare coverage at their expense indefinitely. The healthcare premiums charged have not been age adjusted and, as a result, the plan is deemed to provide an implied subsidy to retirees. Coverage for retirees will be governed by contracts in effect with the insurance carriers.

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal years 2012 and 2011, retirees paid approximately \$33 thousand and \$6 thousand, respectively, in premiums.

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

7. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Annual OPEB Cost and Net OPEB Obligation. The College’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years. The following table shows the components of the College’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College’s net OPEB obligation to the plan. The liability is included with Accrued Liabilities on the Statement of Net Assets.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Annual Required Contribution	\$ 38,026	\$ 71,629
Interest on net OPEB obligation	4,346	2,389
Adjustment to annual required contribution	<u>(9,334)</u>	<u>(2,472)</u>
Annual OPEB cost	33,038	71,546
Contributions made	<u>(32,985)</u>	<u>(6,314)</u>
Increase in net OPEB obligation	53	65,232
Net OPEB obligation, July 1	<u>144,865</u>	<u>79,633</u>
Net OPEB obligation, June 30	<u><u>\$ 144,918</u></u>	<u><u>\$ 144,865</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and 2011, are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>NET OPEB Obligation</u>
6/30/2012	\$ 33,038	100%	\$ 144,918
6/30/2011	71,546	9%	144,865
6/30/2010	72,318	16%	79,633

Since the plan covers only retirees and current employees are not included, there is no covered payroll.

Funded Status and Funding Progress. Frederick Community College is not funding the plan. Actuarial valuations 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required 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.

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

7. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

As of July 1, 2012, the plan was zero percent funded. The actuarial accrued liability was \$0.3 million, which is equivalent to the unfunded actuarial liability (UAAL). The covered payroll (annual payroll of active employees covered by the plan) was \$21.5 million and the ratio of the UAAL to the covered payroll was 1.5% as the table below reflects.

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	AAAL as a Percentage of Payroll
June 30, 2012	-	\$ 313,580	\$ 313,580	0%	\$ 21,542,902	1.5%
June 30, 2011	-	870,921	870,921	0%	20,982,339	4.2%
June 30, 2010	-	870,921	870,921	0%	20,669,959	4.2%
June 30, 2009	-	414,000	414,000	0%	19,009,562	2.2%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

The assumptions are consistent with prior valuation with the exception of the removal of employees who elected to receive a voluntary termination benefit of a 3 year, \$500/month subsidy toward the cost of health insurance. These retirement incentives have now been accrued separately from this valuation. For these voluntary termination benefits, in accordance with GASB 47, the College has recognized a liability and expense for \$180,500, which is the amount of the remaining benefit to be provided to those who elected this voluntary termination benefit. The projected unit credit cost method with unfunded Actuarial Accrued Liability amortized as a level percentage of payroll over 15 years was used. Healthcare costs assumed a 10.0% increase, decreasing 1% per year to an ultimate rate of 5.0%. In the fiscal year 2012 actuarial valuation, the actuarial cost method was used.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

8. RISK MANAGEMENT

Frederick Community College

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 carries commercial insurance to insure against major loss related to these risks. The College also carries commercial insurance for employee health, long-term disability, life and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage. No significant reductions in insurance coverage have occurred.

9. CONTINGENT LIABILITIES AND COMMITMENTS

Frederick Community College

Grants and Contracts

Most grants and cost-reimbursable contracts specify the types of expenditure for which the grant or contract funds may be used. The expenditures made by Frederick Community College under some of these grants and contracts are subject to audit. To date, Frederick Community College has not been notified of any significant unallowable costs relating to its grants and contracts. In the opinion of management, the expenditures that have been made for grants and contracts were made in accordance with the provisions of such grants and contracts. In the opinion of management, any adjustments for unallowable costs that would result from audits will not have a material effect on the College's financial statements.

Mt. Airy Center for Health Care Education

The College entered into a joint-venture agreement with Howard Community College (HCC) and Carroll Community College (CCC) to form the Mt. Airy Center for Health Care Education (the Center). The Center will offer both credit and noncredit courses, and is scheduled to open for classes in August 2012. The three colleges share both the revenue and expenses associated with the Center equally. HCC has the role of primary administrator for consolidating the financial information and invoicing the other colleges. For the year ended June 30, 2012, the College recorded accounts payable to HCC in the amount of \$391,943 for expenses related to preparing the facility for use.

As part of the joint venture agreement, the colleges entered into a non-cancelable operating lease agreement, which contains a non-appropriation clause. This lease has an initial term of ten years starting in August 2012 and concluding July 2022. The lease payments have an escalation clause of 1.75 percent per year.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

10. CONTRIBUTIONS AND PLEDGES AND GRANTS RECEIVABLE

Frederick Community College Foundation, Inc.

Unrestricted contributions are recorded as Unrestricted Net Asset Group and are expended as approved by the Foundation's Member-Directors. Donor restricted contributions are recorded as Temporarily Restricted or Permanently Restricted Net Assets consistent with donor restrictions.

In fiscal year 2010, the Foundation received an estate gift of \$2.5 million for scholarships. The remainder of the estate gift of \$597,112 was received in fiscal year 2011.

Pledges are recorded as receivables and revenue upon receipt of signed pledge agreements. Pledges are shown at fair value, which was calculated using discount rates for United States Treasury Securities for the applicable terms. The unamortized discount will be accreted into revenue in the future. Accounting principles generally accepted in United States establishes accounting standards for all contributions received or made.

The following schedule presents the anticipated date of receipt of recorded pledges:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Less than one year	\$ 102,148	\$ 199,016
One to five years	121,432	193,542
Total	<u>\$ 223,580</u>	<u>\$ 392,558</u>

Pledges receivable represent unconditional promises to give as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Unconditional Promises to Give	\$ 223,580	\$ 392,558
Less:		
unamortized discount	(4,575)	(2,220)
allowance for uncollectible	(3,951)	(3,606)
Total	<u>\$ 215,054</u>	<u>\$ 386,732</u>

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

11. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUSTS

Frederick Community College Foundation, Inc.

In determining fair value, the Organization uses various valuation approaches within the FASB ASC Topic 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The Foundation is invested in the University System of Maryland Foundation investment pool which includes investments in three investment levels. Because these investments in the pool that are level 3 are significant to the pool, the Foundation has classified its investment in the pool as level 3 as of June 30, 2012 and 2011.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2012 and 2011.

	June 30, 2012			
	(Level 1)	(Level 2)	(Level 3)	Total
Investment in external investment pool	\$ -	\$ -	\$ 9,546,180	\$ 9,546,180
Investment in charitable remainder trusts	-	-	334,539	334,539
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,880,719</u>	<u>\$ 9,880,719</u>

	June 30, 2011			
	(Level 1)	(Level 2)	(Level 3)	Total
Investment in external investment pool	\$ -	\$ -	\$ 9,460,944	\$ 9,460,944
Investment in charitable remainder trusts	-	-	351,990	351,990
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,812,934</u>	<u>\$ 9,812,934</u>

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

11. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUSTS
(continued)

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

Frederick Community College Foundation, Inc. (continued)

	USMF Pool		Charitable Remainder	
	(Level 3)	(Level 3)	(Level 3)	(Level 3)
	2012	2011	2012	2011
Balance, July 1,	\$ 9,460,944	\$ 7,427,513	\$ 351,990	\$ 287,794
Realized/unrealized gains (loss)	27,016	1,363,929	(17,450)	56,481
Purchases	58,220	669,502	-	7,715
Balance, June 30,	<u>\$ 9,546,180</u>	<u>\$ 9,460,944</u>	<u>\$ 334,540</u>	<u>\$ 351,990</u>

On June 30, 2012, the Foundation had 354,752.1126 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$26.90944 per unit with a total value of \$9,546,180. On June 30, 2011, the Foundation had 352,295.5352 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$26.85514 per unit with a total value of \$9,460,944.

	June 30, 2012			June 30, 2011		
	Cost	Market	Unrealized Losses	Cost	Market	Unrealized Losses
USMF Pool Participation	\$ 10,097,541	\$ 9,546,180	\$ (551,361)	\$ 9,650,411	\$ 9,460,944	\$ (189,467)
Interest in charitable remainder trust	486,758	334,539	(152,219)	486,758	351,989	(134,769)
Total	<u>\$ 10,584,299</u>	<u>\$ 9,880,719</u>	<u>\$ (703,580)</u>	<u>\$ 10,137,169</u>	<u>\$ 9,812,933</u>	<u>\$ (324,236)</u>

Financial statement presentation of unrealized investment gains and losses follows the recommendations of FASB ASC Topic 958-320. Under FASB ASC Topic 958-320, unrealized gains and losses are recognized as changes in the unrestricted and temporarily restricted classes of net assets. The Foundation reported a net unrealized loss on investments of \$358,902 and a net unrealized gain of \$1,092,936 for the years ended June 30, 2012 and 2011, respectively.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

11. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUSTS (continued)

Frederick Community College Foundation, Inc. (continued)

The Foundation's investment portfolio is included in the following categories:

	June 30, 2012	June 30, 2011
Temporarily Restricted	\$ 5,626,977	\$ 5,743,065
Permanently Restricted, net of receivables	3,919,203	3,717,879
Total Investments	\$ 9,546,180	\$ 9,460,944

During the year ended June 30, 2007, donors (husband and wife) made a gift of \$674,690 in the form of a Charitable Remainder Trust. The Trust requires that the Trustee pay a Unitrust Amount equal to 6% of the net fair market value of the assets of the Trust during the lifetime of the donors. The value of the trust was \$324,707 and \$341,285 as of June 30, 2012 and 2011, respectively, net of discount.

During the year ended June 30, 2011, management was notified that the Foundation was named beneficiary in a 35% interest in a Charitable Remainder Annuity Trust established in October 1999. The Trust requires that the Trustee pay an amount equal to eight percent (8%) of the net fair value of the assets at establishment of the Trust quarterly during the lifetime of the donor. The value of the trust was \$69,153 as of June 30, 2012. As of June 30, 2012, the interest in the trust was recorded at \$9,832, net of discount.

12. ENDOWMENTS

Frederick Community College Foundation, Inc.

The Foundation endowments consist of 114 funds established to support a variety of scholarships and programs at Frederick Community College. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required accounting principles generally accepted in the United States net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies permanently restricted net assets as:

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

12. ENDOWMENTS (continued)

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to preserve and enhance the principal value of the fund while protecting it from wide variations in market value.

Spending Policy

The Foundation has a policy of appropriating up to 5% of a twenty-quarter trailing market value average ending December 31st, provided the donor contributions (principal) are not invaded. The Finance Committee determines the spending rate in the spring preceding the fiscal year in which the distribution is planned.

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

Strategies Employed for Achieving Objectives

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

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

12. ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (2,687)	\$ 689,213	\$ 4,054,648	\$ 4,741,174
Board designated Quasi endowment for General Scholarships		<u>3,993,580</u>		<u>3,993,580</u>
Total Funds	<u>\$ (2,687)</u>	<u>\$ 4,682,793</u>	<u>\$ 4,054,648</u>	<u>\$ 8,734,754</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets beginning of year	<u>\$ (2,357)</u>	<u>\$ 4,897,665</u>	<u>\$ 3,717,879</u>	<u>\$ 8,613,187</u>
Investment Return: Investment Income	-	(6,413)	-	(6,413)
Net appreciation/ depreciation	(330)	18,802	-	18,472
Total	<u>\$ (330)</u>	<u>\$ 12,389</u>	<u>\$ -</u>	<u>\$ 12,059</u>
Contributions collected	-	36,321	181,063	217,384
Reclassification	-	(18,602)	23,102	4,500
Appropriation of endowment assets for expenditure	-	(251,666)	(2,841)	(254,507)
Endowment Net assets, end of year	<u>(2,687)</u>	<u>4,676,107</u>	<u>3,919,203</u>	<u>8,592,623</u>
Pledges receivable	-	<u>6,686</u>	<u>135,445</u>	<u>142,131</u>
Endowed Net Assets, inclusive of receivables, end of year	<u>\$ (2,687)</u>	<u>\$ 4,682,793</u>	<u>\$ 4,054,648</u>	<u>\$ 8,734,754</u>

FREDERICK COMMUNITY COLLEGE

**Notes to the Financial Statements
June 30, 2012 and 2011**

12. ENDOWMENTS (continued)

Frederick Community College Foundation, Inc. (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (2,357)	\$ 928,021	\$ 3,884,037	\$ 4,809,701
Board designated Quasi endowment for General Scholarships	-	3,997,468	-	3,997,468
Total Funds	<u>\$ (2,357)</u>	<u>\$ 4,925,489</u>	<u>\$ 3,884,037</u>	<u>\$ 8,807,169</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets beginning of year	\$ (149,393)	\$ 3,367,050	\$ 3,552,375	\$ 6,770,032
Investment Return: Investment Income	-	(2,206)	-	(2,206)
Net appreciation/ depreciation	147,036	1,072,226	-	1,219,262
Total	<u>\$ 147,036</u>	<u>\$ 1,070,020</u>	<u>\$ -</u>	<u>\$ 1,217,056</u>
Contributions collected	-	657,647	176,127	833,774
Reclassification	-	34,469	(7,149)	27,320
Appropriation of endowment assets for expenditure	-	(231,521)	(3,474)	(234,995)
Endowment Net assets, end of year	<u>(2,357)</u>	<u>4,897,665</u>	<u>3,717,879</u>	<u>8,613,187</u>
Pledges receivable	-	27,824	166,158	193,982
Endowed Net Assets, inclusive of receivables, end of year	<u>\$ (2,357)</u>	<u>\$ 4,925,489</u>	<u>\$ 3,884,037</u>	<u>\$ 8,807,169</u>

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2012 and 2011

13. FREDERICK COMMUNITY COLLEGE FOUNDATION, INC.

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

The College estimates the approximate value of services (including staff time) provided to the Foundation to be \$386,308 and \$494,324 for the years ended June 30, 2012 and 2011, respectively. These amounts have been included in the financial statements of the Foundation. The value of contributions and support provided by the Foundation to the College is \$777,165 and \$725,954 for the years ended June 30, 2012 and 2011, respectively.

14. RELATIONSHIP BETWEEN FREDERICK COMMUNITY COLLEGE FOUNDATION, INC. & FOUNDATION FOR THE FCC FOUNDATION, INC.

During the year ended June 30, 2012, the Corporation received no gifts and incurred no expenses. As of June 30, 2012 and 2011 there were no assets or liabilities.

15. SUBSEQUENT EVENTS

Frederick Community College Foundation, Inc.

The Foundation evaluated the accompanying financial statements for subsequent events and transactions through September 28, 2012, 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.