MONTGOMERY COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

MONTGOMERY COLLEGE
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YEARS ENDED JUNE 30, 2020 AND 2019

MONTGOMERY COLLEGE
LISTING OF BOARD OF TRUSTEES AND
SECRETARY-TREASURER TO THE BOARD OF TRUSTEES
JUNE 30, 2020

BOARD OF TRUSTEES

OFFICE OF THE PRESIDENT

MONTGOMERY COLLEGE
CERTIFICATION OF
ANNUAL FINANCIAL STATEMENTS

In connection with the attached Annual Financial Statements of Montgomery College, we hereby certify that:

1. The attached Annual Report is true, complete and correct in all material respects, and the financial statements therein have been prepared in accordance with accounting principles generally accepted in the United States of America.

2. The information set forth herein, and on each of the schedules hereto, is complete and accurate in all material respects and contains full and complete disclosure of all pertinent information in connection with the operations of the College. Based on our knowledge, the Report does not contain any untrue statement of a material fact or omit a material fact.

3. We have designed such internal controls and procedures to ensure that material information relating to the College, including component units is made known to us and have established an effective system of internal control.

4. Based upon the above, we certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the College.

5. There have been no material adverse changes in operations since the date these statements were prepared to the date of the Certification.

DeRionne P. Pollard Date: 9/30/20

DeRionne P. Pollard
President

Donna L. Schena Date: 9/30/2020

Donna Schena
Senior Vice President for Administrative and Fiscal Services

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Montgomery College
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Montgomery College (the College), a component unit of Montgomery County, Maryland, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Montgomery College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2020 and 2019, and the respective changes in 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Changes in the College's Net OPEB Liability and Related Ratios – GASB #75, Schedules of the College's OPEB Contributions – GASB #75, Schedules of the College's Proportionate Share of the Net Pension Liability, and the Schedules of the College's Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Listing of Board of Trustees and Secretary-Treasurer to the Board of Trustees and the Certification of Annual Financial Statements as listed in the table of contents has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 30, 2020

This section of Montgomery College's (College) basic financial statements presents management's discussion and analysis (MD&A), providing an overview of its financial activities as of and for the years ended June 30, 2020, 2019, and 2018. The intent of this review is to look at the College's financial performance as a whole. This analysis should be read in conjunction with the financial statements on pages 17 - 23 as well as the more detailed information in the related notes to the financial statements on pages 24 - 87. The MD&A, financial statements, and the related notes are the responsibility of management.

This narrative explaining management's review and analysis is divided into the following four parts:

- An overview of the College's financial statements and financial highlights.
- An analysis of the College's Statement of Net Position.
- An analysis of the College's Statement of Revenues, Expenses and Changes in Net Position.
- An analysis of the College's Statement of Cash Flows.

Overview of the Financial Statements

The Governmental Accounting Standards Board (GASB) prescribes the College's three basic financial statements as the *Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*. These statements reflect the net value of assets and the results of operations on a College-wide basis.

The College has implemented GASB Statement No. 39, as amended by GASB 61; *Determining Whether Certain Organizations are Component Units*. This Statement addresses the conditions under which institutions should include associated fund-raising or research foundations as component units in their financial statements. The Montgomery College Foundation, Inc. (the Foundation) and the Pinkney Innovation Complex for Science & Technology for Montgomery College Foundation, Inc.(PIC MC) meet criteria for qualifying as component units. The Foundation is discretely presented after the College's financial statements and reference should be made to the separately audited financial statements of this component unit for additional information. PIC MC is blended with the College's reporting. This MD&A excludes the financial condition and results of operations of the Foundation.

The required supplementary information section contains statements and schedules, which are informational in their support to the College-wide financial statements. All statements are prepared using the accrual basis of accounting, which records all the current year's revenues and expenses regardless of when the cash was received or paid.

Government Support/Appropriations-Operating and non-operating revenues support the College's mission. Operating revenues include tuition, fees, and auxiliary sales and non-operating revenues include state and county appropriations and grants.

The continued support to the College from Montgomery County and the State of Maryland enables the College to expand access, protect affordability, and drive student success and completion. The following chart, for the fiscal years ended FY2020-FY2018, illustrates the commitment of both of these partners to the College's mission to empower our students to change their lives and to build a highly skilled workforce.

Overview of the Financial Statements (Continued)

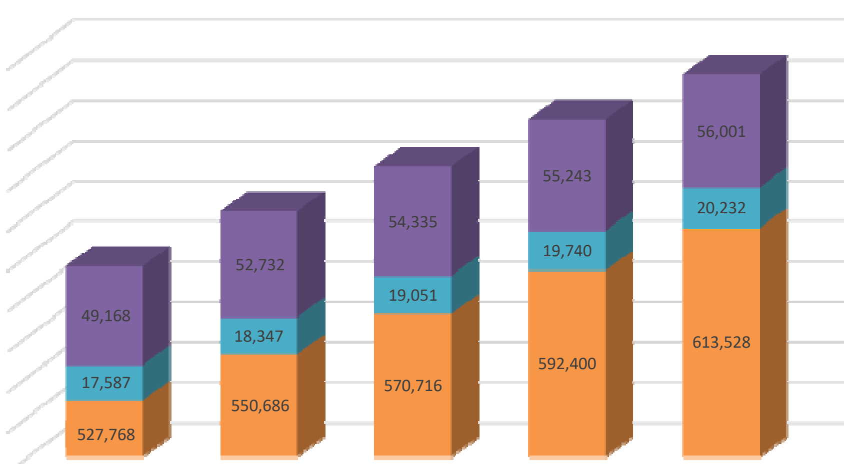
For the years ended June 30 (in millions)	FY2020	FY2019	FY2018	Percent Change 2020/19	Percent Change 2019/18
County appropriations	$147.16	$144.06	$141.27	2.2%	2.0%
State appropriations	45.26	43.93	42.51	3.0%	3.3%
Total	$192.42	$187.99	$183.78	2.4%	2.3%

Student Enrollment and Student Score Card

The College projected an unduplicated student count of 53,629, a 1.7 percent increase over the actual FY2019 unduplicated count. These projections were lower than the prior year projections in recognition of the nationwide trend impacting all community colleges; greater economic opportunities often result in fewer community college students; however, the pandemic and its impact could not be foreseen. The College is committed to strategies for increasing recruitment, retention and completion numbers while keeping tuition affordable; including in times of adversity.

As the COVID-19 pandemic raged and communities such as ours were under stay-at-home orders to prevent community spread, the College did not suspend operations. Instead, the College swiftly transitioned into remote teaching, learning and working to allow our students to continue their studies. Those students that could not continue were provided options to "withdraw due to crisis" or accept a grade of "incomplete due to crisis". Additionally, the summer schedule for our first session was offered only in a distance learning format by faculty trained and experienced in this teaching modality. This decision was made for student success and knowingly resulted in fewer offerings than our previous summer sessions and therefore fewer students.

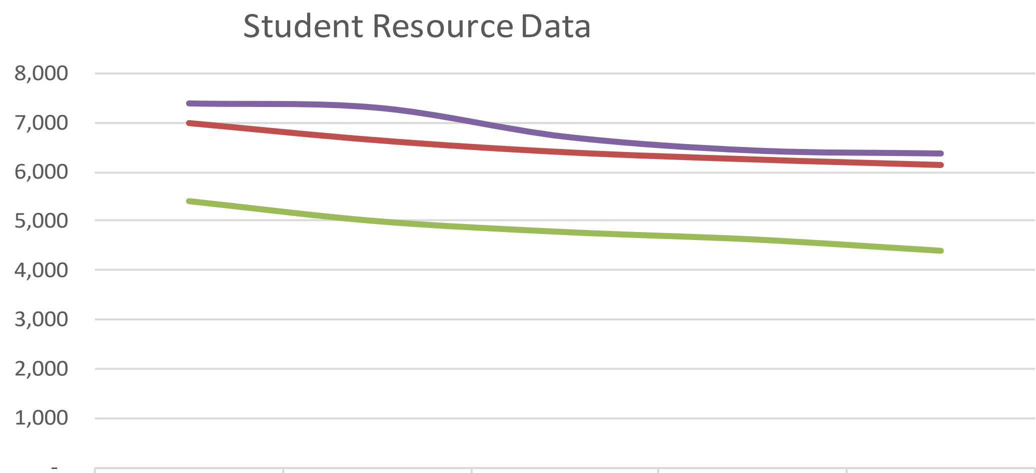
As the chart below demonstrates, the unduplicated student count in FY2020 of 49,168 was 8.3 percent below projections; and, 6.7 percent below the unduplicated student counts for FY2019. However, the average credit hours borne by a student increased during the year to 10.73 per student in FY2020 from 10.44 the prior year.



	2020	2019	2018	2017	2016
Student Count	49,168	52,732	54,335	55,243	56,001
FTE's	17,587	18,347	19,051	19,740	20,232
Credit Hours	527,768	550,686	570,716	592,400	613,528

Overview of the Financial Statements (Continued)

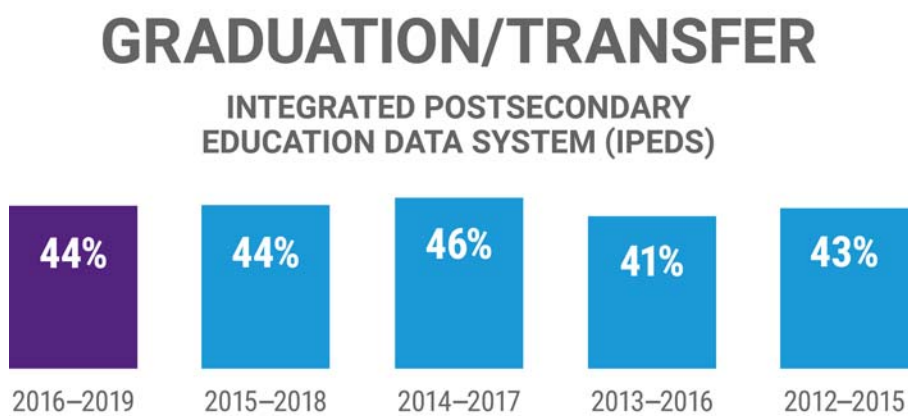
As indicated in the chart below, the cost per student metric for FY20 increased 5.3 percent while total revenue per student increased by 1.2 percent primarily due to the fact that the fiscal year costs were spread over fewer students who required greater financial support in services and grants and scholarships. For the five year period presented, however, the average increase in cost per student is 3.3 percent while the increase in the average total revenue per student is 3.9 percent.



	2020	2019	2018	2017	2016
Cost per std	7,002	6,652	6,410	6,260	6,148
T&F+Gov App per std	5,408	5,003	4,782	4,633	4,404
Total Rev per std	7,408	7,319	6,717	6,428	6,365

The Student Success Score Card was introduced six years ago as a tool for examining vital metrics on students' progress and success. Several measures are showing positive trends: fall-to-fall retention went up by one point to 66 percent; and the combined graduation and transfer held steady at 44 percent.

<u>Overview of the Financial Statements (Continued)</u>



Analysis of Statement of Net Position

The *Statement of Net Position* presents information on the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as "net position". This statement is prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expense and liabilities are recognized when others provide service to the College, regardless of when cash is exchanged. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the College is improving or deteriorating, when considered along with non-financial indicators such as enrollment levels.

As of June 30, (in millions)	2020	2019	2018	Percent Change 2020/19	Percent Change 2019/18
Assets and Deferred Outflows					
Current Assets	$ 109.93	$ 105.24	$ 97.73	4.5%	7.7%
Capital Assets	653.00	634.10	600.08	3.0%	5.7%
Other Noncurrent Assets	3.41	7.80	2.73	-56.3%	185.7%
Total Assets	766.34	747.14	700.54	2.6%	6.7%
Deferred Outflows of Resources	44.71	46.44	11.83	-3.7%	292.6%
Total Assets and Deferred Outflows of Resources	$ 811.05	$ 793.58	$ 712.37	2.2%	11.4%
Liabilities and Deferred Inflows					
Liabilities					
Current Liabilities	$ 37.09	$ 43.69	$ 40.46	-15.1%	8.0%
Noncurrent Liabilities	215.96	216.07	174.62	-0.1%	23.7%
Total Liabilities	253.05	259.76	215.08	-2.6%	20.8%
Deferred Inflows of Resources	17.73	13.51	12.13	31.2%	11.4%
Net Position					
Net Investment in Capital Assets	577.93	553.76	516.49	4.4%	7.2%
Unrestricted	(37.66)	(33.45)	(31.33)	12.6%	6.8%
Total Net Position	540.27	520.31	485.16	3.8%	7.2%
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 811.05	$ 793.58	$ 712.37	2.2%	11.4%

Analysis of Statement of Net Position (Continued)

- **Current assets** - Current assets have continued to increase; $4.69 million or 4.5 percent in FY2020, $7.51 million or 7.7 percent in FY2019 and $5.29 million or 5.7 percent in FY2018. The fiscal management of expenses to revenues and the timing of payments contributed to an increase in cash and cash equivalents of $10.50 million and short-term investments of $7.3 million. These increases were offset with lower receivable balances as compared to FY2019 of approximately $12.24 million due to timing in billing and receipts, especially for construction in progress and governmental receivables. Liquidity has improved with the ability of current assets to cover current liabilities at a rate of 3.0 times in FY2020, as compared to 2.4 times in both FY2019 and FY2018. Current assets covered approximately 4 months of operating expenses for FY2020 and FY2019, and 3 months for FY2018.

- **Capital and other non-current assets** - Increases to capital and other non-current assets netted to $14.51 million in FY2020, $39.09 million in FY2019, and $9.50 million in FY2018. Major capital construction and renovation projects including the Macklin Tower Alterations, Rockville Student Services Center, and Science and Applied Studies Renovation Phase 1 were completed or near completion by the close of the current fiscal year.

- **Deferred outflows of resources** - A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2020 and 2019, the College recognized changes in actuarial assumptions that are being amortized, contributions made subsequent to the measurement date related to pensions and OPEB, and the loss on refunding of bonds, totaling $44,718,095 and $46,444,061, respectively, as deferred outflows of resources.

- **Current liabilities** - Current liabilities include accounts payable and accrued expenses which decreased by $6.60 million in FY2020 as spending patterns shifted in the last quarter of the fiscal year during remote teaching, learning and working. Additionally, lower enrollment and flat tuition and fees resulted in a decrease in unearned revenue for FY2020. The prior two years saw slight increases due to normal business operational payables and accruals.

- **Noncurrent liabilities** - Net noncurrent liabilities were flat in FY2020 as compared to FY2019. In FY2020, the net OPEB liability increased $4.46 million, the net pension liability increased only slightly and debt repayments reduced the long-term liabilities $4.62 million. This reverses the two year trend of net increases of $41.45 million in FY2019 and $59.48 million in FY2018. In FY2019, the increase was primarily due to increases of $44.37 million in net OPEB liability and $1.4 million in net pension liability, with offsetting decreases in other noncurrent liabilities. In FY2018, a net OPEB liability of $64.37 million was recognized, with offsetting decreases in the net pension liability and long-term liabilities; accounting for the increase in that year.

- **Deferred inflows of resources** - A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. At June 30, 2020 and 2019, the College recognized changes in actuarial assumptions that are being amortized related to pensions and OPEB and the gain on refunding of bonds, totaling $17,731,656 and $13,517,040, respectively, as deferred inflows of resources.

Analysis of Statement of Net Position (Continued)

- **Net position** - Total net position increased by $19.96 million in FY2020 and $35.15 million in FY2019. In FY2018, total net position declined by $51.39 million due to the implementation of GASB Statement No. 75, which resulted in a restatement of beginning net position of $68.08 million. The increases in FY2020 and FY2019 were primarily due to an increase in the net investment in capital assets of $24.17 million and $37.27 million offset by decreases in unrestricted net position $4.21 million and $2.12 million primarily due to the increases of net OPEB liability in unrestricted net position, respectively for each year. OPEB liability increased $4.46 and $44.37 million in FY2020 and FY2019, respectively.

Analysis of Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are classified as either operating or non-operating. Generally, a public college like Montgomery College, will report an operating loss, as the required financial reporting model per Governmental Accounting Standards Board (GASB) Statements Nos. 34 & 35 classifies state and local appropriations, Federal Pell grants, and Federal CARES Act grants as non-operating revenues even though these resources support operating activities.

				Percent Change	
For The Years Ended June 30, (in millions)	2020	2019	2018	2020/19	2019/18
Operating Revenue					
Student Tuition/Fees	$ 57.42	$ 60.09	$ 59.91	-4.4%	0.3%
Grants & Contracts	14.58	16.47	17.40	-11.5%	-5.3%
Auxiliary Enterprises	5.27	6.00	5.21	-12.2%	15.2%
Other Operating Revenue	3.36	1.55	5.75	116.8%	-73.0%
Total Operating Revenue	80.63	84.11	88.27	-4.1%	-4.7%
Operating Expenses	341.45	347.82	345.05	-1.8%	0.8%
Operating Loss	(260.82)	(263.71)	(256.78)	-1.1%	2.7%
Non-Operating Revenue (Expense)					
State/Local Appropriation	192.42	187.99	183.78	2.4%	2.3%
State Paid Benefits	16.05	15.76	16.16	1.9%	-2.5%
Federal Pell Grants	25.03	26.51	27.93	-5.6%	-5.1%
Federal CARES Act Grants	3.38	-	-	0.0%	0.0%
Investment and Interest Income	1.10	1.36	0.87	-19.1%	56.3%
Interest Expense	(2.78)	(2.90)	(3.00)	-4.1%	-3.3%
Total Non-Operating Revenue, Net	235.20	228.72	225.74	2.8%	1.3%
Loss Before Other Revenues (Expenses)	(25.62)	(34.99)	(31.04)	-26.8%	12.7%
Other Revenues (Expenses)					
Capital Appropriation	45.52	70.18	47.93	-35.1%	46.4%
Capital Grants, Contracts and Gifts	0.10	-	0.04		
Loss on Disposal of Capital Assets	(0.04)	(0.04)	(0.23)	0.0%	-82.6%
Total Other Revenue, Net	45.58	70.14	47.74	-35.0%	46.9%
Increase in Net Position	19.96	35.15	16.70	-43.2%	110.5%
Beginning Net Position	520.31	485.16	536.54	7.2%	-9.6%
Change in Net Position due to Restatement	-	-	(68.08)		
Ending Net Position	$ 540.27	$ 520.31	$ 485.16	3.8%	7.2%

Analysis of Statement of Revenues, Expenses, and Changes in Net Position (Continued)

As a demonstration of how crucial state and local appropriations and federal grant revenue streams are to College operations, the chart below adds these revenue streams back to total operating revenues and recalculates an "adjusted operating loss."

For The Years Ended June 30, (in millions)	2020	2019	2018	Percent Change 2020/19	Percent Change 2019/18
Total Operating Revenues	$ 80.63	$ 84.11	$ 88.27	-4.1%	-4.7%
State/Local Appropriations	192.42	187.99	183.78	2.4%	2.3%
Federal Pell Grants	25.03	26.51	27.93	-5.6%	-5.1%
Federal CARES Act Grants	3.38	-	-	0.0%	0.0%
Adjusted Resources	301.46	298.61	299.98		
Total Operating Expenses	341.45	347.82	345.05	-1.8%	0.8%
Adjusted Operating Loss	$ (39.99)	$ (49.21)	$ (45.07)	-18.7%	9.2%

Overall **operating revenue** decreased $3.48 million or 4.1 percent in FY2020, as explained more fully below:

- **Tuition and fees** - Tuition and fees, net of scholarship allowances, of $57 million decreased by $2.6 million due to lower enrollment, accounting for $1.96 million; and, an increase in scholarships and allowance, accounting for $.70 million. Enrollment for both credit bearing and non-credit bearing students was impacted spring through summer of the fiscal year due to COVID-19 and the transition to remote teaching and learning. Scholarship allowances increased primarily due to an increase in grants to students in need. This revenue category represents 71 percent of total operating revenues, as it did in the prior year.

- **Grants and contracts** - Federal, state, and local operating grants and contracts decreased by $1.89 million, due primarily to the delayed delivery of medical equipment on a nursing grant.

- **Auxiliary and other revenues** - This category had an increase of $1.07 million for the year due to non-recurring events.

Overall, net **non-operating revenue and expense** increased $6.4 million or 2.8 percent in FY2020, primarily due to the following:

- **State and local appropriations** - As a public institution, the College relies on state and local appropriations as necessary support in meeting the College's mission. This non-operating revenue category accounted for 60.9 percent, 60.1 percent, and 58.5 percent of the College's total operating and non-operating revenues over the last three fiscal years respectively. The upward trend is indicative of the importance that the state and county place on the value the College provides to its students and to the economy. The increase in FY2020 was $4.43 million.

Analysis of Statement of Revenues, Expenses, and Changes in Net Position (Continued)

- **Federal CARES Act Grants** - The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act was signed into law on March 27, 2020, to provide emergency assistance and economic stabilization funds to respond to the COVID-19 pandemic. Part of the CARES Act provided funding for colleges and universities through the Higher Education Emergency Relief Fund "to prevent, prepare for, and respond to coronavirus." By accepting this grant, which totaled $10,995,749, the College agreed to allocate at least fifty percent of the funds as emergency student financial aid grants, while the remaining fifty percent could be used to cover certain expenses related to the change in instruction due to the coronavirus. As of June 30, 2020, MC had distributed $2.67 million in emergency funds to students—of $5.50 million available. As of June 30, 2020, the College accounted for approximately $.71 million as qualifying institutional costs. These costs included technology equipment and supplies, contracted services, and compensation for faculty for additional assignments for changes in instruction.

- **Other revenues, expenses, gains or losses** - This category is comprised primarily of capital appropriations. Montgomery College's goal is to provide a safe, clean, and secure classroom and workplace environment for students and employees. Funding can fluctuate from year to year based on the construction life cycle. During fiscal year 2020, no new major projects required significant funding and two student projects were brought to or were nearing completion. The result was a decrease in capital appropriations of $24.67 million during the year.

Total **operating expenses** of $341.45 million reflect a reduction from the prior year of $6.37 million as prudent fiscal decisions were made to reduce expenses in anticipation of reduced tuition and fee revenue. Additionally, expenses were shifted to support students through grants and scholarships, especially in the last quarter of the fiscal year due to coronavirus. One month of operating expenses approximates $28.45 million, $28.99 million, and $28.75 million, respectively for each of the three years presented. Major components of total operating expenses are described more fully below:

- **Salaries and benefits** - Salaries and benefits of $251.40 million in FY 2020 and $249.80 million in FY2019, continue to be the major component of the College's operating expenses. For fiscal years 2020, 2019, and 2018, salaries and benefits (including State paid benefits) accounted for 73.6 percent, 71.8 percent, and 72.3 percent of total operating expenses, respectively.

- **Scholarships and related expenses** - Students continue to demonstrate greater financial need and the transition to remote teaching and learning due to coronavirus only exacerbated this need. These expenses were $1.71 million higher than the prior year.

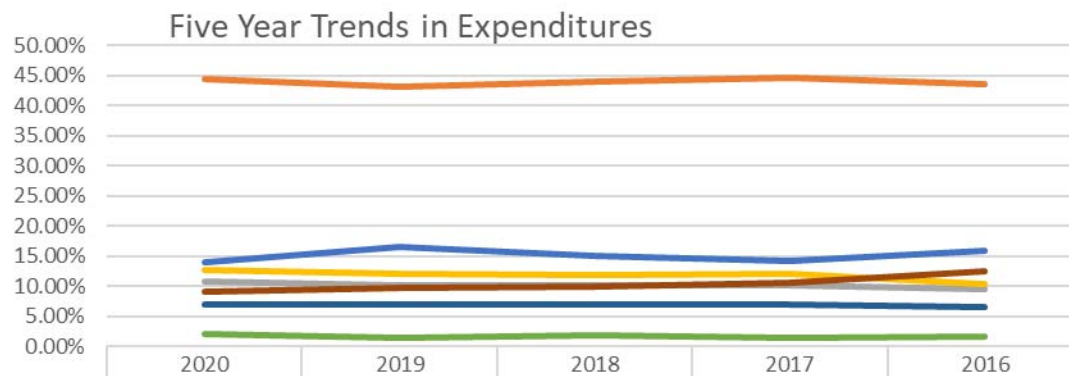
- **Instruction** - Instruction expenses increased from the prior year by $1.70 million. The majority of this increase is due to an increase in variable instruction costs due to teaching methodology changes in response to the coronavirus.

- **Academic Support** - Academic support expense follow Instruction expenses. These expenses decreased $0.45 million from the prior year. The majority of this decrease is due to a reduction in variable instruction costs due to lower enrollment and a decrease in OPEB expense allocated to this category.

Analysis of Statement of Revenues, Expenses, and Changes in Net Position (Continued)

- **Other expenses** - In September 2019, the College was a victim of fraud through a targeted cybersecurity attack from outside the College. The intrusion allowed funds to be stolen and placed in a fraudulent bank account. The net impact of $1.70 million has been recorded in other expenses, representing 0.5% of the College's fiscal year operating expenses.

Expenses by functional classification - The graph below depicts that College spending in terms of the percentages for the seven standard reporting classifications has remained relatively consistent year over year. Montgomery College uses incremental budgeting, therefore expects the pattern to be consistent year over year.



	2020	2019	2018	2017	2016
Instruction & Acad Support	44.36%	43.19%	44.06%	44.61%	43.45%
Student Services	10.88%	10.10%	10.14%	10.07%	9.60%
Operation of Plant	12.68%	12.11%	11.91%	12.06%	10.37%
Institutional Support	13.89%	16.51%	15.03%	14.22%	15.96%
Scholarships	2.05%	1.52%	1.82%	1.47%	1.59%
Depreciation	6.99%	6.91%	7.01%	7.06%	6.62%
Other	9.14%	9.65%	10.04%	10.51%	12.41%

The net position increased by $19.96 million in FY2020 and $35.15 million in FY2019. In FY2018, total net position declined by $51.39 million due to the implementation of GASB Statement No. 75, which resulted in a restatement of beginning net position of $68.08 million. The increases in FY2020 and FY2019 were primarily due to an increase in the net investment in capital assets of $24.17 million and $37.27 million offset by decreases in unrestricted net position $4.21 million and $2.12 million primarily due to the increases of net OPEB liability in unrestricted net position; respectively for each year. OPEB liability increased $4.46 million and $44.37 million in FY2020 and FY2019, respectively. As the result of the GASB 75 implementation in FY2018, the net OPEB liability was reinstated which reduced the beginning balance of net position by $68 million.

Analysis of Statement of Cash Flows

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

The table below highlights the components of cash flow as of June 30, 2020, 2019, and 2018:

For The Years Ended June 30, (in millions)	2020	2019	2018
Net Cash Used by Operating Activities	$ (214.70)	$ (207.25)	$ (214.92)
Net Cash Provided by Non-Capital Financing Activities	222.24	213.13	212.41
Net Cash Provided (Used) by Capital and Related Financing Activities	3.99	4.00	7.67
Net Cash Provided by Investing Activities	(1.03)	7.45	4.94
Increase (Decrease) in Cash and Cash Equivalents	10.50	17.33	10.10
Cash and Cash Equivalents - Beginning of Year	54.17	36.84	26.74
Cash and Cash Equivalents - End of Year	$ 64.67	$ 54.17	$ 36.84

The College's cash and cash equivalents increased by $10.50 million in FY2020 and $17.33 million in FY2019 as a result of prudent fiscal management of expenses to revenues and the timing of payments.

Factors that will Impact Future Financial Position and Results of Operations

The arrival of the coronavirus in the United States in January 2020 had a profound impact globally, nationally and locally. By March the United States had largely suspended public activities in response to the national public health emergency, restricting any activity that involved close contact among people. Public schools were closed, and many large cities were under stay-at-home orders to prevent community spread. In Maryland, the governor declared a state of emergency on March 5, 2020 and Montgomery College officially closed its physical facilities on March 16 and transitioned into remote teaching, learning and working in response to local conditions and concerns about the health and safety of students and employees.

Factors that will Impact Future Financial Position and Results of Operations (Continued)

These actions taken on the national, regional and local levels brought economic activities to a halt or significant curtailment from March through May of 2020. In June of 2020, signs of recovery were evident in unique job postings and improved employment numbers in Montgomery County and the wider state, however, the gains were not equal among all occupational sectors or wage earning potential. The Arts, Entertainment, Recreation, Accommodation and Food Services have suffered significant job losses and employment numbers are far worse for low wage workers versus high or middle wage workers.

As of June 30, 2020 the unemployment rate in Montgomery County was 8.2 percent which was slightly lower than the entire State of Maryland of 8.5 percent as of the same date. However, this rate is 4.9 percentage points higher than the rate in the County as of June 30, 2019. On the national level, the unemployment rate as of June 30, 2020 was 11.1 percent or 7.4 percentage points higher than the prior year June.

Montgomery County and the State of Maryland provide significant resources to the College and as such, the economic condition of the state and local region has a major bearing on the future economic health of the College. Both governments continue to evaluate the financial impacts and revisions necessary to their financial projections, however, it is impossible to predict with certainty what future adjustments to the College's revenue may ensue beyond actions taken to date as described more fully in the next paragraph.

On June 17, 2020, the County Executive issued a memorandum requesting the College to participate in a revised FY2021 spending plan by identifying opportunities to reduce spending in FY2021. The College agreed to meet this request in the amount of 3.0 percent of the County's FY2021 maintenance of effort funding commitment, or $4.4 million. On July 1, 2020, the Board of Public Works in Maryland approved a reduction in aid to community colleges, restoring aid to the FY2020 levels. This resulted in a reduction of $4.64 million for the College. The College has taken the appropriate steps to recognize these events in their FY2021 financial plans and remains fiscally responsible and vigilant about internal and external factors that have the potential to affect its ability to operate and fulfill its mission.

Additionally, the duration of the pandemic and the resulting mandates or restrictions imposed cannot be predicted with certainty. Consequently, due to these uncertainties, the impact on student behavior and enrollment cannot be predicted.

Contacting the College's Financial Management-The financial report is designed to provide interested parties with a general overview of Montgomery College's finances. If you have questions about this report or require additional financial information, contact Montgomery College, Office of Business Services, 9221 Corporate Boulevard, Rockville, Maryland 20850.

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 64,673,767	$ 54,170,343
Short-Term Investments	29,835,511	22,494,839
CIP Receivable	6,478,457	16,006,771
Student Accounts Receivable, Net	6,768,270	6,494,662
Grants and Contracts Receivable	442,636	1,226,117
Governmental Appropriations Receivable	129,721	2,328,442
Due from Montgomery College Foundation, Inc.	28,088	111,550
Other Receivables	1,124,240	756,476
Inventory	10,873	7,471
Prepaid Expenses and Other Assets	442,831	1,639,093
Total Current Assets	109,934,394	105,235,764
Noncurrent Assets:		
Deposits	47,589	47,589
Long-Term Investments	-	5,207,714
Net Pension Asset	3,361,272	2,553,823
Capital Assets, Net	652,993,563	634,096,024
Total Noncurrent Assets	656,402,424	641,905,150
Total Assets	766,336,818	747,140,914
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	4,860,417	6,780,057
Deferred Loss on Refunding	36,842	39,474
OPEB Deferrals	39,820,836	39,624,530
Total Deferred Outflows of Resources	44,718,095	46,444,061
Total Assets and Deferred Outflows of Resources	$ 811,054,913	$ 793,584,975

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 25,435,214	$ 30,512,468
Overdrafts	433,912	265,808
Unearned Revenue	4,910,027	6,264,294
Due to Other Organizations	1,031,475	1,442,781
Current Portion of Long-Term Liabilities	5,279,896	5,201,171
Total Current Liabilities	37,090,524	43,686,522
Noncurrent Liabilities:		
Unearned Revenue	5,685,116	5,748,578
Net Pension Liability	16,034,349	15,918,950
Net OPEB Liability	113,193,252	108,735,492
Long-Term Liabilities	81,045,350	85,665,535
Total Noncurrent Liabilities	215,958,067	216,068,555
Total Liabilities	253,048,591	259,755,077
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	2,435,221	1,713,095
Deferred Gain on Refunding	2,380,000	2,618,000
OPEB Deferrals	12,916,435	9,185,945
Total Deferred Inflows of Resources	17,731,656	13,517,040
NET POSITION		
Net Investment in Capital Assets	577,934,264	553,765,780
Unrestricted	(37,659,598)	(33,452,922)
Total Net Position	540,274,666	520,312,858
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 811,054,913	$ 793,584,975

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowance of $31,460,965 and $30,761,675, Respectively	$ 57,426,018	$ 60,089,772
Federal Grants and Contracts	8,305,786	8,671,301
State Grants and Contracts	4,363,483	5,812,589
Local Grants and Contracts	1,915,009	1,994,681
Auxiliary Enterprises	5,267,506	5,997,777
Other Operating Revenues	3,359,648	1,549,457
Total Operating Revenues	80,637,450	84,115,577
Operating Expenses:		
Instruction	102,169,633	100,473,776
Research	236,258	252,707
Academic Support	49,305,595	49,758,125
Student Services	37,154,477	35,118,261
Operation of Plant	43,300,661	42,137,876
Institutional Support	47,441,223	57,437,028
Scholarships and Related Expenses	7,016,464	5,303,695
Depreciation Expense	23,853,447	24,031,875
Auxiliary Enterprises	3,249,418	3,244,850
State Paid Benefits	16,049,441	15,755,846
Other Expenditures	11,677,776	14,311,129
Total Operating Expenses	341,454,393	347,825,168
OPERATING LOSS	(260,816,943)	(263,709,591)
NONOPERATING REVENUES (EXPENSES)		
State and Local Appropriations	192,419,136	187,987,439
State Paid Benefits	16,049,441	15,755,846
Federal Pell Grants	25,026,815	26,507,510
Federal CARES Act Grants	3,378,034	-
Investment and Interest Income	1,098,944	1,367,951
Interest Expense on Capital Asset Related Debt	(2,782,954)	(2,897,094)
Nonoperating Revenue, Net	235,189,416	228,721,652
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(25,627,527)	(34,987,939)
Capital Appropriations	45,515,277	70,185,975
Capital Grants, Contracts and Gifts	110,361	-
Loss on Disposal of Capital Assets	(36,303)	(40,131)
	45,589,335	70,145,844
INCREASE IN NET POSITION	19,961,808	35,157,905
Net Position - Beginning of Year	520,312,858	485,154,953
NET POSITION - END OF YEAR	$ 540,274,666	$ 520,312,858

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 57,152,410	$ 59,424,269
Grants and Contracts	16,222,601	17,715,116
Payments to Suppliers	(61,929,680)	(60,866,020)
Payments to Employees	(225,567,682)	(226,263,647)
Payments for Scholarships	(7,016,464)	(5,303,695)
Auxiliary Enterprises	5,267,506	5,997,777
Other Receipts	1,166,336	2,048,950
Net Cash Used by Operating Activities	(214,704,973)	(207,247,250)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Appropriations	194,617,857	186,627,242
Federal Pell Grants	24,962,982	26,507,510
Federal CARES Act Grants	2,667,000	-
Direct Loan Receipts	11,074,863	13,099,778
Direct Loan Disbursements	(11,074,863)	(13,099,778)
Net Cash Provided by Noncapital Financing Activities	222,247,839	213,134,752
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	55,043,591	68,670,187
Capital Grants, Contracts, and Gifts	110,361	-
Purchase of Capital Assets	(42,787,289)	(58,088,033)
Issuance of Capital Leases	47,829	689,860
Payments for Capital Leases	(5,636,966)	(4,379,385)
Interest Paid	(2,782,954)	(2,897,094)
Net Cash Provided by Capital and Related Financing Activities	3,994,572	3,995,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	18,080,114	24,767,611
Interest Income on Investments	1,098,944	1,367,951
Purchase of Investments	(20,213,072)	(18,688,131)
Net Cash Provided (Used) by Investing Activities	(1,034,014)	7,447,431
INCREASE IN CASH AND CASH EQUIVALENTS	10,503,424	17,330,468
Cash and Cash Equivalents - Beginning of Year	54,170,343	36,839,875
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 64,673,767	$ 54,170,343

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (260,816,943)	$ (263,709,591)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	23,853,447	24,031,875
State Paid Benefits	16,049,441	15,755,846
Effects of Changes in Operating Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Receivables, Net	920,463	1,567,305
Inventory	(3,402)	(1,555)
Other Assets	1,196,262	(115,277)
Pension Asset (Liability)	(692,050)	1,533,750
Accounts Payable	(5,077,254)	2,901,971
Net OPEB Liability	4,457,760	44,365,639
Deferred Outflows and Inflows of Resources - Pension	2,641,766	(88,752)
Deferred Outflows and Inflows of Resources - OPEB	3,534,184	(32,902,734)
Overdrafts	168,104	(51,813)
Unearned Revenue	(1,417,729)	(253,598)
Compensated Absences	812,309	(37,144)
Due to Other Organization	(411,306)	(201,589)
Due to Montgomery College Foundation, Inc.	79,975	(41,583)
Net Cash Used by Operating Activities	$ (214,704,973)	$ (207,247,250)

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET ASSETS − COMPONENT UNIT (MCF)
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	$ 5,713,706	$ 4,731,022
Money Market Funds	-	842,618
Total Cash and Cash Equivalents	5,713,706	5,573,640
Certificates of Deposit	3,639,521	2,578,190
Investments	27,029,077	28,889,279
Accounts Receivable	124,231	123,101
Pledges Receivable, Net	2,473,317	1,319,680
Prepaid Expenses	31,412	45,779
Other Assets	9,084	11,802
Land	2,750,000	2,750,000
Assets Held for Charitable Gift Annuities	73,665	54,149
Net Investment in Capital Lease	74,640,000	78,835,000
Total Assets	$ 116,484,013	$ 120,180,620
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 68,874	$ 142,574
Accrued Interest Payable	477,100	498,411
Annuities Payable from Charitable Gifts	797,434	809,473
Notes Payable	77,268,461	82,176,850
Total Liabilities	78,611,869	83,627,308
NET ASSETS		
Without Donor Restrictions	1,220,720	1,425,746
With Donor Restrictions	36,651,424	35,127,566
Total Net Assets	37,872,144	36,553,312
Total Liabilities and Net Assets	$ 116,484,013	$ 120,180,620

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF ACTIVITIES – COMPONENT UNIT (MCF)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions and Grants, Net	$ 143,021	$ 5,808,488	$ 5,951,509	$ 131,397	$ 3,638,220	$ 3,769,617
Change in Value of Charitable Gift Annuities	21,425	7,396	28,821	9,186	(447)	8,739
Matured Charitable Gift Annuities	2,734	-	2,734	-	(12,642)	(12,642)
Contributed Services	599,802	-	599,802	501,495	-	501,495
Other Noncash Contributions	30,914	6,112	37,026	79,400	4,604	84,004
Revenue from Special Events/Activities	-	45,638	45,638	-	78,181	78,181
Net Investment Return, Appropriated from Cash and Cash Equivalents, Money Market Funds, Investments and Certificates of Deposit	187,284	(403,884)	(216,600)	150,576	1,016,390	1,166,966
Net Investment Return, Appropriated from Investment in Capital Lease	2,961,133	-	2,961,133	3,087,951	-	3,087,951
Other Income	-	37,759	37,759	40,363	57,848	98,211
Net Assets Released from Restrictions	3,977,651	(3,977,651)	-	3,818,447	(3,818,447)	-
Total Revenue, Gains, and Other Support	7,923,964	1,523,858	9,447,822	7,818,815	963,707	8,782,522
EXPENSES						
Program Services:						
Scholarships	2,945,962	-	2,945,962	2,867,415	-	2,867,415
Student Athletics	4,094	-	4,094	29,651	-	29,651
Student and Faculty Support - Noncash Expenses of $144,430 and $174,692, Respectively	1,352,219	-	1,352,219	918,442	-	918,442
Interest Expense	2,725,947	-	2,725,947	2,843,939	-	2,843,939
Total Program Expenses	7,028,222	-	7,028,222	6,659,447	-	6,659,447
General and Administrative - Noncash Expenses of $426,723 and $392,481, Respectively	590,269	-	590,269	524,700	-	524,700
Resource Development - Noncash Expenses of $65,675 and $18,325, Respectively	510,499	-	510,499	413,190	-	413,190
Total Expenses	8,128,990	-	8,128,990	7,597,337	-	7,597,337
CHANGE IN NET ASSETS	(205,026)	1,523,858	1,318,832	221,478	963,707	1,185,185
Net Assets - Beginning of Year	1,425,746	35,127,566	36,553,312	1,204,268	34,163,859	35,368,127
NET ASSETS - END OF YEAR	$ 1,220,720	$ 36,651,424	$ 37,872,144	$ 1,425,746	$ 35,127,566	$ 36,553,312

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity (MC and MCF)

Montgomery College (the College or MC) is considered a “body politic” under Maryland state law as an instrumentality of the state of Maryland (the State).

The College is governed by a 10-member Board of Trustees, nine of whom are appointed for six-year terms by the Governor of Maryland with the advice and consent of the State Senate, and one of whom is a student appointed by the Governor to serve a one-year term.

The College’s budget is subject to approval by the Montgomery County Council (the County). The Annotated Code of Maryland states that in order for a board (College) to receive an increase in the State share of support, the County share, in the aggregate, that supports the community college shall be equal to or exceed the aggregate amount of operating fund appropriations made to the board by the County in the previous fiscal year. State funding is based on enrolled eligible full-time equivalent students (marginal cost component) and a fixed cost component.

The College’s financial statements include the accounts of the Pinkney Innovation Complex for Science and Technology at Montgomery College (PIC MC) (formerly, Montgomery College Life Sciences Park Foundation Inc. (LSF)). In 2011, the Board of Directors of the College formed the PIC MC for the purpose of supporting the mission of the College or its successor institution and to promote the advancement of education by fostering and expanding educational and research opportunities for faculty and students of the College or its successor institution. Accordingly, the accounts of PIC MC have been blended herein, as required by generally accepted accounting principles. All significant interorganization balances and transactions were eliminated in consolidation.

Montgomery College Foundation, Inc. (the Foundation or MCF) is a legally separate, tax-exempt organization established to enhance the College’s mission through fund-raising that benefits the College and its programs. The 21-member board of the Foundation is self-perpetuating and consists of alumni and friends of the College. The majority of resources that the Foundation holds and invests are restricted to the activities of the College by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

Complete financial statements for the Foundation can be obtained from the administrative office listed below:

Montgomery College Foundation, Inc.
Director of Finance
9221 Corporate Blvd.
Rockville, Maryland 20850

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (MC and MCF) (Continued)

During the years ended June 30, 2020 and 2019, the Foundation distributed $4,302,274 and $3,815,508, respectively, to the College for both restricted and unrestricted purposes.

Although the College is not a County agency, as a result of the College's relationship with the County, the College's financial statements are considered component unit statements and are properly included in the Comprehensive Annual Financial Report of the County, in accordance with generally accepted accounting principles. Transactions with the County relate primarily to appropriations for operations and capital improvements.

Basis of Presentation (MC and MCF)

The College follows the reporting and disclosure requirements for special purpose governments involved in business-type activities as outlined in Governmental Accounting Standards Board (GASB) Statements Nos. 34, 35, and 38. This provides an entity-wide perspective in the financial statement presentation. These standards require capitalization of assets, recording of depreciation, presentation of management's discussion and analysis, required supplementary information and presentation of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements.

Basis of Accounting (MC)

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when a liability is incurred.

Use of Estimates in Preparing Financial Statements (MC and MCF)

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. From time to time adjustments may be needed to accurately report financial information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (MC)

The College's tuition and fees revenue is reported net of any scholarship allowance. A scholarship allowance is defined as the difference between the stated charge for tuition, goods, and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The scholarship allowance represents the amount of dollars the College receives as tuition from outside resources such as the Title IV Federal Grant Program, restricted grants, and the College's own Board of Trustees grants. Funds received for tuition costs from outside resources are reported in the appropriate revenue classification. Certain aid such as loans and third-party payments are credited to the student's account as if the student made the payment. For fiscal years 2020 and 2019, the College netted student aid expenses in the amount of $31,460,965 and $30,761,675, respectively, against tuition revenue of $88,886,983 and $90,851,447, respectively.

Revenue Recognition (MC)

Revenue is recognized on an accrual basis with the establishment of corresponding accounts receivable. Tuition receivables are uncollateralized obligations of students resulting from course registrations. Accounts receivable also include transactions involving governmental appropriations, grants and contracts, and financial aid. The allowance method for accounts receivable is used to measure bad debts. The allowance for doubtful accounts is determined based upon aging analysis and management's estimation of collectability of such accounts. To determine the allowance as of June 30, the College utilizes a 7-year moving average of collection experience for accounts outstanding 10 years or less. For balances outstanding more than 10 years, an estimated collection rate of 2 percent is used to calculate the collectible amount.

Federal Financial Assistance Programs (MC)

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Direct Loans Programs. Federal programs are audited in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The College accepted the federally funded Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, signed into law on March 27, 2020, to provide emergency assistance and economic stabilization funds to respond to the COVID-19 pandemic. The federal grant awards are audited in accordance with the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Components (MC)

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities. The College's principal ongoing operations determine operating flow activities. Ongoing operations of the College include, but are not limited to, providing intellectual, cultural and social services through two-year associate degree programs, continuing education programs and continuous learning programs. Operating revenues of the College consist of tuition and fees, grants and contracts (except Federal Pell grants), and auxiliary enterprises revenues.

Financial statement nonoperating components include transactions and other events that are defined as noncapital financing activities, capital-financing activities, and investing activities. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. Also included are certain interfund and intergovernmental receipts and payments such as State appropriations, State paid benefits and student organization agency transactions. Capital financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) long-term borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments.

Encumbrances (MC)

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials and services not received during the year. Encumbrances at June 30, 2020 and 2019, respectively, were $12,696,840 and $12,788,773, which represent the estimated amount of expense ultimately to result if unperformed obligations are completed. Encumbrances outstanding at June 30, 2020 and 2019 do not constitute expenses or liabilities and are not reflected in these financial statements.

Net Position (MC)

Net position is classified according to external restrictions or availability of assets for satisfaction of College obligations. Restricted net position is reported as either expendable or nonexpendable. The unrestricted net position for the years ended June 30, 2020 and 2019 was earmarked for:

	2020	2019
Encumbrances	$ 12,696,840	$ 12,788,773
Emergency Repairs and Maintenance	591,494	617,766
Reserve for Major Facility Projects	7,921,350	11,008,221
OPEB & Pension Contribution	(96,483,079)	(86,541,419)
Quasi-Endowment	580,645	570,182
Other Purposes	37,033,152	28,103,555
Total	$ (37,659,598)	$ (33,452,922)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (MC) (Continued)

Expenditures of quasi-endowment funds require approval by the Board of Trustees.

Restricted Net Position – Expendable and Nonexpendable (MC)

The College's restricted net position has constraints placed upon them either: (a) externally imposed by creditors, grantors, contributors, or laws/regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. As such, GASB No. 34 requires the College's restricted net position to be delineated on the financials as either expendable or nonexpendable. Nonexpendable net position is required to be maintained in perpetuity. Expendable net position, for which there are externally imposed constraints, are obligated or expended with the condition(s) of the constraints. The College had no nonexpendable or expendable net position at June 30, 2020 and 2019.

Cash and Cash Equivalents (MC and MCF)

Cash equivalents are items that are readily convertible to cash while carrying an insignificant risk of change in value. Cash equivalents have original maturities at the date of purchase of three months or less.

Certificates of Deposit (MCF)

Certificates of deposit are purchased directly through financial institutions and are stated at cost.

Investments (Short-Term and Long-Term) (MC)

Short-term investments consist of investments with maturities of less than one year at the time of purchase. Investments consist of banker's acceptances, U.S. government agency and sponsored instruments, and the Maryland Local Government Investment Pool (MLGIP). The MLGIP is valued at amortized cost. All other investments for the College are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses in fair value and interest income are reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

Current and Noncurrent (MC)

Current assets include cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with the normal business operation. They can consist of cash, inventories, accounts receivable, loans receivable, marketable securities, and prepaid expenses which meet the conditions stated above. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Other assets and liabilities which extend past the one-year period are classified as noncurrent.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unamortized Interest (MCF)

Notes payable held by the Foundation consist of bonds issued by the Montgomery County Revenue Authority (the Authority) and Certificates of Participation (COPs) issued by Montgomery County Maryland. These bonds and COPs were sold at either a premium or discount to their par value. The Foundation received the proceeds from these issues net of the costs to issue the bonds and COPs and reduced for or increased by the premium or discount on the bonds and COPs. The premium or discount has been recorded as unamortized bond and COP premium or discount, net of notes payable that is being amortized over the life of the note as an adjustment to interest expense.

Inventories (MC)

Inventories, consisting principally of cafe supplies, are determined on the first-in, first-out (FIFO) method and are stated at the lower of net realizable value or market. The cost is recorded as an expense as the inventory is consumed.

Unearned Revenue (MC)

Tuition and fee revenues received and related to the period after June 30, 2020 and 2019 have been recognized as unearned revenue. See Note 10 for details of the PIC MC unearned revenue.

Capital Assets (MC)

Capital assets are long-lived tangible assets which include real property (land and buildings) and personal property (equipment, library books, art works). This class of assets will benefit future periods as an asset rather than being treated as an expense in the period that the expenditure occurs. Capital assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art, infrastructure, and other tangible assets that have initial useful lives extending beyond a single reporting period. Normally, a dollar threshold is established for each unit in this class prior to being classified as a capital asset. The College's policy limit for capitalization is $5,000 per unit.

The basis of valuation for assets constructed or purchased is cost, while assets acquired by gift are recorded at their acquisition values. The College records depreciation on all capital assets in accordance GASB Statement No. 35, except for land and art works, and it is not allocated to the functional expenditure categories. Land is not depreciated as it is considered to have an indefinite useful life. Expenditures for construction in progress are capitalized as incurred. The entire library collection is recorded and valued at cost or estimated cost as a unit without regard to individual item cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (MC) (Continued)

Depreciation is computed on a straight-line basis over estimated useful lives as noted below (depreciation starts in the first full year after the year of acquisition):

Buildings (Including Infrastructures, Alterations, Renovations, and Renewals and Replacements)	35 years
Library Books	10 years
Furniture and Equipment - Acquired prior to July 1, 2005	7 years
Furniture and Equipment - Acquired subsequent to July 1, 2005 as follows:	
Computer Equipment	3 years
Computer Infrastructure	5 years
Equipment	3 to 7 years
Vehicles	7 years
Instructional Equipment	7 years

Land (MCF)

Land has been recorded at its appraised value upon receipt of the donation to the Foundation. The land is held primarily for use by the College in support of its operations. Expenditures for any maintenance of the land are borne by the College.

Impairment of Long-Lived Assets (MC and MCF)

Management reviews the carrying value of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such review indicates that the asset is impaired, given that the carrying amount of the asset exceeds its fair value as of the measurement date, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are written down to the lower of cost or fair value. No impairment was recognized for the years ended June 30, 2020 or 2019.

Valuation of Investments (MCF)

Investments are stated at fair value as determined by quoted market prices. Realized and unrealized gains and losses in fair value, interest income, and dividend income are reflected in the Statements of Activities, net of mutual fund expense fees.

Pledges Receivable (MCF)

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution and grant revenue in the Statements of Activities. The Foundation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off when deemed uncollectible.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncash Contributions (MCF)

Noncash contributions are recorded at their fair value on the date of receipt. Certain noncash items received by the Foundation are donated to the College for educational support.

Net Assets (MCF)

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expense Allocation (MCF)

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Foundation's financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contributed services, conferences and meetings, awards and refreshments, supplies, postage, printing, and contracted services, which are allocated on the basis of estimates of time and effort.

Deferred Outflows/Inflows of Resources (MC)

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2020 and 2019, the College recognized changes in actuarial assumptions that are being amortized, contributions made subsequent to the measurement date related to pensions and OPEB, and the loss on refunding of bonds, totaling $44,718,095 and $46,444,061, respectively, as deferred outflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (MC) (Continued)

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. At June 30, 2020 and 2019, the College recognized changes in actuarial assumptions that are being amortized related to pensions and OPEB and the gain on refunding of bonds, totaling $17,731,656 and $13,517,040, respectively, as deferred inflows of resources.

Pensions (MC)

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

Postemployment Benefits Other Than Pensions (OPEB) (MC)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Montgomery County Retiree Benefits Plan (MCRBP) and additions to/deductions from MCRBP's fiduciary net position have been determined on the same basis as they are reported by MCRBP. For this purpose, MCRBP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Other Policies – Change in Accounting Principle (MCF)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation's financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Foundation's reported historical revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Policies – Change in Accounting Principle (MCF) (Continued)

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Foundation's financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not result in any changes.

Pending Pronouncements (MC)

The following upcoming GASB pronouncements have been issued but not yet implemented by the College:

In May 2020, GASB Issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates for the following upcoming GASB pronouncements have been adjusted to reflect the impact of GASB No. 95.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The standard establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Statement establishes criteria for identifying fiduciary activities of the state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The College has identified the activities that will be impacted and reported as fiduciary funds or included in the operating fund. GASB No. 84 will be implemented during the year ending June 30, 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Pronouncements (MC) (Continued)

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is in effect for fiscal years beginning after June 15, 2021. The College is currently in the process of evaluating the impact of GASB Statement No. 87 on its financial statements.

In May 2019, GASB issued Statement No.91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminated diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Statement is in effect for fiscal years beginning after December 15, 2021. The College is currently in the process of evaluating the impact of GASB Statement No. 91 on its financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY (MCF)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following as of June 30:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 5,713,706	$ 4,731,022
Operating Investments	30,668,598	31,467,469
Accounts Receivable	124,231	123,101
Pledges Receivable, Net	2,473,317	1,319,680
Total Financial Assets	38,979,852	37,641,272
Less Amounts Not Available to be Used Within One Year Due to Donor Restrictions	(36,651,424)	(35,127,566)
Financial Assets Available to Meet General Expenditures Within One Year	$ 2,328,428	$ 2,513,706

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 3 CASH AND INVESTMENTS (MC AND MCF)

Cash, Cash Equivalents, and Investments (MC)

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, establishes and modifies disclosure requirements related to investment and deposit risks:

- Credit Risk
- Custodial Credit Risk
- Concentrations of Credit Risk
- Interest Rate Risk
- Foreign Currency Risk

NOTE 3 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

As of June 30, 2020 and 2019, the College's carrying amount of cash, cash equivalents, short-term investments, and investments consisted of the following:

	2020	2019
Cash	$ 38,333,660	$ 24,767,987
Cash Equivalent - MLGIP	26,340,107	29,402,356
Total Cash and Cash Equivalents	64,673,767	54,170,343
Short-Term Investments	29,835,511	22,494,839
Total Cash and Short-Term Investments	94,509,278	76,665,182
Long-Term Investments	-	5,207,714
Total	$ 94,509,278	$ 81,872,896

Custodial Credit Risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with the securities held by the pledging bank; collateralized with securities held by the pledging bank's trust department or agent but not in the College's name.

The carrying amount for the College and PIC MC deposits was $38,324,660 and $24,733,901 as of June 30, 2020 and 2019, respectively. Petty cash and cashier's change funds of $6,500 and $6,500 as of June 30, 2020 and 2019, respectively, are excluded from these amounts. In addition, private loans of $2,500 and $27,586 as of June 30, 2020 and 2019, respectively, are excluded from these amounts. Actual bank statement balances totaled $41,453,060 and $29,336,889 at the end of fiscal years 2020 and 2019, respectively. Collateral was maintained during the year to secure all deposits and investments as specified under Section 6-202 of Title 6 of the State Finance and Procurement Article of the Annotated Code of Maryland.

Article 95, Section 22 and Section 6-222 of the State Finance and Procurement Article of the Annotated Code of Maryland authorizes, and the College's adopted investment policy authorizes, the College to invest surplus cash in U.S. Treasury obligations, U.S. governmental agencies and instrumentalities securities, collateralized certificates of deposit, repurchase agreements, the Maryland Local Government Investment Pool (MLGIP), commercial paper, and bankers' acceptances. In the opinion of management, the College is in compliance with all provisions of the Annotated Code of Maryland and the College's investment policy.

NOTE 3 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

During the year, the College invested in certificates of deposit and U. S. government agency and instrumentalities securities with one maturity extending past June 30, 2020. The College also invested in the MLGIP, a “2a-7 like pool”, with collateral being held for the pool consisting of U.S. government and agency securities, bankers’ acceptances, commercial paper, and corporate bonds. The MLGIP is managed by PNC Bank under contract with the State of Maryland. Collateral was held at the Bank of New York in the College’s name. The collateral balance was maintained throughout the year in sums in excess of any single day bank balance. The longest length to maturity at time of purchase of any one investment was approximately eighteen months. These investments are reported in the College’s Statements of Net Position at fair value, with the exception of the College’s investment in the MLGIP. All securities in the MLGIP are valued daily by MLGIP on an amortized cost basis. These assets are carried at an amortized cost basis in the College’s Statements of Net Position.

Refer to Note 19 for descriptions of the fair value hierarchy.

As of June 30, 2020 and 2019, the College had the following investments and maturities.

	Fair Value		Investment Maturities (in Months)		
Investment Type	Hierarchy	Total	Less than 6	7-12	13 - 18
2020					
U.S. Agency:					
FHLB Discount Note	2	$ 9,998,233	$ 9,998,233	$ -	$ -
US Treasury Notes	2	10,067,950	10,067,950	-	-
Negotiable Certificates of Deposit	n/a	6,266,291	5,207,714	1,058,577	-
Local Government Investment Pool	n/a	26,340,107	26,340,107	-	-
STIF and Money Market Funds	n/a	229,225	229,225	-	-
Equity Securities	1	780,834	780,834	-	-
Mutual Funds	1	2,492,978	2,492,978	-	-
Total		$ 56,175,618	$ 55,117,041	$ 1,058,577	$ -

	Fair Value		Investment Maturities (in Months)		
Investment Type	Hierarchy	Total	Less than 6	7-12	13 - 18
2019					
U.S. Agency:					
FHLB Discount Note	2	$ 7,858,716	$ 4,930,956	$ 2,927,760	$ -
FHLB Coupon	2	3,006,450	-	3,006,450	-
Fed Farm Credit Bureau Coupon	2	2,000,220	-	2,000,220	-
Negotiable Certificates of Deposit	n/a	11,463,976	1,035,045	5,221,218	5,207,714
Local Government Investment Pool	n/a	29,402,356	29,402,356	-	-
STIF and Money Market Funds	n/a	222,137	222,137	-	-
Equity Securities	1	1,240,181	1,240,181	-	-
Mutual Funds	1	1,910,873	1,910,872	-	-
Total		$ 57,104,909	$ 38,741,547	$ 13,155,648	$ 5,207,714

NOTE 3 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

As of June 30, the College's fixed income investments were rated as follows:

	2020			2019		
Investment Type	S&P	Moody's	Fitch	S&P	Moody's	Fitch
U.S. Agency:						
FHLB Coupon	-	-	-	NR	Aaa	NR
FHLB Discount Notes	NR	NR	NR	NR	NR	NR
Fed Farm Credit Bureau Coupon	-	-	-	NR	Aaa	AAA
U.S. Treasury Notes	AA+	AAA	AAA	-	-	-
Certificates of Deposit	NR	NR	NR	NR	NR	NR

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the College's investment policy limits the maturity length to one year with special approval required to purchase a security not to exceed two years.

Credit Risk. The College's investment policy does not allow investments in corporate bonds. The College's investment policy does allow investments in Money Market Treasury Funds. These funds must be operated in accordance with Rule 2a-7 and have the highest possible rating from at least one Nationally Recognized Statistical Rating Organization (NRSRO) as designated by the SEC. The MLGIP functions as a U.S. Treasury Money Market Fund and is under contract with the State of Maryland Treasurer's Office. The MLGIP was rated AAAm by Standard & Poor's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party, because the securities are not insured and are not registered in the College's name and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. During the years ended June 30, 2020 and 2019, the College did not invest in any repurchase agreements. The College's investment policy requires all collateral be held by an independent third party with whom the College has a current custodial agreement in a segregated account with a clearly marked evidence of ownership and a safekeeping receipt supplied to the College.

NOTE 3 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Cash, Cash Equivalents, and Investments (MC) (Continued)

Concentrations of Credit Risk. GASB 40 requires the identification, by amount and issuer, of investments in any one issuer that represents 5 percent or more of total investments. The College's investment policy allows the following diversification by instrument at time of purchase:

U.S. Treasury Obligations	100%
U.S. Government Agency & Sponsored Instrumentalities	50%
Repurchase Agreements	50%
Collateralized Certificates of Deposits	25%
Bankers' Acceptances	50%
Maryland Local Government Investment Pool	50%
Money Market Funds	25%
Commercial Paper	5%

Security types noted above are further diversified by issuing institution:

Approved Security Dealers	25%
Maryland Local Government Investment Pool	50%
Bankers' Acceptances by Issuing Institution	10%
Commercial Banks	10%
Money Market Funds by Fund	25%
U.S. Government Agencies by Agency	20%
Commercial Paper	5%

The College did not have any concentrations to disclose as of June 30, 2020 and 2019.

Foreign Currency Risk. In accordance with Section IX of the College's Investment Program, Diversification in Authorized and Suitable Investments, the College is restricted to banks (financial institutions) chartered in the State of Maryland and bankers' acceptances of domestic banks. Repurchase agreements must be backed by obligations of the United States, its agencies or instrumentalities. The College, by Procedure 61003CP, Chapter VI 'Fiscal and Administrative Affairs', Subject 'Bank Services', Section VI is limited to 'banks located within the County' for depository services.

As of June 30, 2020, the College had federal agency securities held in the name of the College with Wilmington Trust, PNC, and Sandy Spring Bank to collateralize deposits of the College.

Cash, Cash Equivalents, and Investments (MCF)

The Foundation maintains its cash, cash equivalents, and investments in accounts which are insured by the FDIC up to specified limits and may, at times, exceed the federally insured limits. Cash in bank as of June 30, 2020 and 2019 was $9,352,885 and $7,400,784, respectively. The Foundation has not experienced any losses on such accounts and management does not believe that it is exposed to any significant credit risk.

NOTE 3 CASH AND INVESTMENTS (MC AND MCF) (CONTINUED)

Investments (MCF)

The investments of the Foundation are carried at fair value and summarized at June 30 as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 25,356,673	$ 27,029,077	$ 26,085,921	$ 28,889,279

NOTE 4 ACCOUNTS AND PLEDGES RECEIVABLE (MC AND MCF)

Accounts Receivable (MC)

Tuition and fees receivable are presented net of the related allowance for doubtful accounts on the Statements of Net Position. As of June 30, 2020, tuition and fees receivables are $24,330,212 with an allowance of $17,561,942, which nets to $6,768,270. As of June 30, 2019, tuition and fees receivables are $23,717,954 with an allowance of $17,223,292, which nets to $6,494,662.

Pledges Receivable (MCF)

Pledges receivable at June 30 include amounts due in:

	2020	2019
Less Than One Year	$ 758,408	$ 717,574
One to Five Years	1,296,196	468,464
More Than Five Years	2,063,720	1,683,720
Total	4,118,324	2,869,758
Pledges Deemed Uncollectible	(14,927)	(17,342)
Present Value Discount	(1,630,080)	(1,532,736)
Total	$ 2,473,317	$ 1,319,680

The discount rate used on long-term promises to give was 3 percent in both 2020 and 2019. Pledges deemed uncollectible are approximately 3 percent of discounted unconditional promises to give at June 30, 2020 and 2019, as determined by a review of individual current year pledges.

The Foundation was named remainder interest beneficiary of two charitable remainder unitrusts where the Foundation is not the trustee and does not exercise control over the assets contributed to the trusts. The Foundation recorded the agreements as pledges receivable and contributions at the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments are made to the receivables on a yearly basis to reflect the accretion of the discounts and revaluation of the present value of the estimated future payments. As of June 30, 2020 and 2019, the amount included in the pledge receivable balance was $213,382 and $170,257, respectively.

NOTE 5 CHARITABLE REMAINDER TRUSTS (MCF)

The Foundation has been designated as remainder interest beneficiary under certain charitable gift-annuity agreements contracted with donors. The agreements call for specified distributions (annuity payments) to be paid to designated lead interest beneficiaries during their lives. The Foundation holds and invests the assets of the charitable gift annuity agreements and ensures that the specified distributions are made to the lead interest beneficiaries. The assets held and annuities payable are reflected on the Statements of Financial Position.

Upon commencement of such agreements, the Foundation records the fair value of the assets received and records the estimated present value of future payments to the lead interest beneficiaries as a liability for annuities payable from charitable gift annuity agreements. The liability is established by estimating future payments based on the beneficiary's life expectancy and discounting those payments to their present value. The excess of the assets received over the liability incurred is recognized on the Statements of Activities as contributions under charitable gift annuity agreements.

Assets held in split-interest agreements are adjusted to their fair value and the liability for annuities payable is adjusted to its current estimated present value on a recurring basis. Adjustments to the liability are reflected on the Statements of Activities as changes in the value of gift annuity agreements. When the estimated present value of the liability exceeds the value of the related assets, the deficit is a reduction of net assets without donor restrictions.

As of June 30, the assets, obligations and net assets related to charitable gift annuities were classified as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets Held for Charitable Gift Annuities	$ 4,794	$ 68,871	$ 73,665
Annuities Payable from Charitable Gifts	757,783	39,651	797,434
Net Assets (Liabilities)	$ (752,989)	$ 29,220	$ (723,769)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets Held for Charitable Gift Annuities	$ 6,560	$ 47,589	$ 54,149
Annuities Payable from Charitable Gifts	783,708	25,765	809,473
Net Assets (Liabilities)	$ (777,148)	$ 21,824	$ (755,324)

In order to offset the net liability, in fiscal year 2013, the Board directed unrestricted funds from both the general endowment earnings and a portion of the proceeds of the sale of the Maryland College of Art and Design property, to function as a reserve. As of June 30, 2020 and 2019, the combined balances in these two funds totaled $940,915 and $1,042,691, respectively, and are recorded within investments on the Statements of Financial Position.

NOTE 5 CHARITABLE REMAINDER TRUSTS (MCF) (CONTINUED)

During the year ended June 30, 2020, one new split-interest agreement was created and one was extinguished. During the year ended June 30, 2019, no new split-interest agreements were created and one was extinguished. The total number of split-interest agreements was 12 as of both June 30, 2020 and 2019.

NOTE 6 CAPITAL ASSETS AND DEPRECIATION (MC)

Capital Assets, Net (MC)

The following tables represent the changes in the capital asset categories (including depreciation) for fiscal years 2020 and 2019, respectively.

	Balance at July 1, 2019	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2020
Nondepreciable Assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in Progress - Buildings	109,996,519	35,140,773	(12,514,617)	132,622,675
Construction in Progress - Equipment	151,355	-	(136,220)	15,135
Construction in Progress - PIC MC	362,526	19,362	-	381,888
Construction in Progress - Software	3,876,875	5,584,783	-	9,461,658
Art Works	329,059	-	-	329,059
Total Nondepreciable Assets	151,460,921	40,744,918	(12,650,837)	179,555,002
Depreciable Assets				
Buildings	568,354,836	12,514,617	-	580,869,453
Equipment	88,186,082	2,543,752	(292,028)	90,437,806
Library Books	6,467,857	422,009	(132,099)	6,757,767
Capital Lease - Building	104,215,000	-	(835,000)	103,380,000
Capital Lease - Copiers	1,849,222	47,830	-	1,897,052
Capital Lease - Software	4,780,573	-	-	4,780,573
Capital Software	3,007,444	-	-	3,007,444
Total Depreciable Assets	776,861,014	15,528,208	(1,259,127)	791,130,095
Less: Accumulated Depreciation				
Buildings	187,545,185	15,025,311	-	202,570,496
Equipment	74,329,586	3,875,603	(292,028)	77,913,161
Library Books	4,313,133	323,396	(95,796)	4,540,733
Capital Leases	22,468,276	3,669,994	-	26,138,270
Capital Software	5,569,731	959,143	-	6,528,874
Total Accumulated Depreciation	294,225,911	23,853,447	(387,824)	317,691,534
Depreciable Assets, Net	482,635,103	(8,325,239)	(871,303)	473,438,561
Capital Assets, Net	$ 634,096,024	$ 32,419,679	$ (13,522,140)	$ 652,993,563

NOTE 6 CAPITAL ASSETS AND DEPRECIATION (MC) (CONTINUED)

Capital Assets, Net (MC) (Continued)

	Balance at July 1, 2018	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2019
Nondepreciable Assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in Progress - Buildings	57,204,045	53,074,225	(281,751)	109,996,519
Construction in Progress - Equipment	177,392	151,355	(177,392)	151,355
Construction in Progress - PIC MC	226,919	135,607	-	362,526
Construction in Progress - Software	3,876,875	-	-	3,876,875
Art Works	279,059	50,000	-	329,059
Total Nondepreciable Assets	98,508,877	53,411,187	(459,143)	151,460,921
Depreciable Assets				
Buildings	568,071,835	283,001	-	568,354,836
Equipment	84,526,079	3,706,502	(46,499)	88,186,082
Library Books	6,160,475	456,627	(149,245)	6,467,857
Capital Lease - Building	104,215,000	-	-	104,215,000
Capital Lease - Copiers	1,159,363	689,859	-	1,849,222
Capital Lease - Software	4,780,573	-	-	4,780,573
Capital Software	3,007,444	-	-	3,007,444
Total Depreciable Assets	771,920,769	5,135,989	(195,744)	776,861,014
Less: Accumulated Depreciation				
Buildings	172,521,391	15,023,794	-	187,545,185
Equipment	69,615,100	4,760,985	(46,499)	74,329,586
Library Books	4,166,984	255,263	(109,114)	4,313,133
Capital Leases	19,470,587	2,997,689	-	22,468,276
Capital Software	4,575,587	994,144	-	5,569,731
Total Accumulated Depreciation	270,349,649	24,031,875	(155,613)	294,225,911
Depreciable Assets, Net	501,571,120	(18,895,886)	(40,131)	482,635,103
Capital Assets, Net	$ 600,079,997	$ 34,515,301	$ (499,274)	$ 634,096,024

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (MC)

Accounts payable and accrued liabilities represent amounts due at June 30 for goods and services received prior to the end of the fiscal year as follows:

	2020	2019
Salaries and Wages	$ 8,275,445	$ 9,040,025
Benefits	978,000	1,186,000
Services and Supplies	10,202,707	16,817,787
Payroll Withholding	5,333,551	3,009,850
Unclaimed Checks	615,321	401,326
Other	30,190	57,480
Total	$ 25,435,214	$ 30,512,468

NOTE 8 LONG-TERM LIABILITIES (MC)

Long-term liability activity for the years ended June 30, 2020 and 2019 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
June 30, 2020					
Lease Obligations - 2011	$ 12,255,000	$ -	$ (505,000)	$ 11,750,000	$ 525,000
Lease Obligations - 2014	17,030,000	-	(1,225,000)	15,805,000	1,280,000
Lease Obligations - 2015	25,405,000	-	(1,750,000)	23,655,000	960,000
Lease Obligations - 2017	24,145,000	-	(715,000)	23,430,000	745,000
Workday Subscription-5 Year	1,518,000	-	(759,000)	759,000	759,000
Workday Subscription-4 Year	100,286	-	(50,144)	50,142	50,142
Ad Astra Software Lease	600,000	-	(150,000)	450,000	150,000
Copier Leases	464,094	47,829	(143,209)	368,714	147,404
Philips Healthcare	416,980	-	(104,245)	312,735	104,245
Compensated Absences	8,932,346	1,371,413	(559,104)	9,744,655	559,105
Total	$ 90,866,706	$ 1,419,242	$ (5,960,702)	$ 86,325,246	$ 5,279,896

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
June 30, 2019					
Lease Obligations - 2011	$ 12,740,000	$ -	$ (485,000)	$ 12,255,000	$ 505,000
Lease Obligations - 2014	18,210,000	-	(1,180,000)	17,030,000	1,225,000
Lease Obligations - 2015	26,295,000	-	(890,000)	25,405,000	915,000
Lease Obligations - 2017	24,505,000	-	(360,000)	24,145,000	715,000
Workday Subscription-5 Year	2,277,000	-	(759,000)	1,518,000	759,000
Workday Subscription-4 Year	150,429	-	(50,143)	100,286	50,144
Ad Astra Software Lease	785,000	-	(185,000)	600,000	150,000
Copier Leases	426,087	168,635	(130,628)	464,094	135,318
Philips Healthcare	-	521,225	(104,245)	416,980	104,245
Compensated Absences	8,969,490	605,320	(642,464)	8,932,346	642,464
Total	$ 94,358,006	$ 1,295,180	$ (4,786,480)	$ 90,866,706	$ 5,201,171

NOTE 8 LONG-TERM LIABILITIES (MC) (CONTINUED)

Maturities and interest in lease obligations mirror the debt by the Foundation as disclosed in Note 9.

a) Lease Obligations – 2011

The College entered into a lease agreement with the Foundation for the Goldenrod Building on September 1, 2011, terminating on August 31, 2041, with semi-annual installment payments (May 1 and November 1) in an amount at least equal to the scheduled debt service payments made by the Foundation for the 2011 Bonds. These Bonds, issued in August 2011 on behalf of the Foundation by the Montgomery County Revenue Authority (the Authority), "Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Project) Series 2011A and Series 2011B bonds with a total face value of $15,870,000, were used 1) for the purchase of the Goldenrod Building; 2) to pay real estate closing costs associated with the building purchase; and 3) to pay issuance costs of the 2011 Bonds. The lease is a triple net lease, accounted for as a capital lease, with the College responsible for all operating costs, as well as insurance, taxes, and costs of repairs and general maintenance of the Goldenrod Building. The College is current on all required payments to the Foundation and paid $1,031,072 and $1,030,472 during the years ended June 30, 2020 and 2019, respectively.

b) Lease Obligations – 2014

The College entered into a lease agreement with the Foundation for the Morris and Gwendolyn Cafritz Foundation Arts Center (CAC) in October 2005, amended on November 19, 2014, terminating on December 31, 2031, with semi-annual installment payments (May 1 and November 1) in an amount at least equal to the scheduled debt service payments made by the Foundation for the 2014 Bonds. These 2014 Bonds, issued in November 2014 on behalf of the Foundation by the Authority "Montgomery County Revenue Authority Lease Revenue Refunding Bonds (Montgomery College Arts Center Project) Series 2014", with a total face value of $22,570,000 were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Arts Center Project), Series 2005A; and 2) to pay issuance costs of the 2014 Bonds. This issuance resulted in a $3,570,000 deferred inflow, or bond-refinancing gain, which is amortized over the life of the lease. The lease is a triple net lease, accounted for as a capital lease, with the College responsible for all operating costs, as well as insurance, taxes, and costs of repairs and general maintenance of the CAC. The College is current on all required payments to the Foundation and paid $1,943,806 and $1,938,140 during the years ended June 30, 2020 and 2019, respectively.

The land on which the CAC was built is owned by the College. The Foundation has entered into a lease agreement with the College whereby the land is leased to the Foundation for 30 years for a fee of $5,000.

NOTE 8 LONG-TERM LIABILITIES (MC) (CONTINUED)

c) Lease Obligations – 2015

The College entered into a lease agreement with the Foundation for two parking garages located in Montgomery County in November 2008, amended on June 23, 2015, terminating December 31, 2043, with semi-annual installment payments (May 1 and November 1) in an amount at least equal to the scheduled debt service payments made by the Foundation for the 2015 Bonds. These 2015 Bonds, issued in June 2015 on behalf of the Foundation by the Authority, "Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2015A", with a total face value of $28,325,000, were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2008A; 2) finance the cost of the acquisition, construction and equipping of a parking garage on the Rockville Campus; 3) pay a portion of the interest on the 2015 Bonds estimated to accrue until November 1, 2016, and 4) pay the cost of issuing the 2015 bonds. The lease is a triple net lease, accounted for as a capital lease, with the College responsible for all operating costs, as well as insurance, taxes, and costs of repairs and general maintenance of the two garages. On June 15, 2020, bonds due on 11/1/2035 were redeemed in the amount of $180,000, and bonds due on 11/1/2036 were redeemed in the amount of $655,000, for a total of $835,000. The College is current on all required payments to the Foundation and paid $1,935,350 and $1,937,550 during the years ended June 30, 2020 and 2019, respectively.

The land on which the Rockville parking garage is built is partially owned by the College. The Foundation has entered into a lease agreement with the College whereby the land that is owned by the College is leased to the Foundation for 80 years for an annual fee of $500. The title to the parking garage will transfer to the College upon completion of the lease.

d) Lease Obligations – 2017

The College entered into a lease agreement with the Foundation for a Central Services Building on July 27, 2016, terminating June 30, 2041, with semi-annual installment payments (May 1 and November 1) in an amount at least equal to the scheduled debt service payments made by the Foundation for the 2016 Bonds. These 2016 Bonds, issued in July of 2016 on behalf of the Foundation by Montgomery County Maryland as Certificates of Participation (COPs) Series 2016A with a total face value of $23,050,000, and Series 2016B with a total face value of $1,810,000 were used to 1) to finance the costs of the acquisition, design, construction and equipping of an approximate 115,000 square foot building to house central administration employees with approximately 360 parking spaces, 2) to pay real estate closing costs associated with the building purchase, 3) to fund a Capitalized Interest Fund, and 4) to pay a portion of the issuance costs of the 2016 COPs.

The lease is a triple net lease, accounted for as a capital lease, with the College responsible for all operating costs, as well as insurance, taxes, and costs of repairs and general maintenance of the Central Services Building. The College is current on all required payments to the Foundation and paid $1,410,904 and $1,060,096 during the years ended June 30, 2020 and 2019, respectively.

NOTE 8 LONG-TERM LIABILITIES (MC) (CONTINUED)

d) Lease Obligations – 2017 (Continued)

Future payments to be paid by the College under the 2011, 2014, 2015, and 2017 lease obligations are as follows:

	2011	2014	2015	2017	Total
2021	$ 1,030,873	$ 1,949,806	$ 1,942,850	$ 1,417,631	$ 6,341,160
2022	1,029,873	1,943,606	1,938,650	1,407,499	6,319,628
2023	1,028,073	1,947,356	1,937,400	1,858,229	6,771,058
2024	1,029,625	1,942,606	1,938,525	1,858,854	6,769,610
2025	1,029,255	1,944,606	1,936,900	1,861,104	6,771,865
2026-2030	5,155,465	9,735,182	9,687,647	9,295,450	33,873,744
2031-2035	5,153,788	-	8,611,016	9,293,703	23,058,507
2036-2040	1,030,837	-	4,276,450	1,859,084	7,166,371
2041-2044	-	-	2,567,800	-	2,567,800
Total	16,487,789	19,463,162	34,837,238	28,851,554	99,639,743
Imputed Interest	(4,737,789)	(3,658,162)	(11,182,238)	(5,421,554)	(24,999,743)
Total	$ 11,750,000	$ 15,805,000	$ 23,655,000	$ 23,430,000	$ 74,640,000

e) Leased Equipment Copiers

The College has entered into several 5-year copier leases. As of June 30, 2020, future payments for the contract agreements and purchase agreements are as follows:

Year Ending June 30,	Amount
2021	$ 147,404
2022	117,810
2023	90,784
2024	11,786
2025	930
Total	$ 368,714

f) Software Leases

The College has entered into three software subscription agreements. As of June 30, 2020, future payments for the contract agreements are as follows:

Year Ending June 30,	Workday Subscription	Workday Subscription	Ad Astra Software Lease	Total
2021	$ 759,000	$ 50,142	$ 150,000	$ 959,142
2022	-	-	150,000	150,000
2023	-	-	150,000	150,000
Total	$ 759,000	$ 50,142	$ 450,000	$ 1,259,142

NOTE 8 LONG-TERM LIABILITIES (MC) (CONTINUED)

g) Leased Equipment-Other

The College has entered into a five year lease with Philips Healthcare for Ultrasound equipment. As of June 30, 2020, future payments for the equipment are as follows:

Year Ending June 30,	Amount
2021	$ 104,245
2022	104,245
2023	104,245
Total	$ 312,735

h) Compensated Absences

Employees of the College earned $9,052,164 and $8,297,581 in annual and sick leave subject to termination pay-off at June 30, 2020 and 2019, respectively. In accordance with GASB No. 16, entitled *Accounting for Compensated Absences*, related FICA and Medicare costs have been calculated on the amount due at termination in the amount of $692,491 and $634,765 for fiscal years 2020 and 2019, respectively. This amount has been included in the total compensated absences liability of $9,744,655 and $8,932,346 for fiscal years 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the total annual leave and sick leave earned was recognized as an expense.

NOTE 9 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF)

a) Notes Payable – 2011

In August 2011, the Authority issued “Montgomery County Revenue Authority Lease Revenue Bonds” (Montgomery College Project) Series 2011A and Series 2011B bonds (the 2011 Bonds) with a total face value of $15,870,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all obligations of the 2011 Bonds issue to the Foundation. The proceeds of the 2011 Bonds were used 1) for the purchase of the Goldenrod Building (a 68,826 gross square foot office building located on 4.62 acres located adjacent to the Germantown Campus of the College), 2) to pay real estate closing costs associated with the building purchase, and 3) to pay issuance costs of the 2011 Bonds. The 2011 Bonds have annual maturity dates from May 1, 2012 to May 1, 2036 and were issued at a premium of $257,814.

The College entered into a lease agreement with the Foundation, beginning on September 1, 2011, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2011 Bonds. This lease agreement was pledged as security for the 2011 Bonds. The Foundation’s obligations under the loan agreement are limited to its revenues payable under this lease. The bonds are not payable from, and no recourse shall be available against, any other assets of the Foundation.

NOTE 9 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

a) Notes Payable – 2011 (Continued)

The Series 2011A Bonds are subject to optional redemption in whole or in part on any date commencing May 1, 2021, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2011B Bonds maturing on or after May 1, 2022 are subject to optional redemption in whole or in part on any date commencing May 1, 2021, and shall be so redeemed by the Authority in the event and to the extent the Foundation shall exercise its option to prepay the payments for the Project under Section 9.01(a) of the Loan Agreement at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption, without premium.

The Series 2011B Bonds maturing by their terms prior to May 1, 2022 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2020 and 2019 was $522,706 and $542,239, respectively.

b) Notes Payable – 2014

In November 2014, the Authority issued “Montgomery County Revenue Authority Lease Revenue Refunding Bonds (Montgomery College Arts Center Project) Series 2014”, with a total face value of $22,570,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all rights and obligations of the bond issue to the Foundation. The proceeds of the 2014 Bonds were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Lease Revenue Bonds (Montgomery College Arts Center Project), Series 2005A; and 2) pay issuance costs of the 2014 Bonds.

The 2014 Bonds have annual maturity dates from May 1, 2015 to May 1, 2030 and were issued at a premium of $2,195,089.

The College entered into a lease agreement with the Foundation in October 2005, amended November 2014, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2014 Bonds. This lease agreement was pledged as security for the 2014 Bonds. The Foundation’s obligations under the loan agreement are limited to its revenues payable under this lease. The bonds are not payable from, and no recourse shall be available against, any other assets of the Foundation.

NOTE 9 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

b) Notes Payable – 2014 (Continued)

The Series 2014 Bonds maturing on or after May 1, 2025 are subject to optional redemption in whole or in part at the option of the Foundation in accordance with the Loan Agreement, on any date commencing May 1, 2024, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

The 2014 Bonds maturing by their terms prior to May 1, 2025 are not subject to optional redemption.

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2020 and 2019 was $710,640 and $758,140, respectively.

c) Notes Payable – 2015

In June 2015, the Authority issued “Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2015A”, with a total face value of $28,325,000. The Authority and the Foundation entered into a loan agreement to effectively transfer all rights and obligations of the bond issue to the Foundation. The proceeds of the 2015 Bonds were used to 1) advance refund all of the outstanding Montgomery County Revenue Authority Transportation Fund Lease Revenue Bonds, Series 2008A; 2) finance the cost of the acquisition, construction and equipping of a parking garage on the Rockville Campus; 3) pay a portion of the interest on the 2015 Bonds estimated to accrue until November 1, 2016, and 4) pay the cost of issuing the 2015 bonds. The 2015 bonds have annual maturity dates from November 1, 2015 to November 1, 2042 and were issued at a premium of $1,341,104.

The College entered into a lease agreement with the Foundation in November 2008, amended June 2015, with semi-annual payments to the Foundation that are calculated to be at least equal to the scheduled debt service payments on the 2015 Bonds. This lease agreement was pledged as security for the 2015 Bonds. The Foundation’s obligations under the loan agreement are limited to its revenues payable under this lease. The bonds are not payable from, and no recourse shall be available against, any other assets of the Foundation.

The Series 2015 Bonds maturing on or after November 1, 2026 are subject to optional redemption in whole or in part at the option of the Foundation in accordance with the Loan Agreement, on any date commencing November 1, 2025, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

On June 15, 2020, bonds due on 11/1/2035 were redeemed in the amount of $180,000, and bonds due on 11/1/2036 were redeemed in the amount of $655,000, for a total of $835,000. The 2015 Bonds maturing by their terms prior to November 1, 2026 are not subject to optional redemption.

NOTE 9 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

c) Notes Payable – 2015 (Continued)

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2020 and 2019 was $1,014,250 and $1,047,550, respectively.

d) Certificates of Participation

In July of 2016, Montgomery County Maryland issued Certificates of Participation (COPs) Series 2016A with a total face value of $23,050,000, and Series 2016B with a total face value of $1,810,000. The proceeds of the Series 2016A Certificates were loaned by the County to the Foundation to purchase and renovate a building to house College central and administrative services offices. The COPs were used 1) to finance the costs of the acquisition, design, construction and equipping of an approximate 115,000 square foot building with approximately 365 and 400 parking spaces, 2) to pay real estate closing costs associated with the building purchase, 3) to fund a Capitalized Interest Fund, and 4) to pay a portion of the issuance costs of the 2016 COPs. The 2016A COPs have annual maturity dates from November 1, 2019 to November 1, 2035 and were issued at a net premium of $1,328,788.

The Foundation leased its interest in the improvements and the site upon which the improvements are located to the College pursuant to a lease agreement dated as of July 1, 2016, between the Foundation and the College (the Lease). The Lease requires the College to make rental payments (the Rental Payments), which are assigned by the Foundation to the County pursuant to an Assignment of Rents and Leases Agreement dated as of July 1, 2016 between the County and the Foundation (the Assignment of Leases). The County is also secured by a deed of trust from the Foundation for the benefit of the County to secure the obligations of the Foundation under the Loan Agreement delivered at the time of closing of the Certificates (the Deed of Trust).

The Series 2016A Certificates that mature on or after November 1, 2025, are subject to redemption beginning November 1, 2024, as a whole or in part at any time thereafter, in any order of their maturities, at the option of the County, at a redemption price for each certificate equal to the principal amount of the certificate to be redeemed, together with interest accrued to the date fixed for redemption, without premium. The Series 2016A Certificates that mature on or before November 1, 2024, are not subject to redemption prior to their respective maturities.

The proceeds of the Series 2016B Certificates were loaned by the County to the Foundation and will be applied to pay the costs incurred by the College in connection with its terminating certain lease agreements for space that it currently occupies that will be replaced with the facilities that comprise the improvements. A portion of the Series 2016B Certificates were also applied to pay the costs of issuing the Series 2016B Certificates. The 2016B COPs have annual maturity dates from November 1, 2017 to November 1, 2021 and were issued at a net premium of $888.

The Series 2016B Certificates are not subject to optional redemption prior to their respective maturities.

NOTE 9 NOTES PAYABLE – MONTGOMERY COUNTY REVENUE AUTHORITY (MCF) (CONTINUED)

d) Certificates of Participation (Continued)

Interest is due semi-annually, each May 1 and November 1. Interest is being expensed as incurred. Interest incurred and expensed during the years ended June 30, 2020 and 2019 was $692,225 and $700,096, respectively.

Maturity dates and stated interest rates of the Bonds outstanding as of June 30, 2020 are as follows:

	2011 Bonds			2014 Bonds		2015 Bonds		2016 Certificates		
Fiscal Year Ended	Principal Amount Series A	Principal Amount Series B	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Principal Amount	Interest Rate	Total Principal Amount
2021	$ -	$ 525,000	4.00 %	$ 1,280,000	4.00 %	$ 960,000	4.00 %	$ 745,000	5.00 %	$ 3,510,000
2022	-	545,000	4.00	1,325,000	5.00	1,000,000	5.00	760,000	5.00	3,630,000
2023	-	565,000	4.15	1,395,000	5.00	1,050,000	5.00	1,255,000	5.00	4,265,000
2024	-	590,000	4.30	1,460,000	5.00	1,105,000	5.00	1,320,000	5.00	4,475,000
2025	-	615,000	4.40	1,535,000	5.00	1,160,000	5.00	1,390,000	5.00	4,700,000
Thereafter	6,840,000	2,070,000	Varies from 4% to 5%	8,810,000	Varies from 3% to 5%	18,380,000	Varies from 3.125% to 5%	17,960,000	Varies from 2% to 5%	54,060,000
Total	$ 6,840,000	$ 4,910,000		$ 15,805,000		$ 23,655,000		$ 23,430,000		74,640,000
								Unamortized discount		(467,714)
								Deferred Financing Costs		(633,692)
								Unamortized Premiums		3,729,867
								Notes Payable, Net		$ 77,268,461

NOTE 10 UNEARNED REVENUE, NONCURRENT (MC)

In 2012, the PIC MC received land lease rental income in the amount of $6.3 million for the Montgomery College– Germantown Campus, located at 20200 Observation Drive, Germantown, Maryland 20816. The revenue will be amortized over the life of the land lease. The initial payment was included in unearned revenue in the Statements of Net Position and the balance as of June 30, 2020 and 2019 is $5,685,116 and $5,748,578, respectively.

NOTE 11 EXPENSES BY NATURAL CLASSIFICATIONS (MC)

The following table shows a classification of expenses for the years ending June 30, 2020 and 2019; both by function as listed in the Statements of Revenue, Expenses, and Changes in Net Position and by natural classification, which is the basis for amounts shown in the Statements of Cash Flows.

	Salaries and Wages	Fringe Benefits	Contracted Services	Supplies	Scholarships	Utilities	Depreciation	Other	Total
June 30, 2020									
Instruction	$ 81,759,083	$ 12,584,368	$ 2,814,444	$ 2,076,447	$ -	$ -	$ -	$ 2,935,291	$ 102,169,633
Research	227,545	1,691	-	-	-	-	-	7,022	236,258
Academic Support	34,867,470	5,910,673	4,029,585	2,618,126	-	-	-	1,879,741	49,305,595
Student Services	28,456,330	4,819,305	1,698,498	499,746	-	-	-	1,680,598	37,154,477
Operation of Plant	21,498,629	7,770,712	4,052,497	1,887,148	-	6,291,173	-	1,800,502	43,300,661
Institutional Support	23,026,191	10,668,983	6,435,343	303,174	-	-	-	7,007,532	47,441,223
Scholarships and Related Expenses	-	-	-	-	7,016,464	-	-	-	7,016,464
Depreciation	-	-	-	-	-	-	23,853,447	-	23,853,447
Auxiliary Enterprises	432,883	47,759	2,607,047	38,317	-	-	-	123,412	3,249,418
State Paid Benefits	-	16,049,441	-	-	-	-	-	-	16,049,441
Other	2,457,462	819,989	5,761,089	2,639,236	-	-	-	-	11,677,776
Total	$ 192,725,593	$ 58,672,921	$ 27,398,503	$ 10,062,194	$ 7,016,464	$ 6,291,173	$ 23,853,447	$ 15,434,098	$ 341,454,393
June 30, 2019									
Instruction	$ 81,659,985	$ 12,197,892	$ 4,034,299	$ 2,205,779	$ -	$ -	$ -	$ 375,821	$ 100,473,776
Research	225,261	2,498	-	-	-	-	-	24,948	252,707
Academic Support	34,275,957	5,930,827	4,801,076	4,515,449	-	-	-	234,816	49,758,125
Student Services	27,379,837	4,573,605	1,944,361	570,389	-	-	-	650,069	35,118,261
Operation of Plant	20,919,897	7,003,301	4,526,534	1,865,100	-	7,343,514	-	479,530	42,137,876
Institutional Support	25,407,612	10,322,022	5,908,654	228,353	-	-	-	15,570,387	57,437,028
Scholarships and Related Expenses	-	-	-	-	5,303,695	-	-	-	5,303,695
Depreciation	-	-	-	-	-	-	24,031,875	-	24,031,875
Auxiliary Enterprises	592,775	82,088	2,225,453	86,025	-	-	-	258,509	3,244,850
State Paid Benefits	-	15,755,846	-	-	-	-	-	-	15,755,846
Other	2,655,379	814,034	6,949,593	3,892,123	-	-	-	-	14,311,129
Total	$ 193,116,703	$ 56,682,113	$ 30,389,970	$ 13,363,218	$ 5,303,695	$ 7,343,514	$ 24,031,875	$ 17,594,080	$ 347,825,168

NOTE 12 RETIREMENT PLANS (MC)

The College participates in both statewide retirement plans and the College’s own plan. The four statewide retirement plans are the Teachers’ Retirement System and the Employees’ Retirement System (the Retirement System), the Teachers’ Pension System and the Employees’ Pension System (the Pension System), administered by the Maryland State Retirement System (MSRS), a cost-sharing multiple-employer retirement system, and the Maryland State Optional Retirement Plan (ORP). Aetna, the College’s own plan, serves as a supplement to the MSRS plans. Certain employees may elect to participate in the ORP instead of the Pension System. The State has approved four providers for the ORP which include the Teachers’ Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), AIG, VALIC, and Fidelity. An employee can participate in only one plan at a time and has the opportunity to change providers during one open enrollment period a year.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

The College's total current payroll for the fiscal years ended June 30, 2020 and 2019 for all employees was $195,725,593 and $193,116,703, respectively. The approximate current covered payroll under each of the plans, which includes employees eligible under multiple plans, is as follows:

	2020		2019	
	Covered Payroll	Percent of Total Covered Payroll	Covered Payroll	Percent of Total Covered Payroll
MSRS	$ 86,557,583	56.46%	$ 84,796,108	56.03%
Optional Retirement Plan	66,624,260	43.46%	66,306,726	43.81%
Aetna	129,750	0.08%	240,247	0.16%
Total	$ 153,311,593	100.00%	$ 151,343,081	100.00%

a) Statewide Retirement Plans

The State systems were established in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland. Responsibility for the administration and operation of the systems is vested in a 15-member Board of Trustees (the Trustees). The Trustees also have the authority to establish and amend the respective benefit provisions. The systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to system members and beneficiaries.

The following is a general description of the plan benefits available to the participants of each of the above named plans.

The Retirement System – MSRS

Participants in the Retirement System may retire with full benefits after attaining the age of 60, or completion of 30 years of creditable service regardless of age. However, participants may retire with reduced benefits after completing 25 years of creditable service regardless of age.

The Pension System – MSRS

Participants in the Pension System hired prior to July 1, 2011 may retire with full benefits (a) after completing 30 years of creditable service regardless of age, or (b) at age 62 or older with specified years of eligibility service. Participants may retire early with reduced benefits after attaining age 55 and completing 15 years of eligibility service. Employees hired on or after July 1, 2011 may retire with full benefits after (a) completing 10 years of eligibility service at age 65 or (b) using the "Rule of 90" defined as at least 90 years of combined age and years of eligibility service. These participants may retire early with reduced benefits after attaining age 60 and at least 15 years of service.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The MSRS Optional Retirement Plan (ORP)

The ORP is a defined contribution "money purchase" plan under which the benefit is determined by the accumulated State contributions plus accrued investment earnings. Contributions are made to one of four providers approved by the State. Participants may receive their annuity income at any time after leaving the College.

Benefits under all systems, except the ORP which vests immediately, vest after five years of service and are based on years of creditable service and salary rates. Employees hired after July 1, 2011 have a 10-year vesting requirement.

The "unfunded actuarial accrued liability" is the result of applying the actuarial funding method to the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The actuarial funding method is intended to help users assess the Systems' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The MSRS does not make separate measurements of assets and liabilities for individual employers.

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

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

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

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

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

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

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

The State makes a substantial portion of the College's annual required contribution to the Teachers' Retirement and Pension Systems on behalf of the College. The State's contributions on behalf of the College for the years ended June 30, 2020 and 2019 was $11,287,583 and $11,230,753, respectively. The fiscal 2020 and 2019 contributions made by the State on behalf of the College have been included as both revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

The College's contractually required contribution rate for the Employees' Retirement and Pension Systems for the years ended June 30, 2020 and 2019 was 6.75 percent and 6.72 percent of annual payroll, respectively, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The College made its share of the required contributions during the years ended June 30, 2020 and 2019 of $1,701,800 and $1,596,390 respectively.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Employees Retirement and Pension Systems

At June 30, 2020 and 2019, the College reported a liability of $16,034,349 and $15,918,950, respectively, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The College's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the years ending June 30, 2019 and 2018, respectively. The contributions were increased to adjust for differences between actuarially determined contributions and actual contributions by the State of Maryland. As of June 30, 2019 and 2018, the College's proportionate share was 0.07774 percent and 0.07587 percent, respectively.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Employees Retirement and Pension Systems (Continued)

For the years ended June 30, 2020 and 2019, the College recognized pension expense of $3,103,607 and $2,765,610, respectively. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 1,022,257
Changes of Assumptions	242,986	436,381
Change in Proportion	1,962,778	567,049
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	912,183	-
Net Difference Between Actual and Proportionate Share of Contributions	40,670	1,209
College Contributions Subsequent to the Measurement Date	1,701,800	-
Total	$ 4,860,417	$ 2,026,896

	2019	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 1,193,420
Changes of Assumptions	422,029	-
Change in Proportion	2,329,892	518,692
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,407,691	-
Net Difference Between Actual and Proportionate Share of Contributions	77,142	983
College Contributions Subsequent to the Measurement Date	1,596,390	-
Total	$ 5,833,144	$ 1,713,095

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Employees Retirement and Pension Systems (Continued)

$1,701,800 and $1,596,390 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	$ 871,532
2022	149,939
2023	(23,771)
2024	177,154
2025	(43,133)

Teachers Retirement and Pension Systems

At June 30, 2020 and 2019, the College did not report a liability related to the Teachers' Retirement and Pension Systems due to a special funding situation. The State of Maryland pays the unfunded liability for the College and the College pays the normal cost related to the College's members in the Teachers Retirement and Pension Systems; therefore, the College is not required to record its share of the unfunded pension liability but instead, that liability is recorded by the State of Maryland. The amounts recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	2020	2019
State's Proportionate Share of the Net Pension Liability	$ 112,803,138	$ 118,776,214
College's Proportionate Share of the Net Pension Liability	-	-
Total	$ 112,803,138	$ 118,776,214

The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Teachers Retirement and Pension Systems (Continued)

For the years ended June 30, 2020 and 2019, the College recognized pension expense of $11,287,583 and $11,230,753 and revenue of $11,287,583 and $11,230,753, respectively, for support provided by the State. Due to the special funding situation noted above related to the Teachers Retirement and Pension Systems, the College did not report deferred outflows of resources and deferred inflows of resources related to the Teachers Retirement and Pension Systems.

Actuarial assumptions – The total pension liability in the following actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019	June 30, 2018
Inflation - General	2.60%	2.60%
Inflation - Wage	3.15%	3.10%
Salary Increases	3.10% to 11.60%, including inflation	3.10% to 9.10%, including inflation
Investment Rate of Return	7.40%	7.45%
Mortality Rates	PUB-2010 Generational Mortality Table with Scale MP-2018 utilizing fully generational mortality improvement scale.	RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale

The economic and demographic actuarial assumptions used in the June 30, 2019 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014 – 2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study included investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase were adopted by the College for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 7.40 percent and an inflation assumption of 2.60 percent were used for the June 30, 2019 valuation.

The economic and demographic actuarial assumptions used in the June 30, 2018 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2010 – 2014, after completion of the June 30, 2014 valuations. Assumptions from the experience study included investment return inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the College for the first use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.45 percent and an inflation assumption of 2.60 percent were used for the June 30, 2018 valuation.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Teachers Retirement and Pension Systems (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s).

For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

	2020		2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37 %	6.30 %	37 %	5.80 %
Credit Opportunity	9	3.90	9	3.60
Real Return	14	4.50	14	4.80
Absolute Return	8	3.00	8	3.20
Rate Sensitive	19	1.30	19	1.10
Private Equity	13	7.50	13	6.70
Total	100.00 %		100.00 %	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2020 and 2019.

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.44 percent and 8.08 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – The single discount rate used to measure the total pension liability was 7.40 percent as of June 30, 2019 and 7.45 percent as of June 30, 2018. This single discount rate was based on the expected rate of return on pension plan investments of 7.40 percent as of June 30, 2019 and 7.45 percent as of June 30, 2018. The projection of cash flows used to determine these single discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Teachers Retirement and Pension Systems (Continued)

Sensitivity of the Net Pension Liability – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the College's net pension liability, calculated using a single discount rate of 7.40 percent as of June 30, 2019 and 7.45 percent as of June 30, 2018, as well as what the College's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher for the Employees Retirement and Pension Systems:

Measurement Date June 30:

	1% Decrease	Current Discount Rate	1% Increase
2019			
College's Proportionate Share of the Net Pension Liability	$ 23,208,116	$ 16,034,349	$ 10,059,506
2018			
College's Proportionate Share of the Net Pension Liability	$ 22,928,750	$ 15,918,950	$ 10,101,319

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

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report that can be obtained at https://sra.maryland.gov/.

b) The College's Defined Benefit Pension Plan (Aetna)

The College has a single-employer, defined benefit pension plan with Aetna. The plan provides for benefits to be paid to eligible employees at retirement, in conjunction with the other College retirement and pension plans. Full-time employees, who have been employed by the College prior to 1980 and contribute to an MSRS plan, are eligible to participate in this plan established under the authority of the College's Board of Trustees.

Plan Description – The Aetna plan is a single employer, defined benefit pension plan. Full-time employees who were employed by the College prior to 1980 and contribute to an MSRS plan are eligible to participate in this plan established under the authority of the College's Board of Trustees. The plan provides for benefits to be paid to eligible employees at retirement, in conjunction with the other College retirement plans. The Aetna Retirement Plan issues a separate actuarial report that contains the results of the valuation of the College Retirement Plan as of July 1, 2019. That report may be obtained by writing to the Montgomery College Benefits Office, 9221 Corporate Blvd, Rockville, Maryland 20850.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Funding Policy – Plan members are required to contribute 7 percent of their earnable compensation. Contributions to this plan are offset by contributions to the Maryland Teachers' Retirement System or the Maryland State Retirement System. Contributions for year 2013 are based on the plan as amended most recently as of January 1, 1980. Interest on employee contributions is credited at a rate of 6 percent per year.

Actuarial Cost Method and Valuation of Assets – The Entry Age Normal Actuarial Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability in accordance with generally accepted actuarial principles. Plan assets are listed at fair value as determined by the Aetna Insurance Company. The Actuarial Accrued Liability is based on a prorated portion of the present value of benefits earned to date and expected to be earned in the future.

Benefits under this system vest after five years of service and are based on years of creditable service and salary rates.

Employees Covered by Benefit Terms

At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive Employees or Beneficiaries Currently Receiving Benefits	217	235
Inactive Employees Entitled to but not yet Receiving Benefits	10	10
Active Employees	2	2
Total	229	247

Net Pension Liability

The College's net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

Actuarial assumptions. The following actuarial assumptions were applied to all periods included in the measurement:

Valuation Date	June 30, 2020	June 30, 2019
Inflation	2.50 %	2.50 %
Salary Increases	3.00 %	3.00 %
Investment Rate of Return	4.00 %	4.00 %

Mortality rates were based on a blend of 55 percent of the 2010 base rates from the Pub-2010 mortality study general employees table and 45 percent of the 2010 base rate from the Pub-2010 mortality study teachers table. The blended table was projected generationally from 2010 with scale MP-2018.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

a) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Net Pension Liability (Continued)

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

	Target Allocation	
Asset Class	June 30, 2020	June 30, 2019
Corporate Industrial	51.00 %	48.00 %
Corporate Foreign	5.00	6.00
Corporate Utilities	7.00	7.00
Commercial Mortgage Backed	4.00	6.00
Government	5.00	6.00
Agency Mortgage Backed	3.00	3.00
Asset Backed	2.00	-
Corporate Financial	23.00	24.00
Total	100.00 %	100.00 %

Discount rate – The discount rate used to measure the total pension liability was 4.00 percent at both June 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that College contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The average return on assets for the years ended June 30, 2020 and 2019 have been 5.12 percent and 4.99 percent, respectively.

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension (Asset) Liability	(Increases) Decreases Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance - June 30, 2019	$ 11,285,336	$ (13,839,159)	$ (2,553,823)
Changes for the Year:			
Service Cost	2,317	-	2,317
Interest Cost	433,068	-	433,068
Assumption Changes	665,352	-	665,352
Difference Between Expected and Actual Experience-Liability	(204,446)	-	(204,446)
Difference Between Expected and Actual Experience-Asset Side	-	(1,279,598)	(1,279,598)
Contributions - Employer	-	-	-
Net Investment Income	-	(532,952)	(532,952)
Benefit Payments, Including Refunds of Employee Contributions	(921,900)	921,900	-
Other Changes	-	108,810	108,810
Net Changes	(25,609)	(781,840)	(807,449)
Balance - June 30, 2020	$ 11,259,727	$ (14,620,999)	$ (3,361,272)

	Total Pension (Asset) Liability	(Increases) Decreases Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance - June 30, 2018	$ 11,788,801	$ (14,469,220)	$ (2,680,419)
Changes for the Year:			
Service Cost	6,814	-	6,814
Interest Cost	452,760	-	452,760
Assumption Changes	(146,319)	-	(146,319)
Difference Between Expected and Actual Experience-Liability	136,529	-	136,529
Difference Between Expected and Actual Experience-Asset Side	-	839,447	839,447
Contributions - Employer	-	(700,000)	(700,000)
Net Investment Income	-	(571,526)	(571,526)
Benefit Payments, Including Refunds of Employee Contributions	(953,249)	953,249	-
Other Changes	-	108,891	108,891
Net Changes	(503,465)	630,061	126,596
Balance - June 30, 2019	$ 11,285,336	$ (13,839,159)	$ (2,553,823)

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the net pension liability of the College, calculated using the discount rate as well as what the College's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2020	3 %	4 %	5 %
Total Pension Liability	$ 12,309,733	$ 11,259,727	$ 10,356,294
Plan Fiduciary Net Position	(14,620,999)	(14,620,999)	(14,620,999)
Net Pension Asset	$ (2,311,266)	$ (3,361,272)	$ (4,264,705)
June 30, 2019	3 %	4 %	5 %
Total Pension Liability	$ 12,318,084	$ 11,285,336	$ 10,396,184
Plan Fiduciary Net Position	(13,839,159)	(13,839,159)	(13,839,159)
Net Pension Asset	$ (1,521,075)	$ (2,553,823)	$ (3,442,975)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2020 and 2019, the College recognized pension expense of $547,789 and $275,778, respectively. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ -	$ 408,325
College Contributions Subsequent to the Measurement Date	-	-
Total	$ -	$ 408,325

	2019	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 946,913	$ -
College Contributions Subsequent to the Measurement Date	-	-
Total	$ 946,913	$ -

NOTE 12 RETIREMENT PLANS (MC) (CONTINUED)

b) The College's Defined Benefit Pension Plan (Aetna) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	$ (53,533)
2022	(10,843)
2023	(88,030)
2024	(255,919)

Payable to the Pension Plan

At June 30, 2020 and 2019, the College did not report any payables for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2020 and 2019.

c) Optional Defined Contribution Plan

Professional employees otherwise eligible to join the State of Maryland Plan may choose instead to join the Optional Retirement Plan administered by the State of Maryland. This plan is a noncontributory defined contribution plan. The plan provides for retirement and death benefits. The plan was established by and can be amended by the State Legislature. The State of Maryland contributes 7.25 percent of eligible salaries on behalf of the College. For the years ended June 30, 2020 and 2019, the contributions made by the State of Maryland were $4,761,858 and $4,525,093, respectively, which has been included as both revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC)

General Information about the OPEB Plan

Plan description. The College provides postemployment health care, dental and life insurance benefits for retired employees through a defined benefit plan. The plan is accounted for as a trust fund and an irrevocable trust was established on June 16, 2008 to account for the plan. In October, 2013, the Board of Trustees resolved to combine the Montgomery College OPEB Trust Fund with the Montgomery County OPEB Trust Fund (CRHBT). Total assets in excess of $30 million were transferred over to the County trust fund over a period of months, with the last transfer occurring early in 2014. The Board of CRHBT Trustees has the exclusive authority to manage the assets of the CRHBT. The Board of Trustees consists of 19 trustees and functions as part of the County. Separate financial statements are issued for the CRHBT and are a part of the financial statements of Montgomery County, Maryland. Separate financial statements for the June 30, 2019 OPEB Trust Fund can be obtained at https://www.montgomerycountymd.gov.

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

General Information about the OPEB Plan (Continued)

Eligibility and Membership. In order to be considered “eligible”, the retiree must have been enrolled in the College’s or another employer’s group insurance program for five years prior to retirement and commence receipt of pension/annuity benefits from an MSRS or ORP plan immediately upon termination from the College. ORP annuitants must meet the same age and service retirement eligibility criteria as MSRS participants.

Benefits provided. MCRBP provides healthcare, dental and life insurance benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms. At June 30, the following employees were covered by the benefit terms:

	2020	2019
Plan Members or Beneficiaries Currently Receiving Benefit Payments	573	573
Inactive Plan Members Entitled to but not yet Receiving Benefit Payments	-	-
Active Plan Members	1,866	1,866
Total	2,439	2,439

Contributions. The College’s authority to contribute to other postemployment benefit provisions and obligations is established and may be amended by the Board of Trustees. The College currently pays 40 percent of health care premiums for employees who meet certain eligibility criteria and who retire with 5 but less than 10 years of service, 60 percent of premiums for those that retire after 10 years of service, and 20 percent for certain retirees prior to 1978. The College contributes 80 percent of the cost of retiree life insurance. The remaining costs of these benefits are borne by the participants. For the fiscal years ended June 30, 2020 and 2019, the College contributed $2,678,670 and $2,959,959, respectively, and the retirees contributed $2,385,564 and $2,781,658, respectively, in premiums.

Net OPEB Liability

For the year ended June 30, 2020, the College’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. For the year ended June 30, 2019, the College’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Net OPEB Liability (Continued)

Actuarial assumptions. The total OPEB liabilities determined using the July 1, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	June 30, 2020	June 30, 2019
Valuation Date	July 1, 2018	July 1, 2018
Inflation	2.50%	2.50%
Salary Increases	3.00%	3.00%
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation	7.50%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	Pre-65: 6.77% in 2019 with an ultimate rate of 4.50% in 2062 Post-65: 5.86% in 2018 with an ultimate rate of 4.50% in 2062	Pre-65: 7.00% in 2018 with an ultimate rate of 4.50% in 2062 Post-65: 6.00% in 2018 with an ultimate rate of 4.50% in 2062

Mortality rates used in the July 1, 2018 valuation were based on the PUB-2010 Generational Mortality Table with Scale MP-2019 utilizing “teachers” and “general” classifications per participant based on employment category.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 - June 30, 2018.

The assets of CRHBT are managed by the County. The following target allocation was adopted in the asset allocation policy as of June 30, 2019 and 2018 by the CRHBT’s Board. The long-term expected rate of return on CRHBT plan investments was determined by the County using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Net OPEB Liability (Continued)

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 and 2019 are summarized in the following tables:

	2020		2019	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	16.80 %	4.20 %	16.80 %	4.20 %
International Equities	13.50	4.20	13.50	4.20
Emerging Market Equities	3.40	4.20	3.40	4.20
Global Equities	3.80	4.45	3.80	4.45
Private Equity	8.00	5.98	8.00	5.98
Private Debt	2.00	4.70	2.00	4.70
Credit Opportunities	-	-	-	-
High Yield Bonds	8.50	3.00	8.50	3.00
Directional Hedge Funds	2.50	4.05	2.50	4.05
Long Duration Fixed Income	13.50	1.90	13.50	1.90
Cash	1.00	0.10	1.00	0.10
Diversifying Hedge Funds	2.50	2.99	2.50	2.99
Global ILs	12.00	2.95	12.00	2.95
Private Real Assets	5.00	7.28	5.00	7.28
Public Real Assets	7.50	4.99	7.50	4.99
Total	100.00 %		100.00 %	

Discount rate. The discount rate used to measure the total OPEB liability was 6.38 percent and 6.49 percent for years ended June 30, 2020 and 2019, respectively. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current Plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2062. Therefore, the long-term expected rate of return on Plan investments of 7.50 percent per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020 and 2019.

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Changes in Net OPEB Liability

		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance - June 30, 2019	$ 162,747,735	$ 54,012,243	$ 108,735,492
Changes for the Year:			
Service Cost	6,132,544	-	6,132,544
Interest	10,886,769	-	10,886,769
Differences Between Expected and Actual Experience	(2,246,221)	-	(2,246,221)
Assumption Changes	(3,701,289)	-	(3,701,289)
Contributions—Employer	-	2,678,670	(2,678,670)
Contributions—Employee	-	-	-
Net Investment Income	-	4,310,925	(4,310,925)
Benefit Payments	(2,303,118)	(2,303,118)	-
Administrative Expense	-	(375,552)	375,552
Net Changes	8,768,685	4,310,925	4,457,760
Balance - June 30, 2020	$ 171,516,420	$ 58,323,168	$ 113,193,252

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance - June 30, 2018	$ 113,438,041	$ 49,068,188	$ 64,369,853
Changes for the Year:			
Service Cost	4,557,297	-	4,557,297
Interest	7,604,353	-	7,604,353
Differences Between Expected and Actual Experience	(2,159,551)	1,104,673	(3,264,224)
Assumption Changes	41,715,554	-	41,715,554
Contributions—Employer	-	2,959,959	(2,959,959)
Contributions—Employee	-	-	-
Net Investment Income	-	3,685,871	(3,685,871)
Benefit Payments	(2,407,959)	(2,407,959)	-
Administrative Expense	-	(398,489)	398,489
Net Changes	49,309,694	4,944,055	44,365,639
Balance - June 30, 2019	$ 162,747,735	$ 54,012,243	$ 108,735,492

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Changes in Net OPEB Liability **(Continued)**

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2020	5.38 %	6.38 %	7.38 %
Total OPEB Liability	$ 198,118,926	$ 171,516,420	$ 149,883,205
Plan Fiduciary Net Position	58,323,168	58,323,168	58,323,168
Net OPEB Liability	$ 139,795,758	$ 113,193,252	$ 91,560,037

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2019	5.49 %	6.49 %	7.49 %
Total OPEB Liability	$ 189,174,225	$ 162,747,735	$ 141,426,541
Plan Fiduciary Net Position	54,012,243	54,012,243	54,012,243
Net OPEB Liability	$ 135,161,982	$ 108,735,492	$ 87,414,298

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
June 30, 2020	3.50% - 5.77%	4.50% - 6.77%	5.50% - 7.77%
Total OPEB Liability	$ 147,615,723	$ 171,516,420	$ 201,802,802
Plan Fiduciary Net Position	58,323,168	58,323,168	58,323,168
Net OPEB Liability	$ 89,292,555	$ 113,193,252	$ 143,479,634

	1% Decrease	Current Trend Rate	1% Increase
June 30, 2019	3.50% - 6.00%	4.50% - 7.00%	5.50% - 8.00%
Total OPEB Liability	$ 135,591,045	$ 162,747,735	$ 186,144,228
Plan Fiduciary Net Position	54,012,243	54,012,243	54,012,243
Net OPEB Liability	$ 81,578,802	$ 108,735,492	$ 132,131,985

The College's OPEB plan is administered by the County's Consolidated Retiree Health Benefits Trust. The condensed financial statements for the OPEB plan trust may be obtained by writing to the Montgomery County Finance Office, 101 Monroe Street #15, Rockville, Maryland 20850.

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

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

For the year ended June 30, 2020, the College recognized OPEB expense of $16,074,854. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 3,586,829
Changes of Assumptions	31,299,686	7,693,386
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	1,636,220
College Contributions Subsequent to the Measurement Date	8,521,150	-
Total	$ 39,820,836	$ 12,916,435

For the year ended June 30, 2019, the College recognized OPEB expense of $12,397,838. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 1,889,944
Changes of Assumptions	36,507,620	5,264,146
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	2,031,855
College Contributions Subsequent to the Measurement Date	3,116,910	-
Total	$ 39,624,530	$ 9,185,945

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB **(Continued)**

$8,521,150 and $3,116,910 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net OPEB liability in the years ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	$ 2,730,907
2022	2,730,908
2023	3,113,614
2024	3,334,547
2025	3,386,549
Thereafter	3,086,726
Total	$ 18,383,251

NOTE 14 STATE AND COUNTY EXPENDITURES (MC)

The County issues general obligation bonds, the proceeds from which are transferred to the College for the purpose of financing acquisition of land, buildings, and equipment. For the years ended June 30, 2020 and 2019, the County made principal payments of $29,966,738 and $15,874,189, respectively, and interest payments of $10,585,244 and $10,447,562, respectively, on these bonds.

The Capital Improvements Program (CIP) for the College is approved biennially by the County. The approval of some projects includes funding from other governmental agencies. All funds transferred to the College for CIP expenditures come directly from the County, with governmental reimbursements made directly by those organizations back to the County for their share of project costs. The amount listed under the Current Asset designation as CIP receivable as of June 30 is due to the following organizational participation in CIP expenditures:

	2020	2019
Montgomery County	$ 6,478,457	$ 12,424,414
State of Maryland	-	3,582,357
Total	$ 6,478,457	$ 16,006,771

NOTE 15 TUITION WAIVER (MC)

The College waives tuition charges for its programs for any resident of Maryland who is 60 years old or older, when course space is still available, and only during the three days following the end of regular registration. Additionally, the College has a 50 percent waiver of tuition for eligible Maryland National Guard members and up to 100 percent for eligible foster care students. Tuition is also waived for any resident of Maryland who is retired or disabled as defined by the Social Security or Railroad Retirement Act and who enrolls in any class at the College which is eligible under Maryland Annotated Code Section 16-403 for State support; and for eligible College employees who can enroll in credit only courses which are outside of the individual's normal working hours. During the year ended June 30, 2020, the College waived $884,384 in credit and $694,860 in noncredit tuition for senior, disabled, foster care, and National Guard students. During the year ended June 30, 2019, the College waived $716,017 in credit and $817,409 in noncredit tuition for senior, disabled, foster care, and National Guard students.

The College offers a tuition waiver program whereby the College waives credit tuition for dependents of eligible College employees. For the fiscal year ended 2020, the College waived $527,078 for its employees and their dependents. The total tuition amount waived for the College for the fiscal year ended 2020 is $2,106,322. For the fiscal year ended 2019, the College waived $473,863 for its employees and their dependents. The total tuition amount waived for the College for the fiscal year ended 2019 was $2,007,289.

NOTE 16 INCOME TAX STATUS (MC, PIC MC, AND MCF)

The College is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code, except as to unrelated business income. The College accrued $-0- and $29,000 for unrelated business income tax liability for the year ended June 30, 2020 and 2019, respectively.

The Foundation and PIC MC are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state statutes, except as to unrelated business income. The Foundation and PIC MC had no unrelated business income for the years ended June 30, 2020 and 2019.

The Foundation and PIC MC follow accounting guidance related to Accounting for Uncertainty in Income Taxes*,* which provides guidance on recognition, classification, and disclosure concerning uncertain tax liabilities. The evaluation of a tax position requires disclosure of a tax liability if it is more likely than not that it will not be sustained upon examination by the Internal Revenue Service. Management has analyzed the Foundation and PIC MC's tax positions, and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements.

NOTE 17 RISK MANAGEMENT – SELF-INSURANCE (MC)

The College, as a component unit of the County, participates in the County's self-insurance risk pool for liability and property coverage and maintains its own self-insurance pool for health and dental benefits. The College and the County account for risk financing activities in accordance with GASB No. 10, entitled *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.*

The Montgomery County Self-Insurance Program is maintained for liability and property coverage under which participants share workers' compensation, comprehensive general, automobile, and professional liability, fire and theft, and other selected areas which require coverage. There have been no significant reductions in this insurance coverage from the previous year. Commercial coverage is purchased for claims in excess of coverage by the self-insurance fund and for other risks not covered by the fund. Settled claims have not exceeded commercial coverage in the past three years. Other program participants are qualifying County government agencies. An inter-agency insurance panel is responsible for overseeing the program. This program offers overall risk management and cost sharing for all participants. In the event that the program's trust or escrow funds fall into a deficit, the program panel shall determine a method to fund the deficit. The program can assess additional premiums to each deficit-year participant.

Premiums are charged to the appropriate College fund with no provision made for any additional liability in addition to premiums, unless assessed by the program. As of June 30, 2020, there was no deficit in the trust or escrow funds and no additional assessments have been made.

The College is self-insured for health and dental benefits provided to its employees. To protect itself against significant losses, the College has stop-loss policies in place for individual participant claims in excess of $150,000 per year and aggregate annual participant claims in excess of 125 percent of premium. The College has a contract with an administrative service provider to process participant claims under these programs. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balance of claims payable relative to the health and dental self-insurance fund for the years ended June 30, 2020 and 2019 are as follows. Claims liabilities are included in accounts payable and accrued expenses on the Statements of Net Position.

Balance - June 30, 2018	$ 1,334,000
Claims and Changes in Estimates	21,455,397
Claims Payments	(21,603,397)
Balance - June 30, 2019	1,186,000
Claims and Changes in Estimates	17,620,753
Claims Payments	(17,828,753)
Balance - June 30, 2020	$ 978,000

NOTE 18 COMMITMENTS AND CONTINGENCIES (MC AND MCF)

Building Leases (MC)

The College is obligated under several noncancelable operating leases for office space expiring in various years through 2028. Net rent expense under these operating leases, included in contracted services expenses, was $1,008,184 and $1,130,391 for the years ended June 30, 2020 and 2019, respectively. The projected minimum lease payments under the terms of the leases at June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	$ 962,218
2022	530,025
2023	541,851
2024	554,031
2025	566,577
Thereafter	1,308,135
Total	$ 4,462,837

Multi-Purpose Contracts (MC)

The College has entered into several multi-purpose contracts that improve and support the operational and infrastructure functionality of the College expiring in 2025. At June 30, 2020, payments for the contract agreements and purchase agreements for the next five years are as follows:

Year Ending June 30,	Amount
2021	$ 11,099,867
2022	9,989,846
2023	6,671,851
2024	3,067,156
2025	1,552,690
Total	$ 32,381,410

Construction in Progress Contracts (MC)

As of June 30, 2020 and 2019, there were uncompleted contracts amounting to $32,848,285 and $32,332,006, respectively, for construction activity at all campuses. Retainage on construction contracts is not included in this amount, but is shown in the financial statements within accounts payable.

Legal (MC)

The College is currently the defendant in three tort suits. It is the opinion of the College’s management, after conferring with legal counsel, that the liability, if any, which might arise from these lawsuits would not have a material adverse effect on the College’s financial position.

NOTE 18 COMMITMENTS AND CONTINGENCIES (MC AND MCF) (CONTINUED)

Contingencies (MC)

Montgomery County and the State of Maryland provide significant resources to the College and as such, the economic condition of the state and local region has a major bearing on the future economic health of the College. Both governments continue to evaluate the financial impacts and revisions necessary to their financial projections, however, it is impossible to predict with certainty what future adjustments to the College's revenue may ensue. Additionally, the duration of the pandemic and the resulting mandates or restrictions imposed cannot be predicted with certainty. Consequently, due to these uncertainties, the impact on student behavior and enrollment cannot be predicted.

NOTE 19 FAIR VALUE (MC AND MCF)

The College and Foundation categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The asset or liability's 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 must maximize the use of observable inputs and minimize the use of unobservable inputs.

Governmental agencies and U.S Treasury Notes are valued at fair value using a matrix pricing technique. Equity securities, mutual funds, and stock investments are valued at fair value based on quoted market prices at year-end. The fair values of money market funds approximate cost. The College and the Foundation currently have no Level 3 assets.

NOTE 19 FAIR VALUE (MC AND MCF) (CONTINUED)

Assets at Fair Value (MC)

As of June 30, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2020			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Government Agencies	$ -	$ 9,998,233	$ -	$ 9,998,233
U.S. Treasury Notes	-	10,067,950	-	10,067,950
Equity Securities	780,834	-	-	780,834
Mutual Funds	2,492,978	-	-	2,492,978
Total	$ 3,273,812	$ 20,066,183	$ -	$ 23,339,995

	2019			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Government Agencies	$ -	$ 12,865,386	$ -	$ 12,865,386
Equity Securities	1,240,181	-	-	1,240,181
Mutual Funds	1,910,872	-	-	1,910,872
Total	$ 3,151,053	$ 12,865,386	$ -	$ 16,016,439

NOTE 19 FAIR VALUE (MC AND MCF) (CONTINUED)

Assets at Fair Value (MCF)

As of June 30, assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as follows:

	2020			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Mutual Funds, by Type:				
Alternatives	$ 2,248,655	$ -	$ -	$ 2,248,655
Bond	1,539,659	-	-	1,539,659
Convertible	165,459	-	-	165,459
Equity	3,965,965	-	-	3,965,965
Fixed Income	3,056,787	-	-	3,056,787
Growth	6,336,081	-	-	6,336,081
International	5,792,341	-	-	5,792,341
Real Estate	1,618,258	-	-	1,618,258
Value	2,305,872	-	-	2,305,872
Subtotal	27,029,077	-	-	27,029,077
Assets Held for Charitable Gift Annuities				
Mutual Funds, by Type:				
Alternatives	2,851	-	-	2,851
Equity	10,330	-	-	10,330
Fixed Income	13,676	-	-	13,676
Growth	17,805	-	-	17,805
International	22,064	-	-	22,064
Real Estate	3,941	-	-	3,941
Value	2,998	-	-	2,998
Subtotal	73,665	-	-	73,665
Total Assets, at Fair Value	$ 27,102,742	$ -	$ -	$ 27,102,742

NOTE 19 FAIR VALUE (MC AND MCF) (CONTINUED)

Assets at Fair Value (MCF) (Continued)

	2019			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Mutual Funds, by Type:				
Alternatives	$ 3,595,795	$ -	$ -	$ 3,595,795
Bond	1,337,448	-	-	1,337,448
Convertible	139,178	-	-	139,178
Equity	3,437,952	-	-	3,437,952
Fixed Income	3,402,486	-	-	3,402,486
Growth	5,819,279	-	-	5,819,279
International	5,254,710	-	-	5,254,710
Real Estate	2,046,140	-	-	2,046,140
Value	3,856,291	-	-	3,856,291
Subtotal	28,889,279	-	-	28,889,279
Assets Held for Charitable Gift Annuities				
Mutual Funds, by Type:				
Alternatives	6,080	-	-	6,080
Equity	5,927	-	-	5,927
Fixed Income	8,990	-	-	8,990
Growth	10,925	-	-	10,925
International	14,850	-	-	14,850
Real Estate	2,958	-	-	2,958
Value	4,419	-	-	4,419
Subtotal	54,149	-	-	54,149
Total Assets, at Fair Value	$ 28,943,428	$ -	$ -	$ 28,943,428

Liabilities at Fair Value (MCF)

Annuity obligations – the fair value of the Foundation's annuity obligations is based on the net present value of the anticipated benefit. As benefit payments are made, the liability is adjusted based on an amortization schedule.

NOTE 19 FAIR VALUE (MC AND MCF) (CONTINUED)

Liabilities at Fair Value (MCF) (Continued)

Liabilities for charitable gift annuities are classified as follows at June 30:

	2020			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Annuity Obligations, at Fair Value	$ -	$ 797,434	$ -	$ 797,434

	2019			
	Quoted Prices In Active Markets for Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Annuity Obligations, at Fair Value	$ -	$ 809,473	$ -	$ 809,473

NOTE 20 NET ASSETS WITH DONOR RESTRICTIONS (MCF)

Net assets with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to Expenditure for Specific Purpose:		
General Use Programs	$ 3,815,368	$ 2,754,551
Scholarships	2,912,882	3,349,606
Student Athletics	63,785	45,740
Total	6,792,035	6,149,897
Endowments:		
Subject to Appropriation and Expenditure:		
General Use Programs	2,234,522	2,882,199
Scholarship	2,008,772	3,058,892
Student Athletics	10,980	14,713
Total	4,254,274	5,955,804
Amounts Required to be Maintained in Perpetuity:		
Scholarship	17,843,510	15,482,765
General Use Programs	7,616,765	7,440,258
Student and Faculty Support	115,620	77,018
Annuity Funds	29,220	21,824
Total	25,605,115	23,021,865
Total Endowments	29,859,389	28,977,669
Total Net Assets with Donor Restrictions	$ 36,651,424	$ 35,127,566

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2020	2019
Satisfaction of Purpose Restrictions:		
General Use Programs	$ 1,143,813	$ 1,376,339
Scholarship	2,829,744	2,385,526
Student Athletics	4,094	56,582
Total Satisfaction of Purpose Restrictions	3,977,651	3,818,447
Total Net Assets Released from Restrictions	$ 3,977,651	$ 3,818,447

NOTE 21 ENDOWMENT (MCF)

The Foundation's endowment consists of 295 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds 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 has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund.
2) The purposes 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.
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 programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the investment return objective is to attain an average annual total return of CPI plus 5 percent (nominal return net of investment management fees) over the long term (up to a rolling five-year period). The goal is to combine various asset classes to achieve diversification and at the same time balance the risk and return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 21 ENDOWMENT (MCF) (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 12 quarters, currently through June 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a moderate annual rate. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation had the following changes in the endowment net assets for the fiscal years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ 28,581,260	$ 28,581,260
Contributions	-	1,942,286	1,942,286
Appropriations of Endowment Assets for Expenditures	-	(1,380,865)	(1,380,865)
Endowment Net Assets After Contributions and Expenditures	-	29,142,681	29,142,681
Net Investment Return	-	(235,711)	(235,711)
Subtotal	-	28,906,970	28,906,970
Endowment Net Assets - End of Year	$ -	$ 28,906,970	$ 28,906,970

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ 28,009,790	$ 28,009,790
Contributions	-	671,194	671,194
Appropriations of Endowment Assets for Expenditures	-	(1,241,656)	(1,241,656)
Endowment Net Assets After Contributions and Expenditures	-	27,439,328	27,439,328
Net Investment Return	-	1,122,050	1,122,050
Subtotal	-	28,561,378	28,561,378
Matured Annuity Transferred into Endowment Gift	-	19,882	19,882
Endowment Net Assets - End of Year	$ -	$ 28,581,260	$ 28,581,260

The donor-restricted endowment balances above do not include pledges receivables of $952,419 and $396,409 for the years ended June 30, 2020 and 2019, respectively. The donor-restricted endowment balances above also do not include net assets related to annuities of $29,220 and $21,825 as of June 30, 2020 and 2019, respectively, which do not become part of endowment assets until maturity. The endowment assets are primarily comprised of the Foundation's investments as detailed in Note 3. The remaining endowment assets are comprised of cash.

NOTE 21 ENDOWMENT (MCF) (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

The Foundation maintains a general endowment, where the donors have specified all earnings are without donor restrictions for general Foundation operations. Accumulated earnings without donor restrictions of ($2,987) and $10,537 were transferred to the Foundation's Without Donor Restrictions Fund on June 30, 2020 and 2019, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were ($73,419) and $-0- as of June 30, 2020 and 2019, respectively.

NOTE 22 PROGRAM SERVICE DESCRIPTIONS (MCF)

Scholarships

Scholarships are established by donors' contributions and are awarded to students who have met the donors' imposed restrictions. During the 2018-2019 academic year, Montgomery College began competing at the Division I and Division II levels of the National Junior College Athletic Association. As a result, the Foundation is now providing athletic scholarships.

Student Athletics

The Student Athletics program is a designated program established for use by the College's athletic department. The program reimburses the athletic department for certain expenses incurred during the year.

Student and Faculty Support

The Student and Faculty Support program distributes grants and awards to deserving individuals and academic programs. This program also includes noncash donations received which are subsequently given to the College. Noncash donations for fiscal years 2020 and 2019 were valued at $30,914 and $79,400, respectively, and are included in Other Noncash Contributions on the Statements of Activities.

NOTE 23 BLENDED COMPONENT UNIT (MC)

The College's blended component unit, PIC MC's Condensed Statements of Net Position and Condensed Statements of Revenues, Expenses, and Changes in Net Position as of June 30, 2020 and 2019 and for the years then ended are as follows:

	2020	2019
Assets		
Cash and Cash Equivalents	$ 1,176,976	$ 1,251,263
Current Investments	4,561,614	4,408,235
CIP - Land Development Cost	381,889	362,526
Total Assets	$ 6,120,479	$ 6,022,024
Liabilities and Net Position		
Accounts Payable and Accrued Liabilities	$ 3,213	$ 45,024
Current Unearned Revenue	63,462	63,462
Noncurrent Unearned Revenue	5,685,116	5,748,578
Unrestricted Net Position	368,688	164,960
Total Liabilities and Net Position	$ 6,120,479	$ 6,022,024

	2020	2019
Revenue		
Land Lease Income	$ 63,462	$ 63,462
Investment and Interest Income	70,057	121,574
Unrealized Gains	103,887	113,126
Total Revenue	237,406	298,161
Expenses		
Contracted Services	-	75,596
Professional Fees	4,608	4,575
Other	29,070	46,657
Total Expenses	33,678	126,828
Increase in Net Position	203,728	171,333
Net Position - Beginning of Year	164,960	(6,373)
Net Position - End of Year	$ 368,688	$ 164,960

NOTE 24 SUBSEQUENT EVENTS (MC AND MCF)

Management evaluated subsequent events through September 30, 2020, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to September 30, 2020, that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2020.

MONTGOMERY COLLEGE
SCHEDULES OF CHANGES IN THE COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS – GASB #75
YEARS ENDED JUNE 30, 2020 AND 2019

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	$ 6,132,544	$ 4,557,297	$ 4,744,380	N/A						
Interest cost	10,886,769	7,604,353	6,966,124	N/A						
Changes of benefit terms	-	-	-	N/A						
Differences between expected and actual experiences	(2,246,221)	(2,159,551)	-	N/A						
Changes of assumptions	(3,701,289)	41,715,554	(6,886,378)	N/A						
Benefit payments	(2,303,118)	(2,407,959)	(2,396,867)	N/A						
Net change in total OPEB Liability	8,768,685	49,309,694	2,427,259	N/A						
Total OPEB liability - beginning of year	162,747,735	113,438,041	111,010,782	N/A						
Total OPEB liability - end of year	$ 171,516,420	$ 162,747,735	$ 113,438,041	$ 111,010,782						
Plan Fiduciary Net Position										
Contributions- employer	$ 2,678,670	$ 2,959,959	$ 3,920,867	N/A						
Contributions- member	-	-	-	N/A						
Net investment income	4,310,925	4,790,544	5,158,139	N/A						
Benefit payments	(2,303,118)	(2,407,959)	(2,396,867)	N/A						
Administrative expense	(375,552)	(398,489)	(226,832)	N/A						
Other	-	-	-	N/A						
Net change in plan fiduciary net position	4,310,925	4,944,055	6,455,307	N/A						
Plan fiduciary net position - beginning of year	54,012,243	49,068,188	42,612,881	N/A						
Plan fiduciary net position - end of year	$ 58,323,168	$ 54,012,243	$ 49,068,188	$ 42,612,881						
Net OPEB Liability	$ 113,193,252	$ 108,735,492	$ 64,369,853	$ 68,397,901						
Net position as a percentage of OPEB liability	34.00%	33.19%	43.26%	38.39%						
Covered-employee payroll	$ 163,017,095	$ 162,110,506	$ 153,024,708	$ 156,386,137						
Net OPEB liability as a percentage of payroll	69.44%	67.07%	42.07%	43.74%						

Information prior to fiscal year 2017 was not available and the College will accumulate each year until 10 years of data becomes available.

Notes to Schedule
Benefit changes - None

	2020	2019	2018
Changes in assumptions - Discount rate:	6.38%	6.49%	6.51%

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S OPEB CONTRIBUTIONS – GASB #75
YEARS ENDED JUNE 30, 2020 AND 2019

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	N/A*	$ 7,208,000	$ 6,685,000	$ 6,201,741	$ 5,327,809					
Contributions in relation to the actuarially determined contribution	8,521,150	2,678,670	2,959,959	3,920,867	4,918,600					
Contribution deficiency (excess)	N/A*	$ 4,529,330	$ 3,725,041	$ 2,280,874	$ 409,209					
Covered employee payroll	N/A*	$ 163,017,095	$ 162,110,506	$ 153,024,708	$ 156,386,137					
Contributions as a % of payroll	N/A*	1.64%	1.83%	2.56%	3.15%					

Information prior to fiscal year 2017 was not available and the College will accumulate each year until 10 years of data becomes available.

* The information for the 2020 Actuarially determined contribution and the related data will become available upon completion of the next actuarial valuation.

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, closed
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	Pre-65: 6.77% for 2019 with an ultimate rate of 4.50% in 2062 65+: 5.86% for 2019 with an ultimate rate of 4.50% in 2062
Salary increases	3.00%
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Retirement age	Participants are assumed to retire at various likelihoods beginning with 5% at age 55 and ending with 100% at age 70
Mortality	PUB-2010 Generational Mortality Table with Scale MP-2019 utilizing "teachers" and "general" classifications per participant based on employment category

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019	2018	2017	2016	2015
Employees' Retirement and Pension System:						
College's proportion of the net pension liability	0.777400%	0.758710%	0.671106%	0.705858%	0.671060%	0.583723%
College's proportionate share of the net pension liability	$ 16,034,349	$ 15,918,950	$ 14,511,796	$ 16,654,033	$ 13,957,122	$ 10,359,173
College's covered employee payroll	$ 18,377,104	$ 18,071,802	$ 17,269,398	$ 17,016,823	$ 16,422,879	$ 15,375,630
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	87.25%	88.09%	84.03%	96.44%	82.02%	67.66%
Plan fiduciary net position as a percentage of the total pension liability	67.98%	68.36%	66.71%	62.97%	66.26%	73.65%
Teacher's Retirement and Pension System:						
College's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
College's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability of the College	112,803,138	118,776,214	123,398,174	121,506,969	92,046,440	69,065,207
Total	$ 112,803,138	$ 118,776,214	$ 123,398,174	$ 121,506,969	$ 92,046,440	$ 69,065,207
College's covered employee payroll	$ 66,419,004	$ 67,984,113	$ 66,906,516	$ 66,536,656	$ 63,045,184	$ 59,003,580
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	75.43%	73.35%	71.41%	67.95%	70.76%	69.53%
Aetna Pension Plan						
College's proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
College's proportionate share of the net pension (asset) liability	$ (3,361,272)	$ (2,553,823)	$ (2,680,419)	$ (1,005,484)	$ 254,019	$ (1,213,552)
College's covered employee payroll	$ 240,247	$ 235,421	$ 343,996	$ 642,104	$ 1,065,000	$ 1,065,000
College's proportionate share of the net pension (asset) liability as a percentage of its covered employee payroll	-1399.09%	-1084.79%	-779.20%	-156.59%	23.85%	-113.95%
Plan fiduciary net position as a percentage of the total pension (asset) liability	434.98%	541.90%	539.81%	1445.81%	5436.13%	-1164.11%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S PENSION CONTRIBUTIONS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020**	2019**	2018**	2017**	2016**	2015**	2014**	2013**	2012	2011
Employees' Retirement and Pension System										
Contractually required contribution	$ 1,701,800	$ 1,596,390	$ 1,512,925	$ 1,365,928	$ 1,375,069	$ 1,415,565	$ 1,360,285	$ 1,209,332	$ -	$ -
Contributions in relation to the contractually required contribution	(1,701,800)	(1,596,390)	(1,512,925)	(1,365,928)	(1,375,069)	(1,415,565)	(1,360,285)	(1,209,332)	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 18,186,094	$ 18,377,104	$ 18,071,802	$ 17,269,398	$ 17,016,823	$ 16,422,879	$ 15,375,630	$ 13,915,335		
Contributions as a percentage of covered-employee payroll	9.36%	8.69%	8.37%	7.91%	8.08%	8.62%	8.85%	8.69%	#DIV/0!	#DIV/0!

	2020**	2019**	2018*	2017*	2016*	2015*	2014*	2013*	2012*	2011*
Teachers Retirement and Pension System										
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 68,371,489	$ 66,419,004	$ 67,984,113	$ 66,906,516	$ 66,536,656	$ 63,045,184	$ 59,003,580	$ 54,938,915		
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	2020**	2019**	2018*	2017*	2016*	2015*	2014*	2013*	2012*	2011*
Aetna Plan										
Contractually required contribution	$ -	$ -	$ 700,000	$ 800,000	$ 1,000,000	$ 820,000	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ 700,000	$ 800,000	$ 1,000,000	$ 820,000	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 129,750	$ 240,247	$ 308,030	$ 486,083	$ 1,065,000	$ 1,065,000	$ 1,717,415	$ 2,336,720		
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

** The College is not contractually required to contribute to the Teachers' Retirement and Pension System.*

** Information prior to fiscal year 2013 was not available and the College will accumulate each year until 10 years of data becomes available.

STATE OF MARYLAND RETIREMENT AND PENSION SYSTEM

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2019 valuation:

- Salary increases assumption changed from 3.10 percent to 9.10 percent including inflation to 3.10 percent to 11.6 percent with inflation.
- Investment return assumption changed from 7.45 percent to 7.40 percent.
- A change in the mortality assumption from the RP-2014 Mortality Tables with projected generational morality improvements based on the MP-2014 fully generational mortality improvement scale to the PUB-2010 Generational Mortality Table with Scale MP-2018 utilizing “teachers” and “general” classifications per participant based on employment category.

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortizing Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25-year closed schedule ending June 30, 2039; 19 years remaining
Asset Valuation Method	5-year smoothed market (max 120 percent and min 80 percent of market value)
Inflation	2.60 percent general, 3.10 percent wage
Salary Increases	3.10 percent to 11.6 percent, including inflation
Investment Rate of Return	7.40 percent
Retirement Age	Experience based tables of rates that are specific to the type of eligibility condition. Last updated for 2019 valuation pursuant to the Experience Study for the period July 1, 2014 to June 30, 2018.
Mortality	PUB-2010 Generational Mortality Table with Scale MP-2018 utilizing “teachers” and “general” classifications per participant based on employment category

AETNA PENSION PLAN

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the year.

NOTE 2 CHANGES IN ASSUMPTIONS

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2019 valuation:

- A change in the mortality assumption from the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 with scale MP-2017 to the PUB-2010 Generational Mortality Table with Scale MP-2018 utilizing “teachers” and “general” classifications per participant based on employment category.

No changes in assumptions were made in the 2018 valuation.

NOTE 3 METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	Gain/Losses over 5 years, assumptions over 10 years, and plan changes over 30 years
Asset Valuation Method	Fair Value
Inflation	2.50 percent
Salary Increases	3.00 percent, including cost of living increases
Investment Rate of Return	4.00 percent, net of pension plan investment expense, including inflation
Retirement Age	None
Mortality	PUB-2010 Generational Mortality Table with Scale MP-2019 utilizing “teachers” and “general” classifications per participant based on employment category