MONTGOMERY COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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JUNE 30, 2022

BOARD OF TRUSTEES

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Montgomery College
Rockville, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Montgomery College (the College), a component unit of Montgomery County, Maryland, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the College as of June 30, 2022 and 2021, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Montgomery College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Emphasis of a Matter

Adoption of New Accounting Standard
Effective July 1, 2020, the College adopted GASB Statement No. 87, *Leases*. As a result of the implementation of GASB Statement No. 87, the College reported a restatement for the change in accounting principle. The effect of this restatement is identified in Note 25. Our auditors' opinion is not modified with respect to this restatement.

Correction of an Error
In addition, the College recorded an adjustment to its Other Post Employment Benefits and related deferred inflows and outflows resulting from the correction of an error that occurred in prior periods. The effect of this restatement is identified in Note 25. Our auditors' opinion is not modified with respect to this restatement.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Board of Trustees
Montgomery College

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, 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
October 31, 2022

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, 2022, 2021, and 2020. 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 18 - 26 as well as the more detailed information in the related notes to the financial statements on pages 27 - 88. 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 College has implemented GASB Statement No. 87. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized 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 standard, 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.

The College has implemented GASB 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 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.

Budgetary Basis of Accounting vs. GAAP Basis of Reporting

The basis of accounting used for purposes of financial reporting in accordance with generally accepted accounting principles (GAAP) is not essentially the same basis used in preparing the budget. Differences between GAAP and the budgetary basis of accounting occur because the regulations governing budgeting differ from GAAP.

Financial statement presentation in accordance with GASB focuses on the financial condition of the College as a whole, which include principles involving long-term payables, such as those recorded with GASB 67 and 68, Accounting and Financial Reporting for Pensions, and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Full accrual accounting also requires the depreciation of fixed assets, which is a non-cash transaction not recorded in the budget.

Government Support/Appropriations - Operating and non-operating revenues support the College's mission. Operating revenues primarily include tuition, fees, and auxiliary sales and non-operating revenues primarily 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. This non-operating revenue category accounted for 58.0 percent, and 60.9 percent of the College's total operating and non-operating revenues over the last two fiscal years, respectively. The following chart, for the fiscal years ended FY2022-FY2020, 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.

	FY2022	FY2021	FY2020	Percent Change	
				2022/21	2021/20
County appropriations	$147.69	$147.19	$147.16	0.34%	0.02%
State appropriations	52.52	45.26	45.26	16.04%	0.00%
Total	200.21	192.45	192.42	4.03%	0.02%

Student Enrollment and Student Score Card

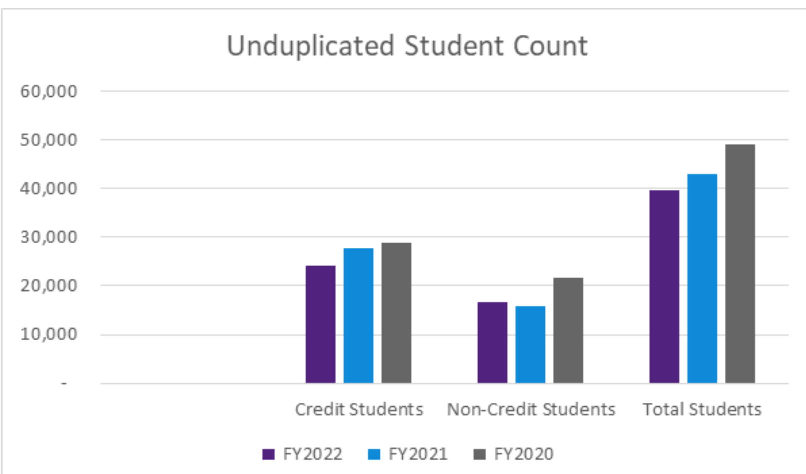
During the annual budget development cycle, the College considers many factors in their enrollment projections; including, historical enrollment, enrollment patterns, demographics, the economic landscape, and regulatory changes for federal, state and local aid. The College is committed to strategies for increasing recruitment, retention and completion numbers while keeping tuition affordable; including in times of adversity.

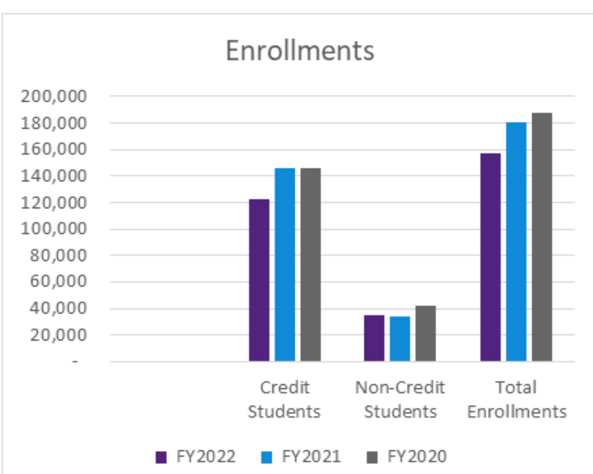
<u>Overview of the Financial Statements (Continued)</u>

Student Enrollment and Student Score Card (Continued)

As the College continued to emerge from the pandemic in FY2022, several factors outside the College continued to impact students in FY22, stressing them in ways that diminished the enrollment capacities of some. Uncertainty in the job market meant some students were working less or not returning to employment. Inflation has soared to levels not seen in forty years; escalating the price of core needs such as shelter, food and transportation. Conflict and racial violence have caused anxiety and unrest globally and nationwide.

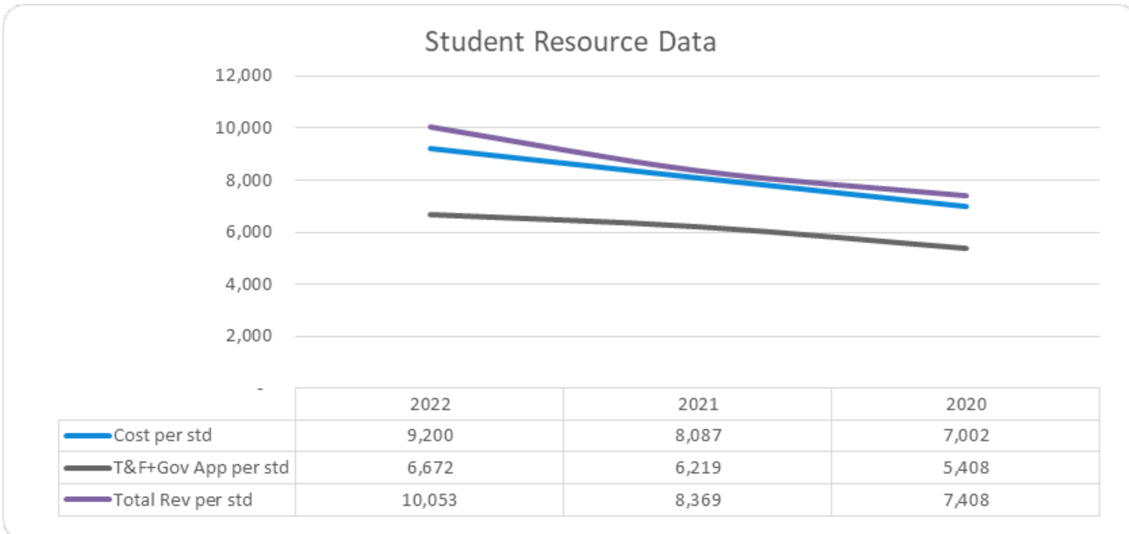
These factors have contributed to another unpredictable year for enrollment at Montgomery College and other community colleges nationwide. Over the last three years, the College has experienced a reduction in unduplicated students and total enrollments in degree seeking course work and in continuing education programs. However, the impact was greater during FY2021 than FY2022 as containment and prevention measures for the COVID 19 virus were stronger and more prevalent in FY2022. The impact was also not the same for our credit versus continuing education offerings. In FY2022, our student count and enrollments in our continuing education programs increased by 4 percent and 2 percent, respectively; however, for our credit seeking students there was a decline of 13 percent in unduplicated students and 16 percent in enrollments, respectively.



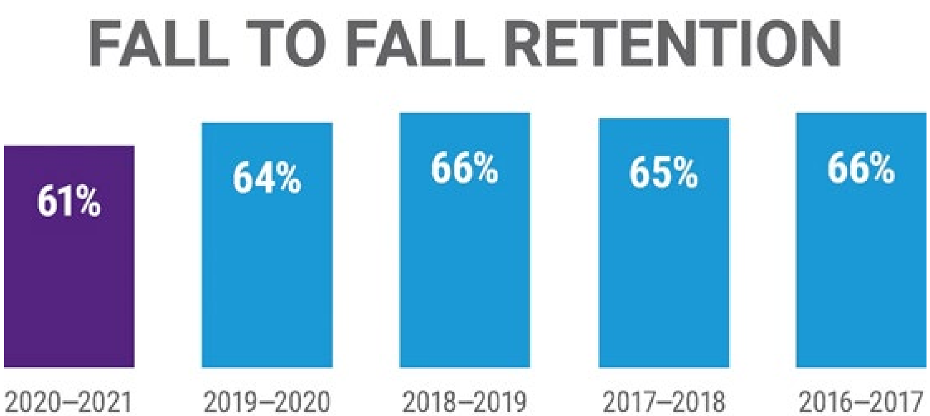


Overview of the Financial Statements (Continued)

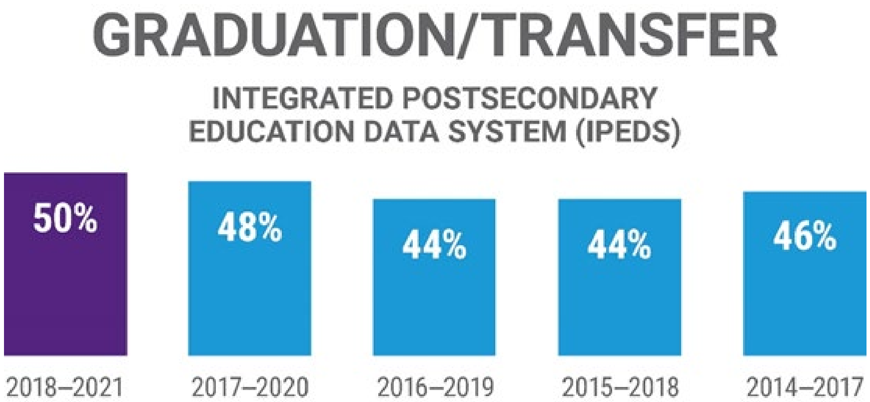
As indicated in the chart below, the cost per student metric for FY22 increased 13.76 percent while total revenue per student increased by 20.12 percent primarily due to a lower student body count and a net increase in revenue contributed primarily by the Federal Higher Education Emergency Relief Funds and governmental support to ensure learning continues for students during the COVID-19 pandemic.



The Student Success Score Card was introduced several years ago as a tool for examining vital metrics on students' progress and to inform areas for improvement. The combined graduation and transfer rate went up 2.0 percent to 50 percent. This demonstrates that our strategies toward completion are having an impact on student persistence and goal attainment. The fall-to-fall retention decrease of approximately 3.0 percent to 61 percent is reflective of our overall enrollment decline.



Overview of the Financial Statements (Continued)



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)	2022	2021 (As Restated)	2020 (As Restated)	Percent Change 2022/21	Percent Change 2021/20
Assets and Deferred Outflows					
Current Assets	$123.68	$128.87	$110.47	-4.0%	16.7%
Capital Assets	676.62	660.79	652.16	2.4%	1.3%
Other Noncurrent Assets	11.95	12.01	11.35	-0.5%	5.8%
Total Assets	812.25	801.67	773.98	1.3%	3.6%
Deferred Outflows of Resources	37.26	41.66	44.81	-10.6%	-7.0%
Total Assets and Deferred Outflows of Resources	$ 849.51	$ 843.33	$ 818.79	0.7%	3.0%
Liabilities and Deferred Inflows					
Current Liabilities	$45.73	$51.88	$36.65	-11.9%	41.6%
Noncurrent Liabilities	136.93	173.47	219.39	-21.1%	-20.9%
Total Liabilities	182.66	225.35	256.04	-18.9%	-12.0%
Deferred Inflows of Resources	73.46	58.48	15.38	25.6%	280.2%
Net Position					
Net Investment in Capital Assets	599.26	584.71	576.43	2.5%	1.4%
Unrestricted	(5.87)	(25.21)	(29.06)	-76.7%	-13.2%
Total Net Position	593.39	559.50	547.37	6.1%	2.2%
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 849.51	$ 843.33	$ 818.79	0.7%	3.0%

Analysis of Statement of Net Position (Continued)

Current assets - Current assets decreased in FY2022 by $5.19 million or 4.0 percent primarily due to a decrease in student receivables and the timing of other receivable payments. The College has used HEERF resources since the onset of the pandemic to re-engage students and encourage them to stay in school through discharging debt. This is a reversal of the prior year whereby current assets increased $18.4 million or 16.7 percent in FY2021. The fiscal management of expenses to revenues and the timing of payments has contributed to an increase in cash and cash equivalents in FY2021 and FY2020.

Capital and other non-current assets - Increases to capital assets have been steady over the three years; $15.83 million in FY2022, $8.63 million in FY2021, and $18.06 million in FY2020. Major capital construction has been ongoing for The Catherine and Isiah Leggett Math and Science Building during the current fiscal year with operations expected in FY2024. Creating optimal learning space for our students with current technology and access are hallmarks of our college.

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. The activities that cause deferred outflows of resources are OPEB and Pension deferrals due to changes in actuarial assumptions, changes in plan provisions, and contributions made subsequent to the measurement date. The pension deferral increased slightly year over year by $.71 million, however, there was a decrease in the OPEB deferral of approximately $5.10 million.

Current liabilities - Current liabilities include accounts payable and accrued expenses which can vary each year due to spending patterns and transactional volume. In FY2022, these balances decreased by $6.15 million or 11.9 percent while in FY2021 they increased by $15.23 million or 41.6 percent over the FY2020 balances which was heavily impacted due to shutdowns as a result of COVID 19.

Noncurrent liabilities - The debt obligations of the College have been on a downward trend as payments toward existing obligations are made and no new debt has been issued. The principal outstanding on debt obligations is $67,500,000 and $71,130,000 in FY22 and FY21, respectively. The College's Bond Rating is Aa3; Outlook Stable. Total noncurrent liabilities decreased $36.54 million in FY2022 primarily due to a decrease of $23.97 million in the OPEB liability due to the recognition of changes in plan provisions; and decreased $45.92 million in FY2021 primarily due to a decrease of $38.14 million in the net OPEB liability offset by a slight increase in the net pension liability $1.90 million and debt repayments. In FY2020, there was a slight increase of $3.32 million as a result of variability in the pension and OPEB liabilities.

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. The principal activities that cause deferred inflows of resources are OPEB and Pension deferrals due to changes in actuarial assumptions, and changes in plan provisions; and, leases pursuant to GASB 87 accounting requirements. The pension deferral and the OPEB deferral both increased in FY2022; $5.21 million and $10.31 million respectively. The College recognized deferrals for leases in FY2022 and FY2021 of $7.40 and $7.95 million, respectively as GASB 87 was implemented.

Analysis of Statement of Net Position (Continued)

Net position – Effective July 1, 2021 the College has adopted GASB Statement No. 87 (GASB 87) entitled, *Leases*. The purpose of GASB 87 is to recognize certain lease assets and liabilities for leases that previously were classified as operating leases as inflows of resources or outflows of resources recognized based upon 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 standard, a lessee is required to recognize a lease liability and an intangible right to use an asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB 87 has been applied retrospectively to all periods presented and results in the following restatement of prior year amounts.

Effective July 1, 2011, two plan provision changes were made effective: participant eligibility requirements as well as increased cost sharing for participants of *Postemployment Benefits Other than Pensions* and were not accounted for in the valuation as of the date of the change. Impact of the plan provision changes has been applied to all periods presented and results in the following restatement of prior year amounts.

	Balances as Previously Stated as of June 30, 2021	Effect of Implementation of GASB 87	Effect of Restatement of OPEB	Balances as Restated as of June 30, 2021
Net Position, Beginning of year	$ 540,274,666	$ (1,474,175)	$ 8,562,304	$ 547,362,795
Increase in net position	12,975,330	(2,736,829)	1,891,576	12,130,077
Net Position, End of year	553,249,996	(4,211,004)	10,453,880	559,492,872
Net Position:				
Net Investment in Capital Assets	588,920,022	(4,211,004)	-	584,709,018
Unrestricted	(35,670,026)	-	10,453,880	(25,216,146)
Net Position:	$ 553,249,996	$ (4,211,004)	$ 10,453,880	$ 559,492,872

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 HEERF grants as non-operating revenues even though these resources support operating activities.

	2022	2021	2020	Percent Change	
For The Years Ended June 30, (in millions)		(As Restated)	(As Restated)	2022/21	2021/20
Operating Revenue					
Student Tuition/Fees	$49.54	$58.57	$57.42	-15.4%	2.0%
Grants & Contracts	15.29	15.84	14.58	-3.5%	8.6%
Auxiliary Enterprises	3.73	3.66	5.27	1.9%	-30.6%
Other Operating Revenue	1.36	2.26	3.36	-39.8%	-32.7%
Total Operating Revenue	69.92	80.33	80.63	-13.0%	-0.4%
Operating Expenses	361.73	344.52	332.88	5.0%	3.5%
Operating Loss	(291.81)	(264.19)	(252.25)	10.5%	4.7%
Non-Operating Revenue (Expense)					
State/Local Appropriation	200.21	192.45	192.42	4.0%	0.0%
State Paid Benefits	15.53	15.85	16.05	-2.0%	-1.2%
Federal Pell Grants	17.50	21.70	25.03	-19.4%	-13.3%
Federal CARES Act Grants	45.98	11.56	3.38	0.0%	0.0%
Investment and Interest Income	(0.71)	0.95	1.10	-174.7%	-13.6%
Interest Expense	(3.29)	(2.52)	(2.78)	30.6%	-9.4%
Total Non-Operating Revenue, Net	275.22	239.99	235.20	14.7%	2.0%
Loss Before Other Revenues (Expenses)	(16.59)	(24.20)	(17.05)	-31.4%	41.9%
Other Revenues (Expenses)					
Capital Appropriation	49.95	34.93	45.52	43.0%	-23.3%
Capital Grants, Contracts and Gifts	0.59	1.40	0.10		
Loss on Disposal of Capital Assets	(0.05)	(0.00)	(0.04)	2400.0%	-95.0%
Total Other Revenue, Net	50.49	36.33	45.58	39.0%	-20.3%
Increase in Net Position	33.90	12.12	28.53	877.6%	-57.5%
Beginning Net Position	559.49	547.37	518.84	2.2%	5.5%
Ending Net Position	$ 593.39	$ 559.49	$ 547.37	6.1%	2.2%

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)	2022	2021	2020	Percent Change 2021/20	Percent Change 2020/19
Total Operating Revenues	$ 69.92	$ 80.33	$ 80.63	-13.0%	-0.4%
State/Local Appropriations	200.20	192.45	192.42	4.0%	0.0%
State Paid Benefits	15.53	15.85	16.05	-2.0%	-1.2%
Federal Pell Grants	17.50	21.70	25.03	-19.4%	-13.3%
Federal HEERF Grants	45.98	11.56	3.38	0.0%	0.0%
Adjusted Resources	349.13	321.89	317.51		
Total Operating Expenses	361.73	344.51	341.45	5.0%	0.9%
Adjusted Operating Loss	$ (12.60)	$ (22.62)	$ (23.94)	-44.3%	-5.5%

Overall **operating revenue** decreased $10.41 million in FY2022, as explained more fully below. The change between FY21 and FY20 was negligible but where significant, has also been explained below.

Tuition and fees - Tuition and fees, net of scholarship allowances, were $49.54 million, $58.57 million, and $57.42 million in FY2022, FY2021 and FY2020, respectively. The net change of a reduction of $9.03 million in FY2022 is due to lower enrollment and a lower student body of approximately 13.0 percent and 7.0 percent, respectively. Scholarship allowances were $21.17 million and $24.75 million in FY2022 and FY2021, respectively, this reduction is primarily due to a decrease in Pell eligible students. Despite the decline, this revenue category has remained consistent as a percentage of total operating revenues representing 70.8 percent, 72.9 percent and 71.2 percent of total operating revenues, for FY2022, FY2021 and FY2020, respectively.

Grants and contracts - Federal, state, and local operating grants and contracts decreased slightly by $.55 million in FY2022 and increased by $1.3 million in FY2021, respectively. The increase in FY2021 was due primarily to the implementation of GASB 84, with State scholarships accounting for grant revenues.

Auxiliary and other revenues – In FY2022, there was an increased presence on campuses for both academic instruction and operations. As safety conditions improved, auxiliary services such as food and vending services, childcare center operations, and facility rentals could resume to a higher level of operations to support campus activities. Nevertheless, FY2022 demonstrated a decrease of $.84 million as compared to FY2021. In FY2021, the decrease was a net of $2.70 million due to the implementation of GASB 84 in the amount of $1.44 million and continued closures related to the COVID-19 pandemic. Year over year unpredictability affects these revenue sources, as demonstrated above.

Overall, net **non-operating revenue and expense** increased $35.23 million or 14.7 percent in FY2022 and $4.78 million or 2.0 percent in FY2021, primarily due to a $34.42 million and $8.18 million increase in Federal grants for each year, respectively. The Higher Education Emergency Relief Fund, also known as HEERF, is funded by the U.S. Department of Education and was set up to provide emergency assistance and economic stabilization funds to respond to the COVID-19 pandemic. The full funding pursuant to the three HEERF grants; The Coronavirus Aid, Relief, and Economic Security Act (CARES), The Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA), and the American Rescue Plan Act (ARP) to the College was $77.02 million. Of this amount, $33.85 million was dedicated to direct student emergency aid and support for minority serving institutions.

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

Qualifying institutional costs include technology for implementing remote teaching and working, faculty training and development remote instruction, lost revenues, personal and protective equipment, and infrastructure improvements and reconfiguration including HVAC studies and upgrades.

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 FY2022, capital appropriations increased year over year by $15.02 million with significant construction on The Catherine and Isiah Leggett Building on the Takoma Park/Silver Spring campus. During FY2021, no new major projects required significant funding and two student projects were nearing completion. The result was a decrease in capital appropriations of $10.59 million during the year.

Operating expenses - Total operating expenses of $361.73 million reflects an increase of $17.22 million as compared to an increase of $11.64 million in FY2021 and a decrease of $18.57 million in FY2020. An analysis of the major variations is explained more fully below. One month of operating expenses approximates $30.14 million, $30.20 million, $28.71 million, respectively, for each of the three years presented.

- **Salaries and benefits -** Salaries and benefits of $239.44 million and $256.78 million in FY2022 and FY2021, respectively, continue to be the major component of the College's operating expenses. For fiscal years 2022, 2021, and 2020, salaries and benefits (including State paid benefits) accounted for 66.19 percent, 74.54 percent, and 73.6 percent of total operating expenses, respectively.

- **Scholarships and related expenses** - Students continue to demonstrate greater financial need due to the ongoing COVID-19 pandemic. In FY2022, these expenses are $14.73 million higher primarily due to increases in HEERF emergency aid for students. In FY2021, these expenses were $10.93 million higher than the prior year, including $6.26 million of HEERF emergency aid for students and $3.33 million in state scholarships due to the GASB 84 implementation.

- **Academic Support** - Academic support expenses increased $12.93 million from the prior year. The majority of this increase is due to the increased need for student support during remote teaching, in the form of student tutoring and counseling sessions to ensure student success.

Expenses by functional classification - As more fully demonstrated in Note 12, College spending in terms of the percentages for the seven standard reporting classifications has remained relatively consistent year over year. Over 50 percent of the annual budget supports academic instruction and support to our students. Montgomery College has not significantly changed its budgeting model or allocations and, therefore, expects the pattern to be consistent year over year.

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.

Analysis of Statement of Cash Flows (Continued)

The table below highlights the components of cash flow as of June 30, 2022, 2021, and 2020:

For The Years Ended June 30, (in millions)	2022	2021	2020
Net Cash Used by Operating Activities	$ (257.64)	$ (213.10)	$ (214.70)
Net Cash Provided by Non-Capital Financing Activities	257.76	222.42	222.24
Net Cash Provided (Used) by Capital and Related Financing Activities	(9.87)	(7.43)	3.99
Net Cash Provided (Used) by Investing Activities	2.29	8.92	(1.03)
Increase in Cash and Cash Equivalents	(7.46)	10.81	10.50
Cash and Cash Equivalents - Beginning of Year	75.48	64.67	54.17
Cash and Cash Equivalents - End of Year	$ 68.02	$ 75.48	$ 64.67

The College's cash and cash equivalents decreased by $7.46 million in FY2022, primarily due to timing of maturities on June 30, 2022 for which the cash was not received until after the close of the fiscal year. Cash and cash equivalents increased by $10.81 million in FY2021 and $10.50 million in FY2020 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

Our state and local governmental support remains strong and increased in the current year by approximately $7.76 million. 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.

Montgomery College's ability to recruit new students in this very competitive environment and support them toward graduation, transfer or certificate completion are essential to mitigate our dependency on our appropriation support. The competitive environment includes alternative education options, robust employment opportunities with accelerating wages, and the personal commitments of the students.

Montgomery College plays a critical role in training, re-training and educating the workforce of the county and state. Community college enrollment can fluctuate with the unemployment rate, generally, increasing when unemployment is high and decreasing when unemployment is low. The unemployment rate in Montgomery County was 4.4 percent at June 30, 2022, slightly higher than the state and national rates at this date of 4.0 and 3.6 percent, respectively. These tight labor conditions, with rising wages, create more challenging conditions for the College to attract and retain students.

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, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021 (As Restated)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 68,023,156	$ 75,480,915
Short-Term Investments	8,386,506	21,866,110
CIP Receivable	14,585,500	10,358,112
Student Accounts Receivable, Net	5,450,301	11,906,205
Leases Receivable	558,025	534,153
Grants and Contracts Receivable	11,504,719	6,429,905
Governmental Appropriations Receivable	2,496,054	608,411
Due from Montgomery College Foundation, Inc.	1,691,415	61,795
Other Receivables	10,632,604	407,770
Inventory	5,748	10,873
Prepaid Expenses and Other Assets	343,624	1,201,356
Total Current Assets	123,677,652	128,865,605
Noncurrent Assets:		
Lease Receivable	6,891,040	7,441,943
Net Pension Asset	5,057,276	4,575,231
Capital Assets, Net	676,619,718	660,787,350
Total Noncurrent Assets	688,568,034	672,804,524
Total Assets	812,245,686	801,670,129
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	5,762,284	5,057,226
OPEB Deferrals	31,503,463	36,599,028
Total Deferred Outflows of Resources	37,265,747	41,656,254
Total Assets and Deferred Outflows of Resources	$ 849,511,433	$ 843,326,383

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2022	2021 (As Restated)
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 33,400,744	$ 39,119,574
Overdrafts	533,014	308,706
Unearned Revenue	5,410,536	6,759,514
Current Portion of Long-Term Liabilities	1,647,219	1,647,219
Lease Liability - Current	4,740,388	4,046,886
Total Current Liabilities	45,731,901	51,881,899
Noncurrent Liabilities:		
Unearned Revenue	5,558,201	5,621,654
Net Pension Liability	12,340,896	17,939,287
Net OPEB Liability	42,274,919	66,241,780
Long-Term Liabilities	10,558,843	12,730,327
Lease Liability - Non Current	66,196,413	70,938,866
Total Noncurrent Liabilities	136,929,272	173,471,914
Total Liabilities	182,661,173	225,353,813
DEFERRED INFLOWS OF RESOURCES		
Pension Deferrals	7,902,650	2,691,720
Leases	7,402,558	7,947,824
OPEB Deferrals	58,150,120	47,840,154
Total Deferred Inflows of Resources	73,455,328	58,479,698
NET POSITION		
Net Investment in Capital Assets	599,268,443	584,709,018
Unrestricted	(5,873,511)	(25,216,146)
Total Net Position	593,394,932	559,492,872
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 849,511,433	$ 843,326,383

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2022 AND 2021

	Pension and OPEB Trust Funds	
	2022	2021
ASSETS		
Cash and Investments	$ 60,144	$ 161,022
Pooled Investments, at Fair Value	100,298,924	105,307,574
Dividend, Interest, and Other Receivables	224,046	201,570
Total Assets	$ 100,583,114	$ 105,670,166
LIABILITIES		
Due to Individuals and Organizations	$ 1,894,212	$ 952,774
Total Liabilities	1,894,212	952,774
NET POSITION		
Restricted for:		
Individuals and Organizations	12,000,811	14,675,867
Postemployment Benefits Other than Pensions	86,688,091	90,041,525
Total Net Position	98,688,902	104,717,392
Total Liabilities and Net Position	$ 100,583,114	$ 105,670,166

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (As Restated)
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowance of $21,172,200 and $24,750,512, Respectively	$ 49,539,194	$ 58,566,007
Federal Grants and Contracts	6,398,925	6,238,227
State Grants and Contracts	7,460,079	7,906,363
Local Grants and Contracts	1,432,000	1,694,595
Auxiliary Enterprises	3,734,033	3,660,811
Other Operating Revenues	1,352,791	2,261,301
Total Operating Revenues	69,917,022	80,327,304
Operating Expenses:		
Instruction	92,827,003	102,100,041
Research	202,301	245,898
Academic Support	64,049,589	51,117,392
Student Services	32,751,918	36,661,771
Operation of Plant	36,571,345	40,231,561
Institutional Support	42,753,663	44,344,949
Scholarships and Related Expenses	32,674,103	17,942,959
Depreciation and Amortization Expense	31,809,456	26,959,321
Auxiliary Enterprises	1,233,304	433,262
State Paid Benefits	15,527,127	15,852,815
Other Expenditures	11,326,738	8,623,362
Total Operating Expenses	361,726,547	344,513,331
OPERATING LOSS	(291,809,525)	(264,186,027)
NONOPERATING REVENUES (EXPENSES)		
State and Local Appropriations	200,202,946	192,451,615
State Paid Benefits	15,527,127	15,852,815
Federal Pell Grants	17,503,682	21,701,039
Federal Higher Education Emergency Relief Funds (HEERF) Grants	45,982,967	11,560,572
Investment and Interest Income	(705,545)	949,103
Interest Expense on Capital Asset Related Debt	(3,290,330)	(2,525,762)
Nonoperating Revenue, Net	275,220,847	239,989,382
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(16,588,678)	(24,196,645)
Capital Appropriations	49,948,577	34,926,521
Capital Grants, Contracts and Gifts	595,555	1,402,572
Loss on Disposal of Capital Assets	(53,394)	(2,371)
	50,490,738	36,326,722
INCREASE IN NET POSITION	33,902,060	12,130,077
Net Position - Beginning of Year, As Restated	559,492,872	547,362,795
NET POSITION - END OF YEAR	$ 593,394,932	$ 559,492,872

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	Pension and OPEB Trust Funds	
	2022	2021
ADDITIONS		
County/Employer/Employee Contributions	$ 5,608,000	$ 5,523,000
Unrealized Appreciation (Depreciation)	(2,253,880)	(207,414)
Investment Income	(7,710,891)	18,649,317
Less Investment Expenses	(654,681)	(378,465)
Income from Securities Lending	9,659	9,302
Securities Lending Income (Expenses)	(603)	14
Total Additions	(5,002,396)	23,595,754
DEDUCTIONS		
Benefit Payments, including Refunds of Employee Contributions	882,800	894,046
Administrative Expense	143,294	142,076
Total Deductions	1,026,094	1,036,122
NET CHANGE IN FIDUCIARY NET POSITION	(6,028,490)	22,559,632
Net Position - Beginning of Year	104,717,392	82,157,760
NET POSITION - END OF YEAR	$ 98,688,902	$ 104,717,392

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 54,646,121	$ 53,428,072
Grants and Contracts	14,255,048	14,300,675
Payments to Suppliers	(59,883,720)	(35,494,031)
Payments to Employees	(237,614,196)	(233,088,245)
Payments for Scholarships	(34,303,723)	(17,942,959)
Direct Loan Receipts	6,674,966	8,355,642
Direct Loan Disbursements	(6,674,966)	(8,355,642)
Auxiliary Enterprises	3,734,033	3,660,811
Other Receipts	1,531,482	2,040,186
Net Cash Used by Operating Activities	(257,634,955)	(213,095,491)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Local Appropriations	198,315,303	191,972,925
Federal Pell Grants	19,658,981	19,178,641
Federal Higher Education Emergency Relief (HEERF) Funds	39,788,810	11,264,369
Net Cash Provided by Noncapital Financing Activities	257,763,094	222,415,935
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	45,721,189	31,046,866
Capital Grants, Contracts, and Gifts	595,555	1,402,572
Purchase of Capital Assets	(44,188,635)	(25,507,568)
Principal Paid on Capital Asset Related Debt	(7,555,534)	(7,538,620)
Payments for Software Commitments	(1,156,988)	(4,309,288)
Interest Paid	(3,290,330)	(2,525,762)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,874,743)	(7,431,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	23,170,191	28,717,279
Interest Income on Investments	(705,545)	949,103
Purchase of Investments	(20,175,801)	(20,747,878)
Net Cash Provided (Used) by Investing Activities	2,288,845	8,918,504
INCREASE IN CASH AND CASH EQUIVALENTS	(7,457,759)	10,807,148
Cash and Cash Equivalents - Beginning of Year	75,480,915	64,673,767
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 68,023,156	$ 75,480,915

See accompanying Notes to Financial Statements.

	2022	2021 (As Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (291,809,525)	$ (264,186,027)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	31,809,456	26,959,321
State Paid Benefits	15,527,127	15,852,815
Effects of Changes in Operating Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
Receivables, Net	5,662,093	(7,652,108)
Inventory	5,125	-
Other Assets	857,732	(710,936)
Pension Asset (Liability)	(6,080,436)	690,979
Accounts Payable	(5,718,830)	13,684,359
Net OPEB Liability	(23,966,861)	(38,138,011)
Deferred Outflows and Inflows of Resources - Pension	4,505,872	59,690
Deferred Outflows and Inflows of Resources - OPEB	15,405,531	39,410,145
Overdrafts	224,308	(125,207)
Unearned Revenue	(1,412,431)	1,786,026
Compensated Absences	(1,014,496)	304,940
Due to Other Organization	-	(997,770)
Due to Montgomery College Foundation, Inc.	(1,629,620)	(33,707)
Net Cash Used by Operating Activities	$ (257,634,955)	$ (213,095,491)

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF NET ASSETS – COMPONENT UNIT (MCF)
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 8,910,539	$ 4,495,167
Certificates of Deposit	3,691,927	3,681,447
Investments	29,162,301	37,289,622
Accounts Receivable	25	7,737
Pledges Receivable, Net	2,114,593	2,631,648
Prepaid Expenses	27,971	-
Other Assets	5,365	5,082
Land	2,750,000	2,750,000
Assets Held for Charitable Gift Annuities	70,099	89,116
Net Investment in Capital Lease	67,500,000	71,130,000
Total Assets	$ 114,232,820	$ 122,079,819
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 1,730,856	$ 108,258
Deferred Revenue	7,500	7,500
Accrued Interest Payable	420,322	447,629
Annuities Payable from Charitable Gifts	745,777	773,687
Notes Payable	69,720,287	73,554,374
Total Liabilities	72,624,742	74,891,448
NET ASSETS		
Without Donor Restrictions	1,286,069	1,391,598
With Donor Restrictions	40,322,009	45,796,773
Total Net Assets	41,608,078	47,188,371
Total Liabilities and Net Assets	$ 114,232,820	$ 122,079,819

See accompanying Notes to Financial Statements.

MONTGOMERY COLLEGE
STATEMENTS OF ACTIVITIES – COMPONENT UNIT (MCF)
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions and Grants, Net	$ 89,833	$ 3,815,596	$ 3,905,429	$ 73,947	$ 4,725,218	$ 4,799,165
Change in Value of Charitable Gift Annuities	24,485	(15,592)	8,893	23,284	15,913	39,197
Contributed Services	532,717	-	532,717	602,390	-	602,390
Other Noncash Contributions	12,440	11,381	23,821	30,615	-	30,615
Revenue from Special Events/Activities	-	26,128	26,128	-	3,078	3,078
Net Investment Return, Appropriated from Cash and Cash Equivalents, Money Market Funds, Investments and Certificates of Deposit	(312,800)	(5,634,377)	(5,947,177)	376,481	8,083,393	8,459,874
Net Investment Return, Appropriated from Investment in Capital Lease	2,669,007	-	2,669,007	2,789,490	-	2,789,490
Other Income	23,891	892	24,783	43,250	20,303	63,553
Net Assets Released from Restrictions	3,678,792	(3,678,792)	-	3,702,556	(3,702,556)	-
Total Revenue, Gains, and Other Support	6,718,365	(5,474,764)	1,243,601	7,642,013	9,145,349	16,787,362
EXPENSES						
Program Services:						
Scholarships	2,649,312	-	2,649,312	3,023,858	-	3,023,858
Student and Faculty Support - Noncash Expenses of $110,200 and $130,076, Respectively	856,356	-	856,356	752,432	-	752,432
Interest Expense	2,416,496	-	2,416,496	2,555,853	-	2,555,853
Total Program Services	5,922,164	-	5,922,164	6,332,143	-	6,332,143
General and Administrative - Noncash Expenses of $394,661 and $439,557, Respectively	577,427	-	577,427	638,645	-	638,645
Resource Development - Noncash Expenses of $51,677 and $63,372, Respectively	324,303	-	324,303	500,347	-	500,347
Total Expenses	6,823,894	-	6,823,894	7,471,135	-	7,471,135
CHANGE IN NET ASSETS	(105,529)	(5,474,764)	(5,580,293)	170,878	9,145,349	9,316,227
Net Assets - Beginning of Year	1,391,598	45,796,773	47,188,371	1,220,720	36,651,424	37,872,144
NET ASSETS - END OF YEAR	$ 1,286,069	$ 40,322,009	$ 41,608,078	$ 1,391,598	$ 45,796,773	$ 47,188,371

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 24-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

During the years ended June 30, 2022 and 2021, the Foundation distributed $3,419,349 and $3,776,290, respectively, to the College for both restricted and unrestricted purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (MC and MCF) (Continued)

Although the College is not a County agency, as a result of the College's relationship with the County, the College is considered a component unit of the County as the County Council reviews and approves both the operating and capital budgets and budgetary amendments of the College and contributes substantial funding for both the operating and capital budget, as well as issues debt for the construction of college facilities. The College cannot issue debt or levy taxes, so it is in a financial benefit/burden relationship with the County. Accordingly, the College's financial data is presented in the Comprehensive Annual Financial Report of the County as a discretely presented component unit, 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.

Fiduciary Activities (MC)

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. GASB No. 84 was implemented during the year ending June 30, 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Activities (MC) (Continued)

As a result, the College reports on fiduciary funds, which include the following:

Other Postemployment Benefits Trust Fund – Accounts for the accumulation of assets to be used for healthcare benefit payments to qualified employees.

Defined Benefit Pension Plan (Aetna) – Accounts for the accumulation of assets to be used for benefits paid to certain eligible employees at retirement.

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.

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 2022 and 2021, the College netted student aid expenses in the amount of $21,172,000 and $24,750,512, respectively, against tuition revenue of $70,711,194 and $83,316,519, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Additionally, as a result of the global pandemic the College received federal emergency relief grants in fiscal years 2022 and 2021. 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).

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 Higher Education Emergency Relief Fund (HEERF) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances (MC)

In FY21, the College maintained an encumbrance system for tracking outstanding purchase orders and other commitments for materials and services not received during the year. Encumbrances at June 30, 2021 were $9,784,459, which represented the estimated amount of expense ultimately to result if unperformed obligations were completed. These encumbrances do not constitute expenses or liabilities and are not reflected in these financial statements. In FY2022, the college no longer utilized the encumbrance system and purchase orders for materials and services that were not received in the fiscal year were rolled forward unencumbered.

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 was earmarked for:

	2022	2021 (As Restated)
Encumbrances	$ -	$ 9,784,459
Emergency Repairs and Maintenance	680,278	504,599
Reserve for Major Facility Projects	15,508,875	14,624,378
OPEB & Pension Contribution	(78,345,562)	(87,677,133)
Quasi-Endowment	-	580,902
Other Purposes	56,282,898	36,966,649
Total	$ (5,873,511)	$ (25,216,146)

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, 2022 and 2021.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and leases 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.

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, 2022 and 2021 have been recognized as unearned revenue. See Note 11 for details of the PIC MC unearned revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with 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.

Depreciation is computed on a straight-line basis over estimated useful lives as noted below:

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, 2022 or 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation (MCF) (Continued)

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, 2022 and 2021, the College recognized changes in actuarial assumptions, the impact of changes in OPEB plan provisions that are being amortized; and, contributions made subsequent to the measurement date related to pensions and OPEB.

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, 2022 and 2021, the College recognized changes in actuarial assumptions, the impact of changes in OPEB plan provisions, and leases as deferred inflows of resources that are being amortized.

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.

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:

	2022	2021
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 8,910,539	$ 4,495,167
Operating Investments	32,854,228	40,971,069
Accounts Receivable	25	7,737
Pledges Receivable, Net	2,114,593	2,631,648
Total Financial Assets	43,879,385	48,105,621
Less Amounts Not Available to be Used Within One Year Due to Donor Restrictions	(40,322,009)	(45,796,773)
Financial Assets Available to Meet General Expenditures Within One Year	$ 3,557,376	$ 2,308,848

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)

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

	2022	2021
Cash	$ 42,183,202	$ 59,470,066
Cash Equivalent - MLGIP	25,839,954	16,010,849
Total Cash and Cash Equivalents	68,023,156	75,480,915
Short-Term Investments	8,386,506	21,866,110
Total Cash and Short-Term Investments	$ 76,409,662	$ 97,347,025

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 $42,174,202 and $59,461,066 as of June 30, 2022 and 2021, respectively. Petty cash and cashier's change funds of $6,500 and $6,500 as of June 30, 2022 and 2021, respectively, are excluded from these amounts. In addition, private loans of $2,500 and $2,500 as of June 30, 2022 and 2021, respectively, are excluded from these amounts. Actual bank statement balances totaled $50,525,459 and $62,413,428 at the end of fiscal years 2022 and 2021, 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.

During the year, the College invested in certificates of deposit and U. S. government agency and instrumentalities securities. 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. 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.

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

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

Refer to Note 20 for descriptions of the fair value hierarchy.

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

Investment Type	Fair Value Hierarchy	Total	Investment Maturities (in Months) Less than 6	7-12	13 - 18
2022					
U.S. Agency:					
FHLB Discount Note	2	$ -	$ -	$ -	$ -
U.S. Treasury Notes	2	3,458,175	3,458,175	-	-
U.S. Treasury Bill	2	-	-	-	-
Negotiable Certificates of Deposit	n/a	-	-	-	-
Local Government Investment Pool	n/a	25,839,954	25,839,954	-	-
STIF and Money Market Funds	n/a	730,867	730,867	-	-
Equity Securities	1	1,834,013	1,834,013	-	-
Mutual Funds	1	2,363,451	2,363,451	-	-
Total		$ 34,226,460	$ 34,226,460	$ -	$ -

Investment Type	Fair Value Hierarchy	Total	Investment Maturities (in Months) Less than 6	7-12	13 - 18
2021					
U.S. Agency:					
FHLB Discount Note	2	$ -	$ -	$ -	$ -
U.S. Treasury Notes	2	7,048,160	-	7,048,160	-
U.S. Treasury Bill	2	6,996,042	-	6,996,042	-
Negotiable Certificates of Deposit	n/a	2,100,000	2,100,000	-	-
Local Government Investment Pool	n/a	16,010,849	16,010,849	-	-
STIF and Money Market Funds	n/a	410,577	410,577	-	-
Equity Securities	1	1,290,105	1,290,105	-	-
Mutual Funds	1	4,021,226	4,021,226	-	-
Total		$ 37,876,959	$ 23,832,757	$ 14,044,202	$ -

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

Investment Type	2022 S&P	2022 Moody's	2022 Fitch	2021 S&P	2021 Moody's	2021 Fitch
U.S. Agency:						
FHLB Coupon	-	-	-	AA+	AAA	AAA
U.S. Treasury Notes	AA+	AAA	AAA	AA+	AAA	AAA
Fed Farm Credit Bureau Coupon	-	-	-	AA+	AAA	AAA
Certificates of Deposit	-	-	-	NR	NR	NR

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

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

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, 2022 and 2021, 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.

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%

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

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

The College did not have any concentrations to disclose as of June 30, 2022 and 2021.

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 financial institutions chartered in the State of Maryland.

As of June 30, 2022, the College had federal agency securities held in the name of the College with PNC and Sandy Spring Bank to collateralize deposits of the College. As of June 30, 2021, 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, 2022 and 2021 was $12,509,197 and $8,184,593, 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.

Investments (MCF)

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

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	$ 29,585,394	$ 29,162,301	$ 29,050,136	$ 37,289,622

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, 2022, tuition and fees receivables are $23,672,779 with an allowance of $18,222,478, which nets to $5,450,301. As of June 30, 2021, tuition and fees receivables are $30,299,446 with an allowance of $18,393,241, which nets to $11,906,205.

NOTE 4 ACCOUNTS AND PLEDGES RECEIVABLES (MC AND MCF) (CONTINUED)

Pledges Receivable (MCF)

Pledges receivable at June 30 include amounts due in:

	2022	2021
Less Than One Year	$ 507,290	$ 699,766
One to Five Years	1,355,741	1,595,043
More Than Five Years	1,893,720	2,043,720
Total	3,756,751	4,338,529
Pledges Deemed Uncollectible	(14,758)	(24,185)
Present Value Discount	(1,627,400)	(1,682,696)
Total	$ 2,114,593	$ 2,631,648

The discount rate used on long-term promises to give was 3 percent in both 2022 and 2021. Pledges deemed uncollectible are approximately 3 percent of discounted unconditional promises to give at June 30, 2022 and 2021, 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, 2022 and 2021, the amount included in the pledge receivable balance was $203,177 and $187,700, 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.

NOTE 5 CHARITABLE REMAINDER TRUSTS (MCF) (CONTINUED)

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:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets Held for Charitable Gift Annuities	$ 2,929	$ 67,170	$ 70,099
Annuities Payable from Charitable Gifts	708,149	37,628	745,777
Net Assets (Liabilities)	$ (705,220)	$ 29,542	$ (675,678)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets Held for Charitable Gift Annuities	$ 4,495	$ 84,621	$ 89,116
Annuities Payable from Charitable Gifts	734,200	39,487	773,687
Net Assets (Liabilities)	$ (729,705)	$ 45,134	$ (684,571)

In order to offset the net liability, in fiscal year 2013, the Board directed funds without donor restriction 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, 2022 and 2021, the combined balances in these two funds totaled $889,751 and $1,139,757, respectively, and are recorded within investments on the Statements of Financial Position.

During the year ended June 30, 2022, no new split-interest agreements were created and one was extinguished. During the year ended June 30, 2021, no new split-interest agreements were created and none were extinguished. The total number of split-interest agreements were 11 and 12 as of June 30, 2022 and 2021, respectively.

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 2022 and 2021, respectively.

	Balance at June 30, 2021	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2022
Nondepreciable Assets				
Land	$ 36,744,587	$ -	$ -	$ 36,744,587
Construction in Progress - Buildings	144,001,449	40,646,972	(113,662,264)	70,986,157
Construction in Progress - Equipment	50,000	196,407	(50,000)	196,407
Construction in Progress - PIC MC	384,186	-	-	384,186
Construction in Progress - Software	15,353,747	-	(15,353,747)	-
Art Works	329,059	-	-	329,059
Total Nondepreciable Assets	196,863,028	40,843,379	(129,066,011)	108,640,396
Depreciable/Amortizable Assets				
Buildings	588,517,126	113,662,264	-	702,179,390
Equipment	94,862,572	3,524,169	(176,685)	98,210,056
Library Books	7,172,248	381,940	(197,773)	7,356,415
Right-to-use Leased Asset - Building	77,617,004	-	-	77,617,004
Right-to-use Leased Asset - Copiers	694,395	250,997	-	945,392
Software Commitments	12,822,955	18,275,165	-	31,098,120
Total Depreciable Assets	781,686,300	136,094,535	(374,458)	917,406,377
Less: Accumulated Depreciation and Amortization				
Buildings	217,272,994	18,519,978	-	235,792,972
Equipment	81,260,886	4,026,412	-	85,287,298
Library Books	4,892,109	359,846	(144,379)	5,107,576
Right-to-use Leased Assets	5,840,985	5,942,730	-	11,783,715
Software Commitments	8,495,004	2,960,490	-	11,455,494
Total Accumulated Depreciation and Amortization	317,761,978	31,809,456	(144,379)	349,427,055
Depreciable/Amortizable Assets, Net	463,924,322	104,285,079	(230,079)	567,979,322
Capital Assets, Net	$ 660,787,350	$ 145,128,458	$ (129,296,090)	$ 676,619,718

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

Capital Assets, Net (MC) (Continued)

	Balance at June 30, 2020	GASB 87 Accounting Change	Additions	Disposals / Transfers / Lease Retirements	Balance at June 30, 2021
Nondepreciable Assets					
Land	$ 36,744,587	$ -	$ -	$ -	$ 36,744,587
Construction in Progress - Buildings	132,622,675	-	19,026,447	(7,647,673)	144,001,449
Construction in Progress - Equipment	15,135	-	50,000	(15,135)	50,000
Construction in Progress - PIC MC	381,888	-	2,298	-	384,186
Construction in Progress - Software	9,461,658	-	5,892,089	-	15,353,747
Art Works	329,059	-	-	-	329,059
Total Nondepreciable Assets	179,555,002		24,970,834	(7,662,808)	196,863,028
Depreciable/Amortizable Assets					
Buildings	580,869,453	-	7,647,673	-	588,517,126
Equipment	90,437,806	-	4,518,450	(93,684)	94,862,572
Library Books	6,757,767	-	414,481	-	7,172,248
Right-to-use Leased Asset - Building	103,380,000	(25,762,998)	-	-	77,617,004
Right-to-use Leased Asset - Copiers	1,897,052	(1,202,657)	-	-	694,395
Software Commitments	7,788,017	-	5,034,938	-	12,822,955
Total Depreciable Assets	791,130,095	(26,965,655)	17,615,542	(93,684)	781,686,300
Less: Accumulated Depreciation and Amortization					
Buildings	202,570,496	-	14,702,498	-	217,272,994
Equipment	77,913,161	-	3,439,038	(91,313)	81,260,886
Library Books	4,540,733	-	351,376	-	4,892,109
Right-to-use Leased Assets	26,138,270	(26,138,270)	5,840,985	-	5,840,985
Software Commitments	6,528,874	-	1,966,130	-	8,495,004
Total Accumulated Depreciation and Amortization	317,691,534	(26,138,270)	26,300,027	(91,313)	317,761,978
Depreciable/Amortizable Assets, Net	473,438,561	(827,385)	(8,684,485)	(2,371)	463,924,322
Capital Assets, Net	$ 652,993,563	$ (827,385)	$ 16,286,349	$ (7,665,179)	$ 660,787,350

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:

	2022	2021
Salaries and Wages	$ 14,444,852	$ 17,265,533
Benefits	1,293,000	1,286,000
Services and Supplies	15,868,858	19,183,398
Payroll Withholding	1,062,269	804,135
Unclaimed Checks	555,105	533,640
Other	176,660	46,868
Total	$ 33,400,744	$ 39,119,574

NOTE 8 LONG-TERM LIABILITIES (MC)

Long-term liability activity for the years ended June 30 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
2022					
Workday Subscription-5 Year	$ 3,667,950	$ -	$ (916,988)	$ 2,750,962	$ 916,989
Workday Subscription-5 Year	360,000	-	(90,000)	270,000	90,000
Ad Astra Software Commitment	300,000	-	(150,000)	150,000	150,000
Compensated Absences	10,049,596	-	(1,014,496)	9,035,100	490,230
Lease Liabilities	74,985,752	3,506,583	(7,555,534)	70,936,801	4,740,388
Total	$ 89,363,298	$ 3,506,583	$ (9,727,018)	$ 83,142,863	$ 6,387,607

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
2021					
Workday Subscription - 5 year	$ 759,000	$ -	$ (759,000)	$ -	$ -
Workday Subscription - 4 year	50,143	-	(50,143)	-	-
Workday Subscription - 5 year	-	4,584,938	(916,988)	3,667,950	916,989
Workday Subscription - 5 year	-	450,000	(90,000)	360,000	90,000
Ad Astra Software Commitment	450,000	-	(150,000)	300,000	150,000
Compensated Absences	9,744,655	795,170	(490,229)	10,049,596	490,230
Lease Liabilities	78,311,398	4,212,974	(7,538,620)	74,985,752	4,046,886
Total	$ 89,315,196	$ 10,043,082	$ (9,994,980)	$ 89,363,298	$ 5,694,105

Software Commitments

The College has entered into software subscription agreements. As of June 30, 2022, future payments for the agreements are as follows:

Year Ending June 30,	Workday Subscription	Workday Subscription	Ad Astra Software	Total
2023	$ 916,988	$ 90,000	$ 150,000	$ 1,156,988
2024	916,988	90,000	-	1,006,988
2025	916,986	90,000	-	1,006,986
	$ 2,750,962	$ 270,000	$ 150,000	$ 3,170,962

Compensated Absences

Employees of the College earned $8,393,033 and $9,335,435 in annual and sick leave subject to termination pay-off at June 30, 2022 and 2021, 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 $642,067 and $714,160 for fiscal years 2022 and 2021, respectively. This amount has been included in the total compensated absences liability of $9,035,100 and $10,049,595 for fiscal years 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021 was $481,239 and $502,373, respectively.

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

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.

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, 2022 and 2021 was $574,440 and $661,273, 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.

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

c) Notes Payable – 2015

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.

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, 2022 and 2021 was $888,567 and $927,742, 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).

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

d) Certificates of Participation (Continued)

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.

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, 2022 and 2021 was $656,095 and $668,552, respectively.

Maturity dates and stated interest rates of the Bonds outstanding as of June 30, 2022 are as follows:

	2011 Bonds			2014 Bonds		2015 Bonds		2016 Certificates		
Fiscal Year Ending	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
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
2026	-	645,000	4.50	1,615,000	5.00	1,220,000	5.00	1,445,000	3.00	4,925,000
2027	-	670,000	4.60	1,695,000	5.00	1,275,000	5.00	1,490,000	3.00	5,130,000
Thereafter	6,840,000	755,000	Varies from 4% to 5%	5,500,000	Varies from 3% to 5%	15,885,000	Varies from 3.125% to 5%	15,025,000	Varies from 2% to 5%	44,005,000
Total	$ 6,840,000	$ 3,840,000		$ 13,200,000		$ 21,695,000		$ 21,925,000		67,500,000
									Unamortized discount	(407,428)
									Deferred Financing Costs	(542,313)
									Unamortized Premiums	3,170,028
									Notes Payable, Net	$ 69,720,287

NOTE 10 LEASES (MC)

Lessor

The College, acting as lessor, has leases under long-term, non-cancelable lease agreements. The leases expire at various dates through FY37 and provide for renewal options ranging from three months to five years. During the year ended June 30, 2022, the College recognized $545,266 and $15,390 in lease revenue and interest revenue, respectively, pursuant to these contracts. During the year ended June 30, 2021, the College recognized $535,005 and $16,212 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

	Principal	Interest	Total
2023	$ 572,343	$ (14,318)	$ 558,025
2024	547,916	(13,247)	534,669
2025	531,968	(12,182)	519,786
2026	516,382	(11,164)	505,218
2027	515,541	(10,149)	505,392
2028-2032	2,570,894	(35,504)	2,535,390
2033-2037	2,300,678	(10,093)	2,290,585
Total minimum lease receipts	$ 7,555,722	$ (106,657)	$ 7,449,065

Lessee

Building 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, 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 $1,029,873 and $1,030,872 during the years ended June 30, 2022 and 2021, respectively.

NOTE 10 LEASES (CONTINUED)

Lessee (Continued)

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, 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 $1,943,606 and $1,949,806 during the years ended June 30, 2022 and 2021, respectively.

The land on which the CAC was built is owned by the College.

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, 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 $1,921,900 and $1,901,100 during the years ended June 30, 2022 and 2021, 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.

NOTE 10 LEASES (CONTINUED)

Lessee (Continued)

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, 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 $1,407,499 and $1,417,631 during the years ended June 30, 2022 and 2021, respectively.

In addition, the College leases equipment and certain office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2047 and provide for renewal options ranging from three months to eleven years.

	Principal	Interest	Total
2023	$ 7,790,591	$ (3,050,203)	$ 4,740,388
2024	7,749,206	(2,832,729)	4,916,477
2025	7,746,079	(2,608,640)	5,137,439
2026	7,774,935	(2,373,950)	5,400,985
2027	7,774,834	(2,127,740)	5,647,094
2028-2032	32,358,046	(6,976,689)	25,381,357
2033-2037	17,353,750	(2,191,609)	15,162,141
2038-2042	4,277,500	(573,902)	3,703,598
2043-2047	856,800	(9,478)	847,322
Total minimum lease payments	$ 93,681,741	$ (22,744,940)	$ 70,936,801

Current	$ 4,740,388
Noncurrent	66,196,413
	$ 70,936,801

NOTE 11 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, 2022 and 2021 is $5,558,201 and $5,621,654, respectively.

NOTE 12 EXPENSES BY NATURAL CLASSIFICATIONS (MC)

The following table shows a classification of expenses for the years ended June 30 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	Contracted Services	Supplies	Scholarships	Utilities	Depreciation and Amortization	Other	Total
2022								
Instruction	$ 91,170,453	$ 2,088,231	$ 2,024,414	$ -	$ -	$ -	$ (2,456,095)	$ 92,827,003
Research	202,301	-	-	-	-	-		202,301
Academic Support	41,745,760	6,390,774	4,696,043	-	-	-	11,217,012	64,049,589
Student Services	31,094,186	2,130,849	740,465	-	-	-	(1,213,582)	32,751,918
Operation of Plant	23,423,940	5,249,434	2,027,707	-	6,813,343	-	(943,079)	36,571,345
Institutional Support	33,188,535	7,523,787	225,779	-	-	-	1,815,562	42,753,663
Scholarships and Related Expenses	-	-	-	32,674,103	-	-	-	32,674,103
Depreciation and Amortization	-	-	-	-	-	31,809,456	-	31,809,456
Auxiliary Enterprises	161,206	316,722	55,846	-	-	-	699,530	1,233,304
State Paid Benefits	15,527,127	-	-	-	-	-	-	15,527,127
Other	2,921,878	6,481,621	2,112,475	-	-	-	(189,236)	11,326,738
Total	$ 239,435,386	$ 30,181,418	$ 11,882,729	$ 32,674,103	$ 6,813,343	$ 31,809,456	$ 8,930,112	$ 361,726,547
2021 (As Restated)								
Instruction	$ 95,678,811	$ 1,583,546	$ 1,902,393	$ -	$ -	$ -	$ 2,935,291	$ 102,100,041
Research	245,009	-	-	-	-	-	889	245,898
Academic Support	42,545,982	2,588,706	2,488,586	-	-	-	3,494,118	51,117,392
Student Services	33,399,080	2,113,231	569,448	-	-	-	580,012	36,661,771
Operation of Plant	27,112,147	3,566,544	2,780,100	-	5,297,018	-	1,475,752	40,231,561
Institutional Support	39,060,229	5,037,163	184,408	-	-	-	63,149	44,344,949
Scholarships and Related Expenses	-	-	-	17,942,959	-	-	-	17,942,959
Depreciation and Amortization	-	-	-	-	-	24,286,523	2,672,798	26,959,321
Auxiliary Enterprises	433,262	-	-	-	-	-	-	433,262
State Paid Benefits	15,852,815	-	-	-	-	-	-	15,852,815
Other	2,457,462	4,346,790	1,819,110	-	-	-	-	8,623,362
Total	$ 256,784,797	$ 19,235,980	$ 9,744,045	$ 17,942,959	$ 5,297,018	$ 24,286,523	$ 11,222,009	$ 344,513,331

NOTE 13 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 two providers for the ORP which include the Teachers’ Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) 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 13 RETIREMENT PLANS (MC) (CONTINUED)

The College's total current payroll for the fiscal years ended June 30, 2022 and 2021 for all employees was $198,881,169 and $196,280,919, respectively. The approximate current covered payroll under each of the plans, which includes employees eligible under multiple plans, is as follows:

	2022		2021	
	Covered Payroll	Percent of Total Covered Payroll	Covered Payroll	Percent of Total Covered Payroll
MSRS	$ 84,444,289	56.75%	$ 88,384,153	56.34%
Optional Retirement Plan	64,221,195	43.16%	68,363,707	43.58%
Aetna	133,640	0.09%	133,640	0.09%
Total	$ 148,799,124	100.00%	$ 156,881,500	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 13 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.

Plan Description – 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 publicly available financial report that can be obtained at https://sra.maryland.gov/.

Benefits Provided – 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 13 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, 2022 and 2021 were $10,859,442 and $10,785,640, respectively. The fiscal 2022 and 2021 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 13 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, 2022 and 2021 was 6.73 percent and 6.75 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, 2022 and 2021 of $1,879,448 and $1,812,618, respectively.

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

Employees Retirement and Pension Systems

At June 30, 2022 and 2021, the College reported a liability of $12,340,896 and $17,939,287, respectively, for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the College's proportionate share was 0.08226 percent and 0.07937 percent, respectively.

For the years ended June 30, 2022 and 2021, the College recognized pension expense of $1,184,923 and $2,936,741, respectively. At June 30 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 900,899
Changes of Assumptions	2,383,061	249,973
Change in Proportion	1,499,775	222,205
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	5,678,107
Changes in Proportionate Share of Contributions	-	628
College Contributions Subsequent to the Measurement Date	1,879,448	-
Total	$ 5,762,284	$ 7,051,812

NOTE 13 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Employees Retirement and Pension Systems (Continued)

	2021	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 692,115
Changes of Assumptions	82,593	343,177
Change in Proportion	1,521,094	406,600
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,633,149	-
Changes in Proportionate Share of Contributions	7,772	999
College Contributions Subsequent to the Measurement Date	1,812,618	-
Total	$ 5,057,226	$ 1,442,891

Deferred outflows of resources of $1,879,448 and $1,812,618 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, 2022 and 2021, 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
2023	$ (822,400)
2024	(621,476)
2025	(841,763)
2026	(1,153,162)
2027	269,825

Teachers Retirement and Pension Systems

At June 30, 2022 and 2021, 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:

	2022	2021
State's Proportionate Share of the Net Pension Liability	$ 73,432,130	$ 118,986,582
College's Proportionate Share of the Net Pension Liability	-	-
Total	$ 73,432,130	$ 118,986,582

NOTE 13 RETIREMENT PLANS (MC) (CONTINUED)

a) Statewide Retirement Plans (Continued)

Teachers Retirement and Pension Systems (Continued)

The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates.

For the years ended June 30, 2022 and 2021, the College recognized pension expense of $10,859,442 and $10,785,640 and revenue of $10,859,442 and $10,785,640, 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, 2021	June 30, 2020
Inflation - General	2.25%	2.60%
Inflation - Wage	2.75%	3.10%
Salary Increases	2.75% to 9.25% including inflation	3.10% to 11.60%, including inflation
Investment Rate of Return	6.80%	7.40%
Mortality Rates	PUB-2010 Generational Mortality Table with Scale MP-2018 utilizing fully generational mortality improvement scale.	PUB-2010 Generational Mortality Table with Scale MP-2018 utilizing fully generational mortality improvement scale.

The economic and demographic actuarial assumptions used in the June 30, 2021 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, 2021. As a result, an investment return assumption of 6.80 percent and an inflation assumption of 2.25 percent were used for the June 30, 2021 valuation.

The economic and demographic actuarial assumptions used in the June 30, 2020 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, 2020. 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, 2020 valuation.

NOTE 13 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:

	2022		2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37 %	4.70 %	37 %	5.20 %
Credit Opportunity	9	2.60	9	2.80
Real Return	14	4.20	14	4.30
Absolute Return	8	2.00	8	1.80
Rate Sensitive	19	(0.40)	19	(0.30)
Private Equity	13	6.50	13	6.50
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, 2022 and 2021.

For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 26.69 percent and 3.50 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 6.80 percent and 7.40 percent as of June 30, 2021 and 2020, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 6.80 percent and 7.40 percent as of June 30, 2021 and 2020, respectively. 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 13 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 6.80 percent and 7.40 percent as of June 30, 2021 and 2020, respectively, 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
2021			
College's Proportionate Share of the Net Pension Liability	$ 21,018,276	$ 12,340,896	$ 5,143,067
2020			
College's Proportionate Share of the Net Pension Liability	$ 25,539,479	$ 17,939,287	$ 11,609,040

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, 2021. That report may be obtained by writing to the Montgomery College Benefits Office, 9221 Corporate Blvd, Rockville, Maryland 20850.

NOTE 13 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 the following employees were covered by the benefit terms:

	2022	2021
Inactive Employees or Beneficiaries Currently Receiving Benefits	200	210
Inactive Employees Entitled to but not yet Receiving Benefits	5	7
Active Employees	1	1
Total	206	218

Net Pension Liability

The College's net pension liability was measured as of June 30, 2021 and 2020, 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, 2021	June 30, 2020
Inflation	2.50 %	2.50 %
Salary Increases	3.00 %	3.00 %
Investment Rate of Return	4.00 %	4.00 %

Mortality rates were based on PUB-2010 Generational Mortality Table with Scale MP-2020 utilizing participant classifications based on employment category.

NOTE 13 RETIREMENT PLANS (MC) (CONTINUED)

b) 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, 2021	June 30, 2020
Corporate Industrial	54.00 %	51.00 %
Corporate Foreign	5.00	5.00
Corporate Utilities	7.00	8.00
Commercial Mortgage Backed	5.00	5.00
Government	2.00	4.00
Agency Mortgage Backed	2.00	2.00
Asset Backed	1.00	1.00
Corporate Financial	24.00	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, 2021 and 2020. 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, 2021 and 2020 have been 4.00 percent.

NOTE 13 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, 2021	$ 10,713,604	$ 15,288,835	$ 4,575,231
Changes for the Year:			
Service Cost	2,555	-	(2,555)
Interest Cost	410,940	-	(410,940)
Assumption Changes	(510,173)	-	510,173
Difference Between Expected and Actual Experience-Liability	(104,289)	-	104,289
Difference Between Expected and Actual Experience-Asset Side	-	(204,550)	(204,550)
Contributions - Employer			
Net Investment Income	-	591,745	591,745
Benefit Payments, Including Refunds of Employee Contributions	(894,046)	(894,046)	-
Other Changes	-	(106,117)	(106,117)
Net Changes	(1,095,013)	(612,968)	482,045
Balance - June 30, 2022	$ 9,618,591	$ 14,675,867	$ 5,057,276

	Total Pension Asset (Liability)	Increases (Decreases) Plan Fiduciary Net Position	Net Pension Asset (Liability)
Balance - June 30, 2020	$ 11,259,727	$ 14,620,999	$ 3,361,272
Changes for the Year:			
Service Cost	2,601	-	(2,601)
Interest Cost	432,350	-	(432,350)
Assumption Changes	(78,312)	-	78,312
Difference Between Expected and Actual Experience-Liability	4,408	-	(4,408)
Difference Between Expected and Actual Experience-Asset Side	-	1,117,546	1,117,546
Contributions - Employer	-	-	-
Net Investment Income	-	564,555	564,555
Benefit Payments, Including Refunds of Employee Contributions	(907,170)	(907,170)	-
Other Changes	-	(107,095)	(107,095)
Net Changes	(546,123)	667,836	1,213,959
Balance - June 30, 2021	$ 10,713,604	$ 15,288,835	$ 4,575,231

NOTE 13 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, 2021	3 %	4 %	5 %
Total Pension Liability	$ 10,426,300	$ 9,618,591	$ 8,915,936
Plan Fiduciary Net Position	(14,675,867)	(14,675,867)	(14,675,867)
Net Pension Asset	$ (4,249,567)	$ (5,057,276)	$ (5,759,931)
June 30, 2020	3 %	4 %	5 %
Total Pension Liability	$ 11,686,428	$ 10,713,604	$ 9,874,579
Plan Fiduciary Net Position	(15,288,835)	(15,288,835)	(15,288,835)
Net Pension Asset	$ (3,602,407)	$ (4,575,231)	$ (5,414,256)

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

For the years ended June 30, 2022 and 2021, the College recognized pension expense of $(880,038) and $(373,455), respectively. At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ -	$ 850,838
College Contributions Subsequent to the Measurement Date	-	-
Total	$ -	$ 850,838

	2021	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ -	$ 1,248,829
College Contributions Subsequent to the Measurement Date	-	-
Total	$ -	$ 1,248,829

NOTE 13 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
2023	$ (270,630)
2024	(438,518)
2025	(182,600)
2026	40,910

Payable to the Pension Plan

At June 30, 2022 and 2021, the College did not report any payables for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, the contributions made by the State of Maryland were $4,667,685 and $5,067,175, respectively, which has been included as both revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 14 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 (MCRBP) OPEB Trust Fund with the Montgomery County OPEB Trust Fund (CRHBT). The Consolidated Retiree Health Benefits Trust (CRHBT) is an agent multiple- employer defined healthcare benefits plan. 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, 2021 OPEB Trust Fund can be obtained at https://www.montgomerycountymd.gov.

NOTE 14 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:

	2022	2021
Plan Members or Beneficiaries Currently Receiving Benefit Payments	587	591
Inactive Plan Members Entitled to but not yet Receiving Benefit Payments	-	-
Active Plan Members	1,812	1,832
Total	2,399	2,423

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, 2022 and 2021, the College contributed $8,502,034 and $9,120,626, respectively, and the retirees contributed $2,836,112 and $2,415,219, respectively, in premiums.

Net OPEB Liability

For the year ended June 30, 2022, the College's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. For the year ended June 30, 2021, the College's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

NOTE 14 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Net OPEB Liability (Continued)

Actuarial assumptions. The total OPEB liabilities determined using the July 1, 2020 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	June 30, 2022	June 30, 2021
Valuation Date	July 1, 2021	July 1, 2020
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: 6.32% in 2021 with an ultimate rate of 4.50% in 2062 Post-65: 5.59% in 2020 with an ultimate rate of 4.50% in 2062	Pre-65: 6.55% in 2020 with an ultimate rate of 4.50% in 2062 Post-65: 5.73% in 2020 with an ultimate rate of 4.50% in 2062

Mortality rates used in the July 1, 2021 valuation were based on the PUB-2010 Generational Mortality Table with Scale MP-2021 utilizing “teachers” and “general” classifications per participant based on employment category.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 - June 30, 2021.

The assets of CRHBT are managed by the County. The following target allocation was adopted in the asset allocation policy as of June 30, 2022 and 2021 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 14 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, 2022 and 2021 are summarized in the following tables:

	2022		2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	18.25 %	2.20 %	16.80 %	3.40 %
International Equities	10.00	3.00	13.50	3.90
Emerging Market Equities	5.10	5.90	3.90	5.50
Global Equities	4.65	3.30	3.80	4.20
Private Equity	8.00	5.80	8.00	6.60
Credit Opportunities	2.00	4.20	2.00	4.10
High Yield Bonds	7.50	0.80	7.50	0.90
Emerging Markets Debt	2.50	1.70	2.50	1.00
Directional Hedge Funds	2.50	1.80	2.50	2.00
Long Duration Fixed Income	9.50	(0.60)	12.50	(0.80)
Cash	1.00	(0.90)	1.00	(1.20)
Diversifying Hedge Funds	2.50	1.70	2.50	2.00
Global ILs	16.50	2.50	13.50	1.90
Private Real Assets	5.00	4.40	5.00	4.90
Public Real Assets	5.00	2.90	5.00	3.90
Total	100.00 %		100.00 %	

Discount rate. The blended discount rate used to measure the total OPEB liability was 7.08 percent and 6.42 percent for years ended June 30, 2022 and 2021, respectively. The discount was the blended rate used the 20-year municipal bond rate to measure the liability for the period July 1, 2021, and 2020. 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 2077. 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, 2022 and 2021.

NOTE 14 POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (MC) (CONTINUED)

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance - June 30, 2021	$ 133,110,705	$ 66,868,925	$ 66,241,780
Changes for the Year:			
Service Cost	3,431,907	-	3,431,907
Interest	8,663,407	-	8,663,407
Differences Between Expected and Actual Experience	(1,718,552)	-	(1,718,552)
Assumption Changes	(7,923,342)	-	(7,923,342)
Contributions—Employer	-	9,120,626	(9,120,626)
Contributions—Employee	-		-
Net Investment Income	-	17,649,600	(17,649,600)
Benefit Payments	(3,247,681)	(3,247,681)	-
Administrative Expense	-	(349,945)	349,945
Net Changes	(794,261)	23,172,600	(23,966,861)
Balance - June 30, 2022	$ 132,316,444	$ 90,041,525	$ 42,274,919

	Total OPEB Liability (As Restated) (a)	Plan Fiduciary Net Position (As Restated) (b)	Net OPEB Liability (As Restated) (a)-(b)
Balance - June 30, 2020	$162,702,959	$58,323,168	$104,379,791
Changes for the Year:			
Service Cost	4,753,151	-	4,753,151
Interest	10,615,837	-	10,615,837
Differences Between Expected and Actual Experience	1,950,635	-	1,950,635
Assumption Changes	(43,694,687)	-	(43,694,687)
Contributions—Employer	-	8,957,846	(8,957,846)
Contributions—Employee	-		-
Net Investment Income	-	3,154,757	(3,154,757)
Benefit Payments	(3,217,190)	(3,217,190)	-
Administrative Expense	-	(349,656)	349,656
Net Changes	(29,592,254)	8,545,757	(38,138,011)
Balance - June 30, 2021	$ 133,110,705	$ 66,868,925	$ 66,241,780

NOTE 14 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, 2022	6.08 %	7.08 %	8.08 %
Total OPEB Liability	$151,403,753	$132,316,444	$116,656,589
Plan Fiduciary Net Position	90,041,525	90,041,525	90,041,525
Net OPEB Liability	$ 61,362,228	$ 42,274,919	$ 26,615,064

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2021 (As Restated)	5.42 %	6.42 %	7.42 %
Total OPEB Liability	$ 152,784,677	$ 133,110,705	$ 117,033,627
Plan Fiduciary Net Position	66,868,925	66,868,925	66,868,925
Net OPEB Liability	$ 85,915,752	$ 66,241,780	$ 50,164,702

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, 2022	3.50% - 5.32%	4.50% - 6.32%	5.50% - 7.32%
Total OPEB Liability	$116,134,930	$132,316,444	$152,507,835
Plan Fiduciary Net Position	90,041,525	90,041,525	90,041,525
Net OPEB Liability	$ 26,093,405	$ 42,274,919	$ 62,466,310

	1% Decrease	Current Trend Rate	1% Increase
June 30, 2021 (As Restated)	3.50% - 5.55%	4.50% - 6.55%	5.50% - 7.55%
Total OPEB Liability	$ 116,568,835	$ 133,110,705	$ 153,874,938
Plan Fiduciary Net Position	66,868,925	66,868,925	66,868,925
Net OPEB Liability	$ 49,699,910	$ 66,241,780	$ 87,006,013

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 14 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, 2022, the College recognized OPEB expense of $1,076,524. At June 30, 2022, 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	$ 1,448,541	$ 3,988,727
Changes of Assumptions	20,883,818	44,742,398
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	9,418,995
College Contributions Subsequent to the Measurement Date	9,171,104	-
Total	$ 31,503,463	$ 58,150,120

For the year ended June 30, 2021, the College recognized OPEB expense of $8,745,596. 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 (As Restated)	Deferred Inflows of Resources (As Restated)
Differences Between Expected and Actual Experience	$ 1,699,588	$ 3,042,330
Changes of Assumptions	26,091,752	44,797,824
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	153,812	-
College Contributions Subsequent to the Measurement Date	8,653,876	-
Total	$ 36,599,028	$ 47,840,154

NOTE 14 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)**

$8,653,876 and $9,141,104 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, 2023 and 2022, 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
2023	$ (5,767,489)
2024	(5,546,558)
2025	(5,494,557)
2026	(5,364,487)
2027	(7,369,767)
Thereafter	(6,274,903)
Total	$ (35,817,761)

NOTE 15 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, 2022 and 2021, the County made principal payments of $18,466,652 and $18,284,753, respectively, and interest payments of $9,140,244 and $9,326,015, 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:

	2022	2021
Montgomery County	$ 11,288,394	$ 5,774,614
State of Maryland	3,297,106	4,583,498
Total	$ 14,585,500	$ 10,358,112

NOTE 16 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, 2022, the College waived $1,093,072 in credit and $531,661 in noncredit tuition for senior, disabled, foster care, and National Guard students. During the year ended June 30, 2021, the College waived $1,052,562 in credit and $529,335 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 2022, the College waived $413,220 for its employees and their dependents. The total tuition amount waived for the College for the fiscal year ended 2022 is $2,037,953. For the fiscal year ended 2021, the College waived $550,827 for its employees and their dependents. The total tuition amount waived for the College for the fiscal year ended 2021 was $2,132,724.

NOTE 17 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 had no unrelated business income for the years ended June 30, 2022 and 2021.

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, 2022 and 2021.

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, 2022, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements.

NOTE 18 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, 2022, 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, 2022 and 2021 are as follows. Claims liabilities are included in accounts payable and accrued expenses on the Statements of Net Position.

Balance - June 30, 2020	$ 978,000
Claims and Changes in Estimates	19,647,654
Claims Payments	(19,339,654)
Balance - June 30, 2021	1,286,000
Claims and Changes in Estimates	19,573,504
Claims Payments	(19,566,504)
Balance - June 30, 2022	$ 1,293,000

NOTE 19 COMMITMENTS AND CONTINGENCIES (MC AND MCF)

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, 2022, payments for the contract agreements and purchase agreements for the next five years are as follows:

Year Ending June 30,	Amount
2022	$43,772,278
2023	20,250,560
2024	19,242,566
2025	14,292,858
2026	3,280,639
Total	$ 100,838,901

Construction in Progress Contracts (MC)

As of June 30, 2022 and 2021, there were uncompleted contracts amounting to $46,921,813 and $69,340,645, 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 currently is the defendant in four legal actions pending as of the issuance of these financial statements. 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.

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 20 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.

NOTE 20 FAIR VALUE (MC AND MCF) (CONTINUED)

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.

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:

	2022			
	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	$ 2,096,606	$ -	$ -	$ 2,096,606
Bond	5,585,613	-	-	5,585,613
Convertible	68,989	-	-	68,989
Equity	1,274,717	-	-	1,274,717
Fixed Income	2,480,429	-	-	2,480,429
Growth	4,312,969	-	-	4,312,969
International	3,127,759	-	-	3,127,759
Real Estate	2,455,561	-	-	2,455,561
Value	7,759,658	-	-	7,759,658
Subtotal	29,162,301	-	-	29,162,301
Assets Held for Charitable Gift Annuities				
Mutual Funds, by Type:				
Bond	10,906	-	-	10,906
Equity	2,229	-	-	2,229
Fixed Income	6,612	-	-	6,612
Growth	8,797	-	-	8,797
International	16,771	-	-	16,771
Real Estate	5,238	-	-	5,238
Value	19,546	-	-	19,546
Subtotal	70,099	-	-	70,099
Total Assets, at Fair Value	$ 29,232,400	$ -	$ -	$ 29,232,400

NOTE 20 FAIR VALUE (MC AND MCF) (CONTINUED)

Assets at Fair Value (MCF) (Continued)

	2021			
	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	$ 2,507,090	$ -	$ -	$ 2,507,090
Bond	1,798,831	-	-	1,798,831
Convertible	181,040	-	-	181,040
Equity	5,676,698	-	-	5,676,698
Fixed Income	5,824,632	-	-	5,824,632
Growth	9,748,435	-	-	9,748,435
International	5,674,146	-	-	5,674,146
Real Estate	2,470,797	-	-	2,470,797
Value	3,407,953	-	-	3,407,953
Subtotal	37,289,622	-	-	37,289,622
Assets Held for Charitable Gift Annuities				
Mutual Funds, by Type:				
Equity	21,281	-	-	21,281
Fixed Income	16,886	-	-	16,886
Growth	17,908	-	-	17,908
International	27,565	-	-	27,565
Real Estate	5,476	-	-	5,476
Subtotal	89,116	-	-	89,116
Total Assets, at Fair Value	$ 37,378,738	$ -	$ -	$ 37,378,738

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 20 FAIR VALUE (MC AND MCF) (CONTINUED)

Liabilities at Fair Value (MCF) (Continued)

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

	2022			
	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	$ -	$ -	$ 745,777	$ 745,777

	2021			
	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	$ -	$ -	$ 773,687	$ 773,687

NOTE 21 NET ASSETS WITH DONOR RESTRICTIONS (MCF)

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

	2022	2021
Subject to Expenditure for Specific Purpose:		
General Use Programs	$ 4,499,889	$ 4,212,141
Scholarships	3,304,091	2,991,964
Total	7,803,980	7,204,105
Endowments:		
Subject to Appropriation and Expenditure:		
General Use Programs	2,476,455	4,693,499
Scholarship	1,595,210	6,520,869
Total	4,071,665	11,214,368
Amounts Required to be Maintained in Perpetuity:		
Scholarship	20,037,871	19,384,952
General Use Programs	8,245,011	7,800,971
Student and Faculty Support	133,940	147,243
Annuity Funds	29,542	45,134
Total	28,446,364	27,378,300
Total Endowments	32,518,029	38,592,668
Total Net Assets with Donor Restrictions	$ 40,322,009	$ 45,796,773

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:

	2022	2021
Satisfaction of Purpose Restrictions:		
General Use Programs	$ 1,031,069	$ 900,418
Scholarship	2,647,723	2,802,138
Total Net Assets Released from Restrictions	$ 3,678,792	$ 3,702,556

NOTE 22 ENDOWMENT (MCF)

The Foundation's endowment consists of 320 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 (1) 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); and (2) a passive blended benchmark that is reflective of the portfolio guidelines. 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 22 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 5.0 percent of its endowment fund's average fair value over the prior 12 quarters, through March 31, 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:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ 38,592,668	$ 38,592,668
Contributions	-	927,161	927,161
Appropriations of Endowment Assets for Expenditures	(1,106)	(1,492,981)	(1,494,087)
Endowment Net Assets After Contributions and Expenditures	(1,106)	38,026,848	38,025,742
Net Investment Return	(43,665)	(5,508,819)	(5,552,484)
Subtotal	(44,771)	32,518,029	32,473,258
Endowment Net Assets - End of Year	$ (44,771)	$ 32,518,029	$ 32,473,258

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	$ -	$ 29,859,389	$ 29,859,389
Contributions	-	1,870,783	1,870,783
Appropriations of Endowment Assets for Expenditures	-	(1,134,289)	(1,134,289)
Endowment Net Assets After Contributions and Expenditures	-	30,595,883	30,595,883
Net Investment Return	-	7,996,785	7,996,785
Subtotal	-	38,592,668	38,592,668
Endowment Net Assets - End of Year	$ -	$ 38,592,668	$ 38,592,668

The donor-restricted endowment balances above include pledges receivables of $931,167 and $1,079,349 for the years ended June 30, 2022 and 2021, respectively. The donor-restricted endowment balances above also include net assets related to annuities of $29,542 and $45,135 as of June 30, 2022 and 2021, 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 22 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 $-0- were transferred to the Foundation's Without Donor Restrictions Fund on June 30, 2022 and 2021.

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 $299,541 and $-0- as of June 30, 2022 and 2021, respectively.

NOTE 23 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 2022 and 2021 were valued at $23,821 and $30,615, respectively, and are included in Other Noncash Contributions on the Statements of Activities.

NOTE 24 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 and for the years then ended are as follows:

	2022	2021
Assets		
Cash and Cash Equivalents	$ 828,421	$ 897,759
Current Investments	4,928,331	5,721,908
CIP - Land Development Cost	384,186	384,186
Total Assets	$ 6,140,938	$ 7,003,853
Liabilities and Net Position		
Accounts Payable and Accrued Liabilities	$ 15,318	$ 4,224
Current Unearned Revenue	63,462	63,462
Noncurrent Unearned Revenue	5,558,193	5,621,655
Unrestricted Net Position	503,965	1,314,512
Total Liabilities and Net Position	$ 6,140,938	$ 7,003,853
Revenue		
Land Lease Income	$ 63,462	$ 63,462
Investment and Interest Income	239,917	299,698
Unrealized Gains	(1,013,752)	626,005
Total Revenue	(710,373)	989,165
Expenses		
Contracted Services	68,572	-
Professional Fees	19,206	4,705
Other	12,396	38,636
Total Expenses	100,174	43,341
Increase in Net Position	(810,547)	945,824
Net Position - Beginning of Year	1,314,512	368,688
Net Position - End of Year	$ 503,965	$ 1,314,512

NOTE 25 CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF AN ERROR (MC)

Effective July 1, 2021 the College has adopted GASB Statement No. 87 (GASB 87) entitled, *Leases*. The purpose of GASB 87 is to recognize certain lease assets and liabilities for leases that previously were classified as operating leases as inflows of resources or outflows of resources recognized based upon 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 standard, a lessee is required to recognize a lease liability and an intangible right to use an asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

NOTE 25 CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF AN ERROR (MC) (CONTINUED)

GASB 87 has been applied retrospectively to all periods presented and results in the following restatement of prior year amounts.

Effective July 1, 2011, two plan provision changes were made effective: participant eligibility requirements as well as increased cost sharing for participants of *Postemployment Benefits Other than Pensions* and were not accounted for in the valuation as of the date of the change. Impact of the plan provision changes has been applied to all periods presented and results in the following restatement of prior year amounts.

	Balances as Previously Stated as of June 30, 2021	Effect of Implementation of GASB 87	Effect of Restatement of OPEB	Balances as Restated as of June 30, 2021
Net Position, Beginning of year	$ 540,274,666	$ (1,474,175)	$ 8,562,304	$ 547,362,795
Increase in net position	12,975,330	(2,736,829)	1,891,576	12,130,077
Net Position, End of year	553,249,996	(4,211,004)	10,453,880	559,492,872
Net Position:				
Net Investment in Capital Assets	588,920,022	(4,211,004)	-	584,709,018
Unrestricted	(35,670,026)	-	10,453,880	(25,216,146)
Net Position:	$ 553,249,996	$ (4,211,004)	$ 10,453,880	$ 559,492,872

NOTE 26 SUBSEQUENT EVENTS (MC AND MCF)

Management evaluated subsequent events through October 31, 2022, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to October 31, 2022, that provided additional evidence about conditions that existed at June 30, 2022, have been recognized in the financial statements for the year ended June 30, 2022. Events or transactions that provided evidence about conditions that did not exist at June 30, 2022, 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, 2022.

On August 24, 2022, the Board of Trustees entered into a ground lease with 19710 OBSERVATION DRIVE LLC (tenant). Prior to this agreement, the College executed a development agreement with 19710 OBSERVATION DRIVE LLC, dated as of June 10, 2019 (as amended), for the development, design, construction, financing, leasing, operation and maintenance of approximately 5.67 acres at 19710 Observation Drive, Germantown, Maryland 20876. Pursuant to the ground lease agreement, Montgomery College, as the landlord, conveyed a leasehold estate to this property to the tenant for certain allowable improvements for a term of 99 years for a base rent of an amount equal to the greater of $150,000 plus a multiple of rental square feet in excess of 130,000 square feet. Base rent increases will commence on the fifth anniversary of the base rent commencement date and on each fifth anniversary thereafter by a multiple of 1.10.

NOTE 26 SUBSEQUENT EVENTS (MC AND MCF) (CONTINUED)

On Monday, September 19, 2022, the Board of Trustees resolved to authorize the President of the College to complete negotiations for and execute a 15-year lease with IP DSC MOCO Westech, LLC, for the 55,193 rentable square foot building at 2221 Broadbirch Drive, Silver Spring, Maryland, at an annual triple-net rent of $22.50 per rentable square feet with an annual escalation of 2.5 percent, for a total base rent of $22,268,629 over 15 years, and that the lease is subject to annual appropriation of the College's budget. The lease will be built to suit with the landlord covering costs up to $122.50 per square feet of the costs of the buildout and the College covering any excess amount. Accordingly, on October 14, 2022, the lease was executed.

MONTGOMERY COLLEGE
SCHEDULES OF CHANGES IN THE COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS – GASB #75
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021 (As Restated)	2020 (As Restated)	2019	2018	2017	2016	2015	2014	2013
Total OPEB Liability										
Service cost	$ 3,431,907	$ 4,753,151	$ 6,132,544	$ 4,557,297	$ 4,744,380	N/A	Information prior to fiscal year 2017 was not available and the College will accumulate each year until 10 years of data becomes available.			
Interest cost	8,663,407	10,615,837	10,886,769	7,604,353	6,966,124	N/A				
Changes of benefit terms	-	-	(8,418,627)	-	-	N/A				
Differences between expected and actual experiences	(1,718,552)	1,950,635	(2,246,221)	(2,159,551)	-	N/A				
Changes of assumptions	(7,923,342)	(43,694,687)	(4,096,123)	41,715,554	(6,886,378)	N/A				
Benefit payments	(3,247,681)	(3,217,190)	(2,303,118)	(2,407,959)	(2,396,867)	N/A				
Net change in total OPEB Liability	(794,261)	(29,592,254)	(44,776)	49,309,694	2,427,259	N/A				
Total OPEB liability - beginning of year	133,110,705	162,702,959	162,747,735	113,438,041	111,010,782	N/A				
Total OPEB liability - end of year	$ 132,316,444	$ 133,110,705	$ 162,702,959	$ 162,747,735	$ 113,438,041	$ 111,010,782				
Plan Fiduciary Net Position										
Contributions- employer	$9,120,626	$8,957,846	$2,678,670	$2,959,959	$3,920,867	N/A				
Contributions- member		-	-	-	-	N/A				
Net investment income	17,649,600	3,154,757	4,310,925	4,790,544	5,158,139	N/A				
Benefit payments	(3,247,681)	(3,217,190)	(2,303,118)	(2,407,959)	(2,396,867)	N/A				
Administrative expense	(349,945)	(349,656)	(375,552)	(398,489)	(226,832)	N/A				
Other	-	-	-	-	-	N/A				
Net change in plan fiduciary net position	23,172,600	8,545,757	4,310,925	4,944,055	6,455,307	N/A				
Plan fiduciary net position - beginning of year	66,868,925	58,323,168	54,012,243	49,068,188	42,612,881	N/A				
Plan fiduciary net position - end of year	$ 90,041,525	$ 66,868,925	$ 58,323,168	$ 54,012,243	$ 49,068,188	$ 42,612,881				
Net OPEB Liability	$ 42,274,919	$ 66,241,780	$ 104,379,791	$ 108,735,492	$ 64,369,853	$ 68,397,901				
Net position as a percentage of OPEB liability	68.05%	50.24%	35.85%	33.19%	43.26%	38.39%				
Covered-employee payroll	$ 162,224,858	$ 159,006,457	$ 163,017,095	$ 162,110,506	$ 153,024,708	$ 156,386,137				
Net OPEB liability as a percentage of payroll	26.06%	41.66%	64.03%	67.07%	42.07%	43.74%				
Notes to Schedule										
Benefit changes - None										
Changes in assumptions - Discount rate:	7.08%	6.42%	6.38%	6.49%	6.51%					

2022 Changes

- A change in mortality improvement scale from Scale MP-2020 to MP-2021.
- A change in healthcare claims costs and trend rates.

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S OPEB CONTRIBUTIONS – GASB #75
YEARS ENDED JUNE 30, 2022 AND 2021

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	N/A*	$ 9,120,626	$ 8,957,846	$ 7,208,000	$ 6,685,000	$ 6,201,741	$ 5,327,809	Information prior to fiscal year 2017 was not available and the College will accumulate each year until 10 years of data becomes available.			
Contributions in relation to the actuarially determined contribution	9,171,104	9,120,626	8,957,846	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*	$ 162,224,858	$ 159,006,457	$ 163,017,095	$ 162,110,506	$ 153,024,708	$ 156,386,137				
Contributions as a % of payroll	N/A*	3.15%	5.63%	1.64%	1.83%	2.56%	3.15%				

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	Projected unit credit with 30-year open amortization period for unfunded accrued liability
Amortization method	Actuarial changes amortized over future working lifetime
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	Pre-65: 6.32% for 2021 with an ultimate rate of 4.50% in 2062 65+: 5.59% for 2021 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

* The information for the 2021 Actuarially determined contribution and the related data will become available upon completion of the next actuarial valuation.

MONTGOMERY COLLEGE
SCHEDULES OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021	2020	2019	2018	2017	2016	2015
Employees' Retirement and Pension System:								
College's proportion of the net pension liability	0.082260%	0.079373%	0.777400%	0.758710%	0.671106%	0.705858%	0.671060%	0.583723%
College's proportionate share of the net pension liability	$ 12,340,896	$ 17,939,287	$ 16,034,349	$ 15,918,950	$ 14,511,796	$ 16,654,033	$ 13,957,122	$ 10,359,173
College's covered employee payroll	$ 17,781,004	$ 18,186,094	$ 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	69.40%	98.64%	87.25%	88.09%	84.03%	96.44%	82.02%	67.66%
Plan fiduciary net position as a percentage of the total pension liability	76.76%	66.29%	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%	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	73,432,130	118,986,582	112,803,138	118,776,214	123,398,174	121,506,969	92,046,440	69,065,207
Total	$ 73,432,130	$ 118,986,582	$ 112,803,138	$ 118,776,214	$ 123,398,174	$ 121,506,969	$ 92,046,440	$ 69,065,207
College's covered employee payroll	$ 68,090,949	$ 68,371,489	$ 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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	85.40%	73.84%	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%	100.00%	100.00%
College's proportionate share of the net pension (asset) liability	$ (5,057,276)	$ (4,575,231)	$ (3,361,272)	$ (2,553,823)	$ (2,680,419)	$ (1,005,484)	$ 254,019	$ (1,213,552)
College's covered employee payroll	$ 133,640	$ 129,750	$ 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	-3784.25%	-3526.19%	-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	152.58%	142.70%	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, 2022 AND 2021

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Employees' Retirement and Pension System										
Contractually required contribution	$ 1,879,448	$ 1,812,618	$ 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	(1,879,448)	(1,812,618)	(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	$ 16,184,045	$ 17,781,004	$ 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	11.61%	10.19%	9.36%	8.69%	8.37%	7.91%	8.08%	8.62%	8.85%	8.69%

	2022	2021	2020	2019**	2018*	2017*	2016*	2015*	2014*	2013*
Teachers Retirement and Pension System										
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 68,090,949	$ 70,603,149	$ 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%

	2022	2021	2020	2019**	2018*	2017*	2016*	2015*	2014*	2013*
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	$ 133,640	$ 133,647	$ 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%	0.00%	0.00%

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

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 2021 valuation:

- Inflation assumptions changed from 2.60% general to 2.25% and 3.10% wage to 2.75%
- Salary increase assumption decreased from 3.10% -11.6% to 2.75% - 9.25%

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 2021 valuation:

- A change in the mortality improvement scale from Scale MP-2019 to Scale MP-2020.
- A change in the annual Cost-of-Living Adjustments from 3.0% to 2.5%.

Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the 2020 valuation:

- A change in the mortality assumption from a blend of 55% of the 2010 base rates from the PUB-2010 mortality study general employees table and 45% of the 2010 base rates from the PUB-2010 mortality study teachers table with the blended table projected generationally from 2010 with scale MP-2018 to the PUB-2010 general employees and teachers table applied per participant based on employment category projected generationally from 2010 with scale MP-2019.