



ANNUAL FINANCIAL REPORT



JUNE 30, 2024

FREDERICK COMMUNITY COLLEGE

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

For the Years Ended June 30, 2024 and 2023

FREDERICK COMMUNITY COLLEGE

Financial Statements Together with Reports of Independent Public Accountants

JUNE 30, 2024 AND 2023

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

To the Board of Trustees
Frederick Community College

Opinion

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Frederick Community College (the College), a component unit of Frederick County, Maryland, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2024 and 2023, and the respective changes in their financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in



the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2024 on our consideration of the College's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal controls over financial reporting and compliance.

Owings Mills, Maryland
September 20, 2024

SBC Company, LLC

FREDERICK COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2024 and 2023

Overview and Basis of Presentation

This section of the Frederick Community College (the College) basic financial statements presents management discussion and analysis (MD&A). It provides an overview of its financial activities as of and for the years ended June 30, 2024, and 2023, with 2022 for comparative purposes. This should be read in conjunction with the financial statements and the more detailed information in the related notes to the financial statements. The MD&A, financial statements, and related notes are the responsibility of management.

Discretely Presented Component Units

The College reporting entity includes the College and the Frederick Community College Foundation, Inc. (the Foundation), which is a component unit of the College whose sole purpose is to serve the institution by providing resources for scholarships and other College projects. The financial statements of the Foundation as of and for the years ended June 30, 2024, and 2023 are displayed in the financial statements section of this report.

Significant Financial and Enrollment Highlights

- The Reserve Policy and Procedures previously approved by the College Board of Trustees in May 2016 was replaced in October 2023 with policy number EL-4, Financial Conditions, and Activities. This executive limitations policy states that with respect to the actual, ongoing financial conditions and activities, the President shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with the achievement of the College's mission. Per section 5.1 of this policy, the President shall not allow a combined operating fund balance reserve to be less than the Government Finance Officers Association recommended minimum of 16.6% (two months) of annual unrestricted operating expenses. As of June 30, 2024, the required minimum reserve is \$11.1 million and is fully funded.
- In fiscal year 2024, Strategic Reserves in the unrestricted fund balance were designated for funding one-time expenses or projects for such items as emergencies, student success and completion initiatives, academic program initiatives, talent cultivation, unplanned capital repair and replacement, technology projects, and strategic planning and future-proofing. As of June 30, 2024, the balance in the Strategic Reserves is \$16.3 million.
- Tuition rates were unchanged for fiscal year 2024 and remained at the fiscal year 2023 amounts of \$129/credit for in-county, \$282/credit for out-of-county, and \$382/credit for out-of-state.
- The county and state share of unrestricted revenue for fiscal year 2024 was 39.3% and 29.5%, respectively.

FREDERICK COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2024 and 2023

Significant Financial and Enrollment Highlights (continued)

- Auxiliary Enterprises, which includes the bookstore, the Carl and Norma Miller Children's Center, and dining services, recorded a combined net income loss of \$346 thousand for fiscal year 2024. However, this does not include College subsidies paid to the auxiliaries totaling \$491 thousand. These losses were due to salary increases in the bookstore and Children's Center and the addition of full college benefits to full-time teachers at the Children's Center.
- The auxiliary fund balance is (\$1.8) million. This fund balance is included in the Unrestricted Net Position on the Statements of Net Position.
- Full-time equivalent (FTE) enrollment increased by 336 and 528 students between fiscal year 2024 and fiscal year 2023, and fiscal year 2023 and fiscal year 2022, respectively. The following summarizes state-reimbursable FTE trends over the past five years:

	2020	2021	2022	2023	2024
Credit	3,318	3,139	2,938	3,367	3,642
Non-credit	572	395	448	547	608
Total	3,890	3,534	3,386	3,914	4,250

Statements of Net Position

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

	2024	2023	2022	2024/2023 Change	2023/2022 Change
Assets					
Current assets	\$ 41,238,172	\$ 34,902,731	\$ 30,218,110	\$ 6,335,441	\$ 4,684,621
Non-current assets	92,425,798	95,135,028	92,721,994	(2,709,230)	2,413,034
Total Assets	133,663,970	130,037,759	122,940,104	3,626,211	7,097,655
Liabilities and Net Position					
Liabilities:					
Current liabilities	8,548,863	7,891,732	6,633,570	657,131	1,258,162
Noncurrent liabilities	4,985,649	5,722,809	5,355,497	(737,160)	367,312
Total Liabilities	13,534,512	13,614,541	11,989,067	(80,029)	1,625,474
Net Position:					
Net Investment in Capital assets	86,806,011	88,776,374	87,314,993	(1,970,363)	1,461,381
Restricted	823,707	510,632	616,907	313,075	(106,275)
Unrestricted	32,499,740	27,136,211	23,019,137	5,363,529	4,117,074
Total Net Position	\$ 120,129,458	\$ 116,423,217	\$ 110,951,037	\$ 3,706,241	\$ 5,472,180

Net position increased to \$120.1 million in fiscal year 2024 from \$116.4 million in fiscal year 2023 and increased from \$97.5 million in fiscal year 2021 to \$111.0 million in fiscal year 2022. Current assets increased by \$6.3 million in fiscal year 2024 and increased by \$4.7 million in fiscal year 2023 due mainly to an increase in the ending cash balance for each fiscal year. Non-current assets decreased by \$2.7 million in fiscal year 2024 primarily due to depreciation on capital assets and increased by \$2.4 million in fiscal year 2023 due mainly to increased fixed assets and SBITA right to use assets. Current liabilities increased by \$657 thousand in fiscal year 2024 due to increased accrued salaries and accrued leave plus additional unearned revenue. In fiscal year 2024, noncurrent liabilities decreased by \$737 thousand, primarily due to the bond principal payment due in fiscal year 2025 and a decrease in the SBITA payable.

FREDERICK COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2024 and 2023

Statements of Net Position (continued)

In fiscal year 2023, current liabilities increased by \$1.3 million due to increase of payments owed to vendors, additional unearned revenue and the SBITA payable, and noncurrent liabilities increased by \$367 thousand primarily due to the bond principal payment due in fiscal year 2024 and an increase in the SBITA payable.

Statements of Revenue, Expenses, and Change in Net Position

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

	2024	2023	2022	2024/2023 Change	2023/2022 Change
Operating Revenue					
Tuition and fees, net	\$ 18,071,414	\$ 16,838,802	\$ 15,094,703	\$ 1,232,612	\$ 1,744,099
Grants and contracts	3,365,604	4,816,669	8,992,297	(1,451,065)	(4,175,628)
Auxiliary enterprises	2,695,990	2,258,206	1,550,138	437,784	708,068
Other revenue	3,559,246	3,081,884	2,614,855	477,362	467,029
Total Operating Revenue	27,692,254	26,995,561	28,251,993	696,693	(1,256,432)
Operating Expenses					
Education and general	70,835,240	66,190,658	64,046,003	4,644,582	2,144,655
Depreciation/ amortization expense	4,984,022	4,858,917	4,059,733	125,105	799,184
Auxiliary enterprises	3,041,613	3,796,980	4,090,762	(755,367)	(293,782)
Other expenses	611,441	202,214	63,163	409,227	139,051
Total Operating Expenses	79,472,316	75,048,769	72,259,661	4,423,547	2,789,108
Operating Loss	(51,780,062)	(48,053,208)	(44,007,668)	(3,726,854)	(4,045,540)
Nonoperating Revenue (Expenses)					
Government appropriations	43,224,106	39,047,455	35,082,141	4,176,651	3,965,314
State retirement	2,904,986	2,822,038	2,724,048	82,948	97,990
Capital appropriations	2,927,322	4,888,492	9,536,695	(1,961,170)	(4,648,203)
Investment income	1,370,504	854,706	54,847	515,798	799,859
Other	5,059,385	5,912,697	10,020,905	(853,312)	(4,108,208)
Total Nonoperating Revenue	55,486,303	53,525,388	57,418,636	1,960,915	(3,893,248)
Change in Net Position	\$ 3,706,241	\$ 5,472,180	\$ 13,410,968	\$ (1,765,939)	\$ (7,938,788)

County appropriations, including in-kind appropriations, in support of the operating budget increased by \$2.0 million, and 9.1% in fiscal year 2024, and \$820 thousand, 3.8% and \$1.5 million, 7.6% in fiscal year 2023 and 2022, respectively. State appropriations increased by \$2.1 million, and 12.9% in fiscal year 2024, and \$3.1 million, 23.7% and \$2.1 million, 19.1% in fiscal year 2023 and 2022, respectively.

FREDERICK COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2024 and 2023

Statements of Revenue, Expenses, and Change in Net Position (continued)

Total educational and general expenses increased 7.0%, 3.3% and 9.7% in fiscal years 2024, 2023 and 2022, respectively, primarily due to increases in salary and benefit expenses in fiscal years, 2024 and 2023, and pandemic driven Higher Education Emergency Relief Fund (HEERF) related expenses in fiscal year 2022. Salary and related benefits increased in fiscal year 2024 due to positions filled that were vacant in fiscal year 2023 and a 5% cost of living (COLA) increase received by employees. College employees also received a 5% COLA in fiscal year 2023.

Statements of Cash Flows

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

	2024	2023	2022	2024/2023 Change	2023/2022 Change
Cash and Cash Equivalents From					
Operating activities	\$ (44,219,982)	\$ (39,797,861)	\$ (38,700,828)	\$ (4,422,121)	\$ (1,097,033)
Non-capital financing activities	48,283,481	46,913,816	43,320,033	1,369,665	3,593,783
Capital and related financing activities	(45,757)	(381,079)	745,887	335,322	(1,126,966)
Investing activities	1,370,504	854,706	54,847	515,798	799,859
Net Change in Cash and Cash Equivalents	\$ 5,388,246	\$ 7,589,582	\$ 5,419,939	\$ (2,201,336)	\$ 2,169,643

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

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

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

Economic Factors That Will Affect the Future

State funding increased \$2.1 million, \$3.1 million, and \$2.1 million in fiscal years 2024, 2023 and 2022 respectively. The County appropriation increased \$2.0 million, \$820 thousand, and \$1.5 million in fiscal years 2024, 2023 and 2022, respectively. However, this is not guaranteed funding for future years.

FREDERICK COMMUNITY COLLEGE

Management's Discussion and Analysis June 30, 2024 and 2023

Economic Factors That Will Affect the Future (continued)

Combined Credit and Continuing Education and Workforce Development (CEWD) enrollment has increased each year at the College since fiscal year 2021. From fiscal year 2021 to fiscal year 2022 enrollment increased 10% (11,209-12,351). From fiscal year 2022 to fiscal year 2023 enrollment increased 15% (12,351-14,190). Fiscal year 2024 increased 7% (14,190 – 15,243). This trend is expected to continue based on increased recruiting, retention, outreach efforts, and provisions in the Blueprint for Maryland's Future that incentivize Frederick County Public Schools (FCPS) students to participate in FCC dual enrollment programs tuition and fee-free. The College receives reimbursement from FCPS for dually enrolled student tuition and gets a return on dual enrollment FTE from the state. These factors predict incremental increases in enrollment revenues over the next 10 years, if not impacted by an environmental or economic crisis.

A Bill legalizing collective bargaining at the state's community colleges passed the Maryland General Assembly in 2021 and went into effect September 1, 2022. Since that time, full-time faculty at the College have elected to organize and entered into collective bargaining. This change will impact the college as fiscal items such as salaries/wages, benefits, paid time off, etc., are mandatory subjects of bargaining.

Contacting Frederick Community College Financial Management

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

FREDERICK COMMUNITY COLLEGE

Statements of Net Position As of June 30, 2024 and 2023

ASSETS	Frederick Community College		Component Unit Frederick Community College Foundation, Inc.	
	2024	2023	2024	2023
Current Assets				
Cash and cash equivalents	\$ 36,167,477	\$ 30,779,221	\$ 369,741	\$ 333,529
Investments	-	-	21,733,708	20,487,599
Accounts receivable:				
Governmental	3,009,358	2,631,591	-	-
Student & third party, net of allowance	415,656	315,053	-	-
Other accounts receivable	628,486	402,742	-	-
Total Accounts Receivable	4,053,500	3,349,386	-	-
Prepaid expenses and other assets	808,986	568,611	16,687	5,389
Inventory	208,209	205,513	-	-
Total Current Assets	41,238,172	34,902,731	22,120,136	20,826,517
Noncurrent Assets				
Beneficial interest in charitable remainder trust	-	-	23,814	22,831
Capital assets including SBITA, net of accumulated depreciation	92,425,798	95,135,028	-	-
Total Noncurrent Assets	92,425,798	95,135,028	23,814	22,831
TOTAL ASSETS	133,663,970	130,037,759	22,143,950	20,849,348
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts payable	2,072,140	2,026,509	66,983	64,919
Accrued salaries	988,957	957,072	-	-
Accrued liabilities	813,607	618,239	-	-
Accrued leave	2,086,078	1,883,268	-	-
Bond payable	330,000	320,000	-	-
SBITA payable	333,324	345,015	-	-
Unearned revenue	1,924,757	1,741,629	27,000	18,751
Total Current Liabilities	8,548,863	7,891,732	93,983	83,670
Noncurrent Liabilities:				
Bond payable, net of premium/discount	4,528,050	4,931,902	-	-
SBITA payable	428,413	761,737	-	-
Accrued leave	29,186	29,170	-	-
Total Noncurrent Liabilities	4,985,649	5,722,809	-	-
TOTAL LIABILITIES	13,534,512	13,614,542	93,983	83,670
NET POSITION				
Net investment in capital assets	86,806,011	88,776,374	-	-
Net assets restricted by purpose or time	823,707	510,632	12,030,271	11,501,223
Net assets restricted in perpetuity	-	-	5,534,135	5,345,408
Unrestricted net assets	32,499,740	27,136,211	4,485,561	3,919,047
TOTAL NET POSITION	\$ 120,129,458	\$ 116,423,217	\$ 22,049,967	\$ 20,765,678

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

FREDERICK COMMUNITY COLLEGE

Statements of Revenue, Expenses, and Changes in Net Position For the Years Ended June 30, 2024 and 2023

	Frederick Community College		Component Unit Frederick Community College Foundation, Inc.	
	2024	2023	2024	2023
Operating Revenue				
Tuition and fees, net of scholarship allowances of \$673,441 and \$719,555, respectively	\$ 18,071,414	\$ 16,838,802	\$ -	\$ -
Grants and contracts	3,365,604	4,816,669	-	-
Auxiliary enterprises	2,695,990	2,258,206	-	-
Contributions	-	-	544,740	448,966
In-kind contributions	-	-	457,914	408,118
Other revenue	3,559,246	3,081,884	604,841	420,320
Total Operating Revenue	27,692,254	26,995,561	1,607,495	1,277,404
Operating Expenses				
Instruction				
Academic	25,358,783	24,706,186	-	-
Continuing education	4,288,990	4,606,200	-	-
Total Instruction	29,647,773	29,312,386	-	-
Academic support	1,338,319	1,179,180	-	-
Student services	9,970,492	9,064,308	-	-
Plant operations and maintenance	10,194,324	8,500,417	-	-
Institutional support	12,754,289	11,816,459	-	-
Scholarships	2,544,099	2,327,084	-	-
Student aid	4,385,944	3,990,824	-	-
Depreciation and amortization	4,984,022	4,858,917	-	-
Auxiliary enterprises	3,041,613	3,796,980	-	-
Direct Program services	-	-	1,323,464	1,000,022
Support services	-	-	661,412	579,005
Other expenses	611,441	202,214	-	-
Total Operating Expenses	79,472,316	75,048,769	1,984,876	1,579,027
Operating Loss	(51,780,062)	(48,053,208)	(377,381)	(301,623)
Nonoperating Revenue				
State appropriations	18,548,628	16,429,152	-	-
County appropriations	24,675,478	22,618,303	-	-
State and County capital projects appropriations	2,927,322	4,888,492	-	-
Student aid	5,059,385	4,912,697	-	-
Investment income, net of fees	1,370,504	854,706	201,250	130,895
Net unrealized and realized gain (loss) on investments	-	-	1,459,437	921,800
Change in the value of charitable remainder trust	-	-	983	(5,504)
Other revenue	-	1,000,000	-	-
State paid benefits	2,904,986	2,822,038	-	-
Nonoperating Revenue	55,486,303	53,525,388	1,661,670	1,047,191
Change in Net Position	3,706,241	5,472,180	1,284,289	745,568
Net Position - Beginning of year	116,423,217	110,951,037	20,765,678	20,020,110
Net Position - End of year	\$ 120,129,458	\$ 116,423,217	\$ 22,049,967	\$ 20,765,678

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

FREDERICK COMMUNITY COLLEGE

Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Tuition and fees received	\$ 17,568,294	\$ 16,766,343
Payments to suppliers	(20,424,340)	(20,969,778)
Payments to employees	(50,315,916)	(45,997,241)
Auxiliary enterprise charges	2,695,990	2,419,204
Other receipts	6,255,990	7,983,611
Net Cash From Operating Activities	(44,219,982)	(39,797,861)
Cash Flows From Noncapital Financial Activities		
Federal revenue	5,059,385	4,912,697
State and County appropriations	43,224,096	42,001,119
Net Cash From Noncapital Financing Activities	48,283,481	46,913,816
Cash Flows From Capital and Related Financing Activities		
State and County capital appropriations	2,927,322	4,888,492
Other revenue	-	1,000,000
Purchase of capital assets	(2,308,064)	(5,925,244)
Payments of bonds and SBITA	(665,015)	(344,327)
Net Cash From Capital and Related Financing Activities	(45,757)	(381,079)
Cash Flows From Investing Activities		
Investment income, net of fees	1,370,504	854,706
Change in Cash and Cash Equivalents	5,388,246	7,589,582
Cash and Cash Equivalents, Beginning of Year	30,779,221	23,189,639
Cash and Cash Equivalents, End of Year	\$ 36,167,467	\$ 30,779,221

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

FREDERICK COMMUNITY COLLEGE

Statements of Cash Flows (continued) For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Loss	\$ (51,780,062)	\$ (48,053,208)
Adjustments to reconcile operating loss to net cash from operating activities:		
Amortization of deferred financing	(73,852)	(75,099)
Depreciation and amortization	4,984,022	4,858,917
State paid benefits	2,904,986	2,822,038
Loss on disposal of assets	33,272	24,371
Effect of the changes in non-cash operating assets and liabilities		
Accounts receivable	(704,114)	(238,373)
Prepaid expenses	(240,375)	(7,952)
Inventory	(2,696)	197,623
Accounts payable	45,631	431,928
Accrued salaries	31,885	61,005
Accrued liabilities	195,368	(500,211)
Accrued leave	202,825	167,074
Unearned revenue	183,128	514,026
Net Cash From Operating Activities	<u>\$ (44,219,982)</u>	<u>\$ (39,797,861)</u>

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

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 by business-type activities (BTA). Colleges reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds. The BTA model requires the following financial statement components:

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

Basis of Accounting

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

Reporting Entity

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College (the College) (continued)

Reporting Entity (continued)

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.

Cash and Cash Equivalents

For purposes of the Statements of Net Position and Statements of Cash Flows, cash and cash equivalents include deposits and short-term (mature within 90 days of purchase) investment funds held at financial institutions.

Accounts Receivable

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

Allowance for Doubtful Accounts

Accounts receivable is reduced by a valuation allowance that reflects the best estimate by management of the amount of accounts receivable that will not be collected. This valuation allowance is based on the age, historical trends and estimated collectability of individual receivables. The allowance for doubtful accounts was \$150,822 and \$100,000, as of June 30, 2024 and 2023, respectively.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College (the College) (continued)

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

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

	<u>Number of Years</u>
Buildings and improvements	10-40
Library collection	10
Furniture and equipment	5-10
SBITA right to use assets	1-5

Inventory

Inventory is carried at the lower of average cost or market as of June 30, 2024 and 2023.

Revenue Recognition and Unearned Revenue

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

Unearned revenue is primarily tuition received for semesters beginning after year end.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College (the College) (continued)

Operating Revenue and Expenses (continued)

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

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

Expenses

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

	For the Years Ended June 30,	
	2024	2023
Salaries and benefits	\$ 50,550,627	\$ 46,524,809
Supplies and materials	3,562,680	3,838,895
Depreciation and amortization	4,984,021	4,858,917
Contracted services	5,176,383	3,681,168
Conferences and meetings	1,013,801	830,934
Communications	125,807	112,455
Utilities	1,125,091	841,659
Insurance	297,398	261,241
Scholarships and student aid	6,930,043	6,317,908
Campus projects and equipment	1,431,340	2,573,959
Cost of good sold (bookstore and food service)	743,659	999,457
Miscellaneous	626,480	1,385,329
Certain fringe benefits paid directly by the State of Maryland	2,904,986	2,822,038
Total	\$ 79,472,316	\$ 75,048,769

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College (the College) (continued)

Compensated Absences

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

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

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

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

Federal and State Income Tax Status

The College is exempt from federal and state income taxes as it is essentially a political subdivision of the state. The Foundation is exempt from taxation under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no income taxes are reflected in these financial statements.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College (the College) (continued)

Net Position

The College maintains the following net position classifications:

Net Investment in Capital Assets

Capital assets, including Subscription Based Information Technology arrangements (SBITA), net of accumulated depreciation, amortization and outstanding debt and SBITA liability.

Restricted

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

Unrestricted

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

Frederick Community College Foundation, Inc. (the Foundation)

Basis of Accounting

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

Revenue Recognition

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

Foundation Assets

The Foundation was notified that it was one of several remainder beneficiaries of an irrevocable Charitable Remainder Unitrust (CRUT).

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College Foundation, Inc. (the Foundation) (continued)

Foundation Assets (continued)

A qualifying charitable remainder trust provides lifetime income to the donor and/or family members of the donor, with the remaining trust assets passing to the Foundation when the trust ends. The trust was created by donors independent of the Foundation and is neither in the possession nor under the control of the Foundation. The Trust is administered by outside fiscal agents as designated by the donors. The original trust agreement was signed February 24, 1998.

The Foundation recorded the present value of the remainder interest in the CRUT, discounted at a rate of 5.44%, totaling \$23,814 and \$22,831, as of June 30, 2024 and 2023, respectively.

Endowment Fund Management Policy

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

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

Fair Value Measurement

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College Foundation, Inc. (the Foundation) (continued)

Fair Value Measurement (continued)

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

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

Classification of Net Assets

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

Contributions not subject to donor imposed stipulations, or whose restrictions have been satisfied in the same reporting period in which the contribution is received, are recorded as net assets without donor restrictions. As of June 30, 2024 and 2023, net assets without donor restrictions were \$4,485,561 and \$3,919,047, respectively.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College Foundation, Inc. (the Foundation) (continued)

Classification of Net Assets (continued)

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

Net assets with donor restrictions by purpose as of June 30, 2024 and 2023, consisted of the following:

	As of June 30,	
	2024	2023
Scholarships	\$ 5,222,584	\$ 4,831,186
Scholarship quasi-endowment	6,099,043	5,847,736
Program support	538,756	659,936
Academic purposes	169,888	162,365
Total Net Assets Restricted by Purpose	\$ 12,030,271	\$ 11,501,223

Net assets released from donor restrictions during the years ended June 30, 2024 and 2023, were as follows:

	For the Year Ended June 30,	
	2024	2023
Scholarships	\$ 1,042,794	\$ 881,942
Program services	279,678	112,222
Support services (Events)	34,419	32,176
Administrative fees (Endowment)	102,552	69,164
Total Net Assets Released from Restriction	\$ 1,459,443	\$ 1,095,504

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frederick Community College Foundation, Inc. (the Foundation) (continued)

Classification of Net Assets (continued)

Certain net assets with donor restrictions are contributions subject to donor imposed restrictions that must be maintained in perpetuity by the Foundation. Net assets with donor restrictions in perpetuity as of June 30, 2024 and 2023, consisted of the following:

	As of June 30,	
	2024	2023
Scholarships	\$ 5,442,652	\$ 5,253,926
Other program support	91,483	91,482
Total Net Assets Restricted in Perpetuity	\$ 5,534,135	\$ 5,345,408

New Accounting Pronouncements

GASB issued statements; No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* and No. 100 *Accounting Changes and Error Corrections – an amendment of GASB Statement No.62*. The statements were required to be adopted by the College during the year ended June 30, 2024. The College adopted these two standards during the year ended June 30, 2024 and their adoption did not have a significant impact on the accompanying financial statements.

The standards adopted by GASB that will come effective in future years are listed below:

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. " The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of financial statements with essential information about risks related to a organizations vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues of the reporting model.

- Management's Discussion and Analysis
- Unusual or Infrequent Items
- Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
- Major Component Unit Information
- Budgetary Comparison Information

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

The College is analyzing the effects of adopting these standards and will adopt all by their effective dates.

Subsequent Events

The College's management evaluated the accompanying financial statements for subsequent events and transactions through September 20, 2024, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Frederick Community College

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

Cash on hand for petty cash and change funds as of June 30, 2024 and 2023, was \$4,100.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Deposits

The carrying amount of the College deposits as of June 30, 2024 and 2023, was \$23,877,859 and \$21,502,921, respectively, and the bank balance was \$24,412,111 and \$21,930,613, respectively. All of the College 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 investment policy, determines the allowable investments the College can make. The College may invest in certificates of deposit with commercial banks in the State of Maryland, direct U.S. obligations, U.S. government agency obligations, repurchase agreements, bankers acceptances from approved banks with acceptable credit ratings, commercial paper from entities with an acceptable credit rating, money market funds and the Maryland Local Government Investment Pool (MLGIP). The College investment balance in the MLGIP as of June 30, 2024 and 2023, was \$12,285,518 and \$9,272,200, respectively. This investment is considered to be a cash equivalent for financial statement purposes. The College has no unfunded commitments nor significant terms or conditions for redemption.

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

	As of June 30,	
	2024	2023
Cash on hand	\$ 4,100	\$ 4,100
Carrying amount of deposits	23,877,859	21,502,921
Carrying amount of MLGIP	12,285,518	9,272,200
Total cash and cash equivalents	\$ 36,167,477	\$ 30,779,221

Investment income includes net interest and dividends of \$1,370,504 and \$854,706, for the years ended June 30, 2024 and 2023, respectively.

Investment Rate Risk

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the College exposure to fair value losses arising from increasing rates, the College investment policy limits the term of investment maturities. For the years ended June 30, 2024 and 2023, the College investments were limited to the MLGIP. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the College from having to sell investments below original cost for that purpose. The investments as of June 30, 2024 and 2023, met the College investment policy.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk

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

Custodial Credit Risk

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

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Frederick Community College Foundation, Inc.

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

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

The Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The Foundation operating cash account balance was \$369,741 as of June 30, 2024. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments including a Certificate of Deposit. The Foundation has a one-year Certificate of Deposit in the amount of \$212,259, as of June 30, 2024, at 4.93% APY, which it can draw upon in the event of an unanticipated liquidity need. In addition, as of June 30, 2024, the Foundation had \$3,957,043 in unrestricted non-endowed investments at the University of Maryland System Foundation (USMF) that is readily available for withdrawal if needed, upon Board approval.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

Frederick Community College Foundation, Inc. (continued)

The Foundation's endowment funds consist of donor-restricted and board restricted quasi-endowments. Investments and income from donor-restricted and quasi-endowments are restricted for specific purposes and therefore are not available for general expenditure.

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

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

The table below presents Foundation financial assets available for general expenditures within one year as of June 30, 2024:

Financial assets available within one year for general use	
Cash	\$ 369,741
Certificate of Deposit	212,259
Unrestricted Investments available for current use	<u>3,957,043</u>
Total financial assets available within one year for general use	<u>\$ 4,539,043</u>

4. RELATIONS WITH FREDERICK COUNTY, MARYLAND

Frederick Community College

The County provides approximately 37% of the operating budget of the College. The College budget is subject to the approval of the County Council. The County provided an in-kind appropriation for PeopleSoft and information technology support of \$389,852 and \$206,522 for the years ended June 30, 2024 and 2023, respectively. They also provided an in-kind appropriation for internal audit services and appraisals of \$30,174 and \$35,278, for the years ended June 30, 2024 and 2023, respectively. These amounts have been included in the County appropriation revenue and as part of Institutional Support expenses in the accompanying financial statements.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

5. CAPITAL ASSETS

Frederick Community College

Schedules of capital assets and accumulated depreciation for the years ended June 30, 2024 and 2023, were as follows:

	July 1, 2023	Additions & Transfers	Retirements & Transfers	June 30, 2024
Capital assets not being depreciated				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in progress	1,431,358	923,965	-	2,355,323
Total capital assets not being depreciated	1,702,978	923,965	-	2,626,943
Capital assets being depreciated				
Building and improvements	143,525,630	605,693	-	144,131,323
Site improvements	8,606,977	182,819	-	8,789,796
Furniture and equipment	8,255,062	591,762	(740,451)	8,106,373
Library collection	2,079,898	3,825	-	2,083,723
Right to use asset, SBITA	1,371,079	-	-	1,371,079
Total capital assets being depreciated	163,838,645	1,384,099	(740,451)	164,482,294
Less: Accumulated Depreciation and amortization				
Building and improvements	(55,692,731)	(3,701,993)	-	(59,394,724)
Site improvements	(6,870,833)	(215,214)	-	(7,086,047)
Furniture and equipment	(5,491,211)	(700,597)	707,177	(5,484,631)
Library collection	(2,056,886)	(7,279)	-	(2,064,165)
Right to use asset, SBITA	(294,933)	(358,939)	-	(653,872)
Total accumulated depreciation	(70,406,595)	(4,984,022)	707,177	(74,683,439)
Total assets being depreciated, net	93,432,050	(3,599,923)	(33,274)	89,798,855
Capital assets, net	\$ 95,135,028	\$ (2,675,958)	\$ (33,274)	\$ 92,425,798

	June 30, 2022	Additions & Transfers	Retirements & & Transfers	June 30, 2023
Capital assets not being depreciated				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in progress	9,007,542	929,533	(8,505,718)	1,431,358
Total capital assets not being depreciated	9,279,162	929,533	(8,505,718)	1,702,978
Capital assets being depreciated				
Building and improvements	131,241,548	12,284,082	-	143,525,630
Site improvements	8,130,751	476,226	-	8,606,977
Furniture and equipment	7,691,592	741,119	(177,649)	8,255,062
Library collection	2,082,167	-	(2,269)	2,079,898
Right to use asset, SBITA	693,429	677,650	-	1,371,079
Total capital assets being depreciated	149,839,486	14,179,077	(179,918)	163,838,645
Less: Accumulated Depreciation and amortization				
Building and improvements	(52,006,486)	(3,686,245)	-	(55,692,731)
Site improvements	(6,663,355)	(207,478)	-	(6,870,833)
Furniture and equipment	(4,984,862)	(659,627)	153,278	(5,491,211)
Library collection	(2,048,521)	(10,634)	2,269	(2,056,886)
Right to use asset, SBITA	-	(294,933)	-	(294,933)
Total accumulated depreciation	(65,703,225)	(4,858,917)	155,547	(70,406,595)
Total assets being depreciated, net	84,136,261	9,320,160	(24,371)	93,432,050
Capital assets, net	\$ 93,415,423	\$ 10,249,693	\$ (8,530,089)	\$ 95,135,028

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

6. LONG-TERM LIABILITIES

Frederick Community College

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

	For the Years Ended June 30,				
		Addition (Reduction) in Accrual		Addition (Reduction) in Accrual	
	2022		2023		2024
Annual leave liability	\$ 1,543,919	\$ 178,607	\$ 1,722,526	\$ 188,071	\$ 1,910,597
Sick leave liability	77,414	(23,407)	54,007	342	54,349
Estimated payroll taxes	124,032	11,873	135,905	14,413	150,318
Total Liability	1,745,365	167,073	1,912,438	202,826	2,115,264
Less: current portion	(1,716,869)	(166,400)	(1,883,269)	(202,809)	(2,086,078)
Long-term portion	\$ 28,496	\$ 673	\$ 29,169	\$ 17	\$ 29,186

During the year ended June 30, 2022, the College issued Refunding Certificates of Participation, Series 2021 in the amount of \$4,820,000 with a premium of \$624,550 to refinance the bonds outstanding of \$5,102,192. The financing was for the funding of a parking garage and a portion of the enrollment services building. The refunding resulted in an economic savings of \$605,760 over the life of the bonds.

The College has entered into intangible subscription-based information technology agreements for the right to use vendor-provided software. At the commencement of a SBITA, the College initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the SBITA payable is reduced by the principal portion of lease payments made. The SBITA right to use asset is initially measured as the initial amount of the liability and is amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying asset.

The following table summarizes the bond and SBITA payable:

	July 1, 2023	Additions	Principal Payment	Amortization of Premium	June 30, 2024	Current Portion
Bond payable	\$ 4,740,000	\$ -	\$ (320,000)	\$ -	\$ 4,420,000	\$ 330,000
Premium	511,902	-	-	(73,852)	438,050	-
SBITA payable	1,106,752	-	(345,015)	-	761,737	333,324
Total	\$ 6,358,654	\$ -	\$ (665,015)	\$ (73,852)	\$ 5,619,787	\$ 663,324

	July 1, 2022	Additions	Principal Payment	Amortization of Premium	June 30, 2023	Current Portion
Bond payable	\$ 4,820,000	\$ -	\$ (80,000)	\$ -	\$ 4,740,000	\$ 320,000
Premium	587,001	-	-	(75,099)	511,902	-
SBITA payable	693,429	677,650	(264,327)	-	1,106,752	345,015
Total	\$ 6,100,430	\$ 677,650	\$ (344,327)	\$ (75,099)	\$ 6,358,654	\$ 665,015

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

6. LONG-TERM LIABILITIES (continued)

The future principal and interest payable on the bonds as of June 30, 2024 were as follows:

Bond Component	Maturity Date	Original Issue Amount	Interest	Rate of Interest	Premium
Serial Bonds:	June 1, 2025	\$ 330,000	\$ 158,700	4.00%	\$ 68,866
	June 1, 2026	345,000	145,500	4.00%	63,725
	June 1, 2027	360,000	131,700	4.00%	58,350
	June 1, 2028	370,000	117,300	4.00%	52,740
	June 1, 2029	385,000	102,500	4.00%	46,976
	June 1, 2030	400,000	87,100	4.00%	40,977
	June 1, 2031	420,000	71,100	4.00%	34,745
	June 1, 2032	430,000	54,300	3.00%	28,201
	June 1, 2033	445,000	41,400	3.00%	21,501
	June 1, 2034	460,000	28,050	3.00%	14,568
	June 1, 2035	475,000	14,250	3.00%	7,401
		<u>\$ 4,420,000</u>	<u>\$ 951,900</u>		<u>\$ 438,050</u>

The future principal and interest payable on the SBITA payables as of June 30, 2024 were as follows:

Fiscal Years ending June 30,	Principal	Interest
2025	\$ 333,324	\$ 16,726
2026	236,614	7,819
2027	91,466	4,090
2028	100,333	-
	<u>\$ 761,737</u>	<u>\$ 28,635</u>

7. PENSION AND RETIREMENT PLAN

Frederick Community College

All regular employees of the College are covered under one of the two cost-sharing multiple-employer pension/retirement plans.

One of these plans is provided directly by the State of Maryland, and the employer funding for eligible College employees is provided directly by the State. The other retirement plan, provided through TIAA/CREF or Fidelity, is an option for certain professional employees and is also provided for those College employees for which the State does not provide employer share funding of retirement benefits.

Maryland State Teachers Retirement and Pension System

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

7. PENSION AND RETIREMENT PLAN (continued)

Maryland State Teachers Retirement and Pension System (continued)

Benefits provided. A member of the Teachers' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.818%) of the member's Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

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

For most individuals who retired from the Teachers' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' Pension System.

Early Service Retirement

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

7. PENSION AND RETIREMENT PLAN (continued)

Maryland State Teachers Retirement and Pension System (continued)

Early Service Retirement (continued)

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

Disability and Death Benefits

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

Cost of Living Adjustments

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

Contributions (TPS)

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

7. PENSION AND RETIREMENT PLAN (continued)

Maryland State Teachers Retirement and Pension System (continued)

Unfunded Pension Liability

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

The College received state contributions toward retirement in the amount of \$2,904,986 and \$2,822,038, for the years ended June 30, 2024 and 2023, respectively. These amounts have been recorded as revenue and expenses in the accompanying financial statements.

Other Retirement Plans

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

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

Summary of Pension and Retirement Plans

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

Fiscal Years	MD State Teachers Retirement and Pension System				Percentage Contributed	Other Plans Annual Cost	Percentage Contributed
	Annual Cost		Percentage Contributed	Other Plans Annual Cost			
	\$						
2024	\$	1,961,691	100%	\$1,202,708	100%		
2023		1,915,203	100%	1,110,834	100%		
2022		1,846,842	100%	1,079,542	100%		
2021		1,867,234	100%	1,092,648	100%		
2020		1,850,720	100%	1,134,001	100%		
2019		1,681,755	100%	1,081,883	100%		

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

8. RISK MANAGEMENT

Frederick Community College

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

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

9. CONTINGENT LIABILITIES AND COMMITMENTS

Frederick Community College

Grants and Contracts

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

Commitments

Total outstanding construction commitments as of June 30, 2024 were \$2.27 million.

10. INVESTMENTS AND INTEREST IN CHARITABLE REMAINDER TRUST

Frederick Community College Foundation, Inc.

In determining fair value, the Foundation uses various valuation approaches within the GAAP fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The Foundation is invested in the University System of Maryland Foundation (USMF) investment pool which includes investments in three investment levels, as described in Note 1. Because these Level 3 investments in the pool are significant to the pool, the Foundation has classified its investment in the pool as Level 3 as of June 30, 2024 and 2023.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

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

Frederick Community College Foundation, Inc. (continued)

The Foundation's certificate of deposit is valued at the estimated market value based on the price of similar certificates of deposit. Due to the short maturity of the certificate of deposit, market value approximates cost.

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

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2024 and 2023.

As of June 30, 2024				
	Level 1	Level 2	Level 3	Total
Investment in external investment pool	\$ -	\$ -	\$ 21,521,449	\$ 21,521,449
Investment in certificate of deposit	212,259	-	-	212,259
Investment in charitable remainder trust	-	-	23,814	23,814
Total	\$ 212,259	\$ -	\$ 21,545,263	\$ 21,757,522

As of June 30, 2023				
	Level 1	Level 2	Level 3	Total
Investment in external investment pool	\$ -	\$ -	\$ 20,283,276	\$ 20,283,276
Investment in certificate of deposit	204,323	-	-	204,323
Investment in charitable remainder trust	-	-	22,831	22,831
Total	\$ 204,323	\$ -	\$ 20,306,107	\$ 20,510,430

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, 2024 and 2023:

	USMF Pool		Charitable Remainder Trust	Charitable Remainder Trust
	(Level 3) 2024	(Level 3) 2023	(Level 3) 2024	(Level 3) 2023
Balance, July 1,	\$ 20,283,276	19,617,965	\$ 22,831	\$ 28,335
Net realized gains	688,627	378,649	-	-
Net unrealized (loss)/gains	770,810	543,151	983	(5,504)
Foundation's share in total change in market value of the USMF pool	1,459,437	921,800	983	(5,504)
Investment income	363,307	324,612	-	-
Investment fees	(183,791)	(203,946)	-	-
Withdrawals	(400,780)	(377,155)	-	-
Balance, June 30	\$ 21,521,449	\$ 20,283,276	\$ 23,814	\$ 22,831

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

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

Frederick Community College Foundation, Inc. (continued)

As of June 30, 2024, the Foundation had 366,818.19 units of the USMF Unitized Investment Fund valued at \$58.67 per unit with a total value of \$21,521,449. As of June 30, 2023, the Foundation had 370,694.19 units of the USMF Unitized Investment Fund valued at \$54.72 per unit with a total value of \$20,823,276.

Investments are carried at market value in the accompanying consolidated financial statements. The cost and market value of investments as of June 30, 2024 and 2023, are as follows:

	As of June 30, 2024		
	Cost	Market	Unrealized Gain(Loss)
Investment in USMF investment pool	\$ 19,991,962	\$ 21,521,449	\$ 1,529,487
Investment in certificate of deposit	212,259	212,259	-
Investment in charitable remainder trust	21,604	23,814	2,210
Total	\$ 20,225,825	\$ 21,757,522	\$ 1,531,697

	As of June 30, 2023		
	Cost	Market	Unrealized Gain
Investment in USMF investment pool	\$ 19,340,808	\$ 20,283,276	\$ 942,468
Investment in certificate of deposit	204,323	204,323	-
Investment in charitable remainder trust	21,604	22,831	1,227
Total	\$ 19,566,735	\$ 20,510,430	\$ 943,695

Unrealized gains and losses are recognized as changes in the net assets without donor restrictions and net assets restricted by purpose or time. For the years ended June 30, 2024 and 2023, the Foundation reported a net unrealized gain on investments of \$770,810 and \$543,151, respectively.

11. ENDOWMENTS

Frederick Community College Foundation, Inc.

The Foundation endowments consist of 135 funds established to support a variety of scholarships and programs at the College. Its endowments consist of both donor restricted endowment funds and funds designated by the Board to function as endowments.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

11. ENDOWMENTS (continued)

Frederick Community College Foundation, Inc. (continued)

As required by accounting principles generally accepted in the United States of America net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation have 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 net assets with donor restrictions in perpetuity as:

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

The Foundation will disclose any endowment contributed in perpetuity in which the present investment balance is below the original contribution. As of June 30, 2024, the Foundation had none to report. The remaining portion of the donor-restricted endowment fund not classified as restricted in perpetuity is classified as restricted by purpose or time until those amounts are appropriated for expenditure by the Foundation Board. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

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

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

11. ENDOWMENTS (continued)

Frederick Community College Foundation, Inc. (continued)

Spending Policy

The Foundation has a policy of appropriating up to 3.5% of a twenty-quarter trailing market value average ending December 31, provided the donor contributions (principal) are not invaded. The Finance Committee recommends to the Foundation Board the spending rate in the spring preceding the fiscal year in which the distribution is planned.

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

Strategies Employed for Achieving Objectives

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2024:

	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Donor restricted endowment funds	\$ 3,945,106	\$ 5,534,135	\$ 9,479,241
Board designated Quasi endowments for General & Erwin Scholarships	6,099,043	-	6,099,043
Total Funds	\$ 10,044,149	\$ 5,534,135	\$ 15,578,284

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024:

	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	\$ 9,356,839	\$ 5,345,408	\$ 14,702,247
Investment return:			
Investment income	127,219	-	127,219
Net depreciation	1,034,408	-	1,034,408
Total earnings	1,161,627	-	1,161,627
Contributions collected	17,963	186,623	204,586
Reclassification	4,058	2,104	6,162
Release of endowment assets for expenditure	(496,338)	-	(496,338)
Endowment Net assets, end of year	\$ 10,044,149	\$ 5,534,135	\$ 15,578,284

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

11. ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2023:

	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Donor restricted endowment funds	\$ 3,509,106	\$ 5,345,408	\$ 8,854,514
Board designated quasi endowments for General & Erwin Scholarships	5,847,733	-	5,847,733
Total Funds	\$ 9,356,839	\$ 5,345,408	\$ 14,702,247

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023:

	Restricted by Purpose or Time	Restricted in Perpetuity	Total
Endowment Net assets, beginning of year	\$ 9,064,714	\$ 5,197,688	\$ 14,262,402
Investment return:			
Investment Income	83,302	-	83,302
Net appreciation	652,320	-	652,320
Total	735,622	-	735,622
Contributions collected	9,699	157,620	167,319
Reclassification	(9,960)	(9,900)	(19,860)
Release of endowment assets for expenditure	(443,236)	-	(443,236)
Endowment Net assets, end of year	\$ 9,356,839	\$ 5,345,408	\$ 14,702,247

12. FREDERICK COMMUNITY COLLEGE FOUNDATION, INC.

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

The College estimates the approximate value of services (including staff time) provided to the Foundation to be \$419,214 and \$369,942, for the years ended June 30, 2024 and 2023, respectively. These amounts have been included in the financial statements of the Foundation.

The value of contributions and support provided by the Foundation to the College is \$1,318,114 and \$982,433, for the years ended June 30, 2024 and 2023, respectively.

FREDERICK COMMUNITY COLLEGE

Notes to the Financial Statements June 30, 2024 and 2023

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

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

During the years ended June 30, 2024 and 2023, Foundation for the FCC Fund, Inc. received no gifts and incurred no expenses. As of June 30, 2024 and 2023, Foundation for the FCC Fund, Inc. had no assets or liabilities.

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

To the Board of Trustees
Frederick Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and the aggregate discretely presented component unit Frederick Community College (the College) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 20, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Owings Mills, Maryland
September 20, 2024

