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**HOWARD COMMUNITY COLLEGE
(A COMPONENT UNIT OF HOWARD COUNTY, MARYLAND)**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



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**HOWARD COMMUNITY COLLEGE
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2025**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	20
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	22
STATEMENT OF CASH FLOWS	24
NOTES TO FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – MARYLAND STATE RETIREMENT AND PENSION SYSTEMS	57
SCHEDULE OF CONTRIBUTIONS – MARYLAND STATE RETIREMENT AND PENSION SYSTEMS	58
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS	59
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – HOWARD COUNTY GOVERNMENT	60
SCHEDULE OF OPEB CONTRIBUTIONS – HOWARD COUNTY GOVERNMENT	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB	62



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Howard Community College
Columbia, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Howard Community College (the College), a component unit of Howard County, Maryland, as of and for the year ended June 30, 2025, 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 and the discretely presented component unit of the College, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 audit. 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 Howard Community College Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Howard Community College's Proportionate Share of the Net Pension Liability, the Schedule of Howard Community College's Contributions-Maryland State Retirement and Pension Systems, the Schedule of Howard Community College's Proportionate Share of the Net OPEB Liability- Howard County Government, and the Schedule of Howard Community College's Contributions- Howard County Government- Other Post Employment Benefits (OPEB), 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2025, 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 result 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

Baltimore, Maryland
November 5, 2025

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Overview and Basis of Presentation

The following discussion and analysis provides an overview of Howard Community College's (referred to throughout as the "College" or "HCC") planning, enrollment, and financial activities. The intent of this section of the annual financial report is to provide an objective analysis of the College's financial activities based on currently known facts, decisions, or conditions that impacted the operations of the College during fiscal year (FY) 2025. In addition, this section will assist in assessing the financial position of the College and provide information about significant changes that have occurred. Finally, it presents an outlook on known conditions that may affect the College's financial position or operations in the coming years.

The College has presented the statements in accordance with accounting standards generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB).

Comparative financial data is not presented in the financial statements; however, the College's comparative data is presented and discussed within this management discussion and analysis.

College Planning and Strategic Goals

The financial statements for the year ended June 30, 2025, reflect the financial results of the activities of the College which are guided by the College's strategic planning and budgeting process. The strategic plan and the College's core work set the stage for the operational and financial goals the College expects to achieve. Long- and short-term goals guide staff throughout the year and into the future.

Mission: Providing pathways to success

Vision: A place to discover greatness in yourself and others

Values: INSPIRED

Innovation

Nurturing

Service and Sustainability

Partnerships

Integrity

Respect

Excellence

Diversity, Equity, and Inclusion

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

College Planning and Strategic Goals *(continued)*

The strategic goals of the College are implemented for a five-year period, 2021-2025, with 2021 as the base year. Each year during the budgeting process, funds are allocated to achieve these initiatives. The bullets below detail high level key accomplishments of the College this past fiscal year.

- Advocated for \$16,916,000 from both the county and state in addition to the College's contribution of \$3,616,000 to begin construction on the Workforce Development and Trades Center. Additionally, \$1 million was secured from the county for systematic renovations, resulting in a total FY 2026 capital budget of approximately \$20.5 million.
- On the operating side, the board of trustees advocated for an increase of 4.95 percent from the county and received a 1.56 percent decrease from the state, which allowed the College to maintain its in-county tuition with no increase. The board of trustees also was able to support a 4 percent salary pool for increases in salaries for eligible budgeted and hourly employees. The operating budget will continue to fund health benefits for budgeted faculty and staff at a college contribution level of approximately 90 percent, one of the among Maryland community colleges.
- Conferred graduates who earned a total of 1,236 degrees and certificates.

Enrollment Statistics and Analysis

For the year ended June 30, 2025, the College served approximately 14,493 credit and 8,757 noncredit students. Student enrollment data is defined and reported annually to the Maryland Higher Education Commission in terms of full-time equivalent (FTE) students. One FTE represents 30 hours of instruction. FTE is the basis for comparison among the various state colleges and is, in part, what determines the College's state funding.

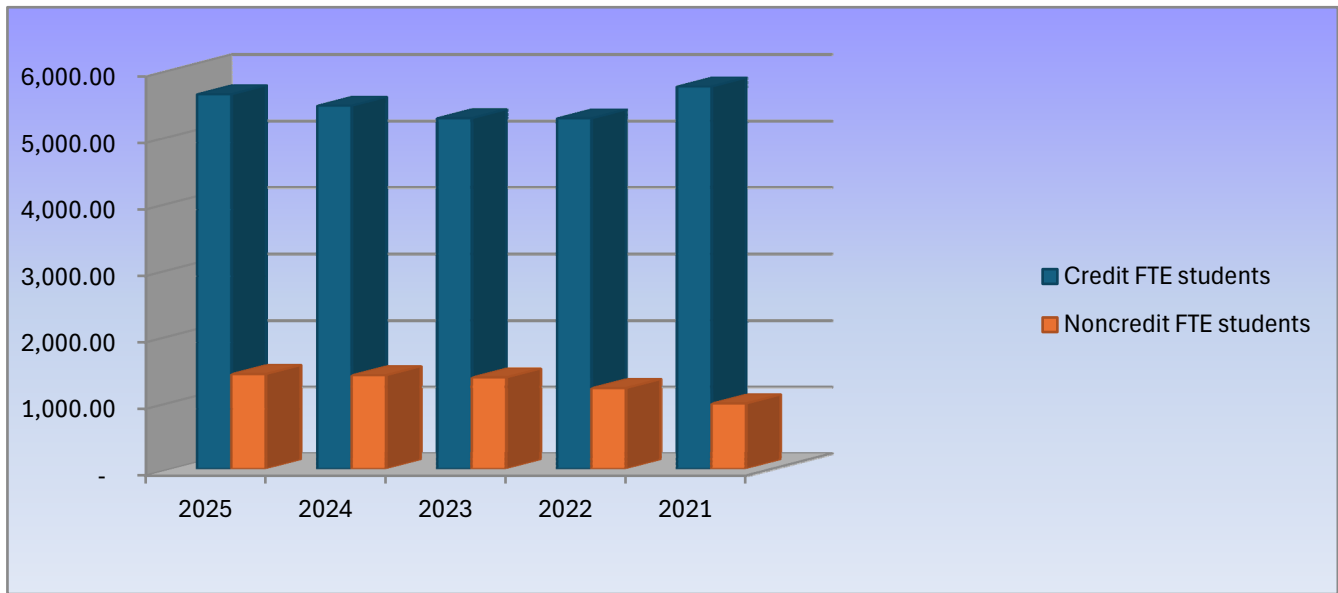
During FY25, the state approved credit and noncredit enrollments were 5,419.87 and 1,109.42 FTE. As compared to the prior year, this is an increase of 161.00 credit FTE and a decrease of 4.42 noncredit FTE. State-funded FTE do not include out-of-state students, employees who took classes, and other students determined ineligible by the state. Overall, total credit FTE of 5,631.94 increased 171.57 FTE, or 3.1 percent. Total noncredit FTE of 1,423.20 increased by 17.51 FTE, or 1.2 percent. Together this resulted in a total increase in FTE of 189.08, or 2.8 percent. The College anticipated enrollments to decline 2 percent in FY25. Nationwide, community colleges are continuing to experience declining enrollments.

HOWARD COMMUNITY COLLEGE **MANAGEMENT'S DISCUSSION AND ANALYSIS** **JUNE 30, 2025**

Enrollment Statistics and Analysis (continued)

Dually enrolled students receive a 50 percent tuition discount from the College, and eligible dually enrolled Howard County Public School System (HCPSS) students receive an additional 50 percent tuition discount as well as fees and books paid for by HCPSS. These students continue to support the College's overall FTE. In FY25, dual enrollment grew by 0.1 percent, representing 14.6 percent of total credit area.

The following chart shows total FTE as opposed to state-funded FTE for fiscal years 2021 through 2025. The 325.48 FTE increase was 4.8 percent for this five-year period.



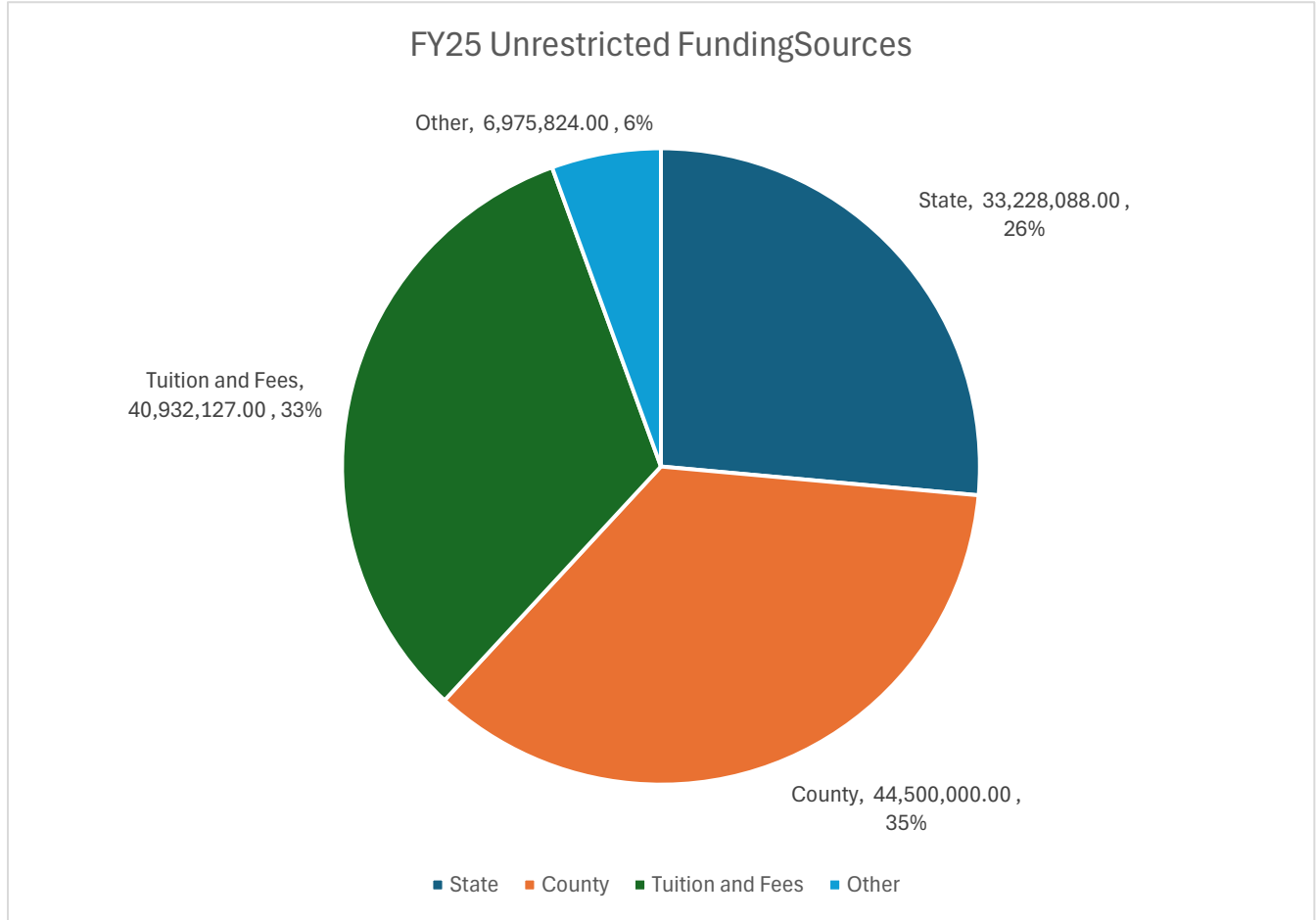
	2025	2024	2023	2022	2021
Credit FTE students	5,632	5,460	5,273	5,271	5,748
Noncredit FTE students	1,423	1,406	1,373	1,212	982
Total FTE	7,055	6,866	6,646	6,483	6,730

Economic Impact

The College's operating fund economic stability comes primarily from three revenue sources: tuition and fees from students and funding appropriations from Howard County Government and the State of Maryland. The original intent was that one-third of the College's operating funds would come from each of these sources. However, as shown in the following chart for FY25, actual unrestricted revenue was 33 percent from students, 35 percent from the county, 26 percent from the state, and the remaining 6 percent coming from auxiliary and miscellaneous revenue.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Economic Impact *(continued)*



The College's FY25 per credit hour tuition rate remained flat over the prior year for in-county students and increased by 8 and 27 dollars for out-of-county and out-of-state students, respectively. State requirements control the increase for out-of-county and out-of-state students. The student share of actual unrestricted revenue remained the same as the prior year.

State funds are distributed through the Cade funding formula, with community colleges receiving a percentage of what the four-year institutions receive in funding from the state. The College received a decrease of \$0.42 million, or an overall 1.3 percent decrease over the prior year budget. While the College received a decrease in funding from the state, the state is still not covering one-third of the College's revenue. The state's share of unrestricted revenue in FY25 was 26 percent, representing a 4% shortfall of what the state was intended to fund.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Economic Impact *(continued)*

The College received a 0.2 percent, or \$89,544 decrease in FY25 operating funding from the county. The county's funding percentage of actual unrestricted revenue declined one percent from 36 percent to 35 percent as a result of decreased state funding.

Revenue from auxiliary services and miscellaneous revenue increased 4.9 percent, primarily due to increases in bookstore receipts. The percentage share of actual unrestricted auxiliary and miscellaneous revenue remained at 6 percent.

The College's restricted fund typically fluctuates from year to year depending on the number of grants and restricted funds the College receives. In FY25 the College saw an 11 percent increase in restricted fund revenues. This increase is primarily a result of federal funding for scholarships.

Financial Statement Highlights and Analyses

The financial statements, as prepared in accordance with accounting principles generally accepted in the United States of America as established by the Government Accounting Standards Board (GASB) are designed to present the College as a whole unit, consolidating the various funds (operating, workforce, career, community education, special, auxiliary, and facilities) and emulating corporate financial statements. The purpose of the statement of net position is to identify the College's financial and capital resources in one consolidated statement. The statement of revenue, expenses, and changes in net position identifies the College's operating revenue and expenses for its various programs and shows the support the College receives from Howard County Government, the State of Maryland, and various federal, state, and local grant programs. This statement also highlights spending in the various functional areas. Finally, the statement of cash flows identifies sources and uses of cash, and the change in the cash balance from the previous fiscal year.

Beginning in FY18, Howard County Government required the College, and other county component units, to record its respective portion of the Other Postemployment Benefits (OPEB) liability. The most recent liability was measured as of June 30, 2024, and calculated for each entity independently. This change resulted in a negative fiscal impact to the College's financial position. The FY25 ending unrestricted fund deficit and net assets were reduced by \$36.8 million for the College's proportionate FY24 net OPEB liability. It should be noted that the county has always funded this liability and intends to do so in the future. The net OPEB liability saw a decrease in FY25 primarily due to a change in deferred inflows from expected and actual and change in projected and actual experience to the OPEB trust. This is explained in the OPEB footnote disclosure and supplemental information. Together, the increase in capital assets and reduction in OPEB liability attributed to the overall net position increase.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

Despite this liability being included in the College's financial statement, the College was able to end the year with a positive unrestricted net position. At the end of FY25, the College was able to hold funds for future planned projects. These initiatives have helped to increase the College's overall net position.

The total net position of the College saw a 9 percent increase over the prior year. The College continues to make improvements to its current facilities with major renovations. With the major construction associated with the Mathematics and Athletics Complex, the College saw an 21 percent increase in capital asset investments.

Operating revenue saw a decrease of 5 percent and is attributed to increased scholarships for tuition and fees. Auxiliary sales saw a modest increase in the café and vending services. Commissions from the bookstore saw declines as well due to declining sales of course materials and textbooks. Operating expenses increased 1 percent from the prior year. This increase is primarily associated with increased fringe benefits paid by directly by the state. Non-operating revenue saw an overall increase of 5 percent and is primarily a result of higher federal grant revenue, increased county and state appropriations as well as stable interest income. Capital appropriations decreased about 35 percent while construction finishes up for the Mathematics and Athletics Complex project.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Variance</u>
ASSETS			
Current assets	\$ 166,660,586	\$ 148,137,156	\$ 18,523,430
Non-current assets, net	<u>335,438,340</u>	<u>320,895,621</u>	14,542,719
Total Assets	<u>502,098,926</u>	<u>469,032,777</u>	33,066,149
Deferred outflows of financial resources			
- pension	1,423,516	954,148	469,368
- other post-employment benefits	<u>5,184,334</u>	<u>9,245,309</u>	(4,060,975)
Total Deferred Outflows of Financial Resources	<u>6,607,850</u>	<u>10,199,457</u>	(3,591,607)
LIABILITIES			
Current liabilities	66,026,380	55,766,741	10,259,639
Non-current liabilities	<u>27,704,438</u>	<u>39,342,927</u>	(11,638,489)
Total Liabilities	<u>93,730,818</u>	<u>95,109,668</u>	(1,378,850)
Deferred inflows of financial resources			
- pension	175,370	1,050,749	(875,379)
- other post-employment benefits	<u>24,632,342</u>	<u>24,881,540</u>	(249,198)
Total Deferred Inflows of Financial Resources	<u>24,807,712</u>	<u>25,932,289</u>	(1,124,577)
NET POSITION			
Net investment in capital assets	327,255,619	270,648,452	56,607,167
Restricted funds, expendable	36,915	14,167	22,748
Unrestricted	<u>62,875,712</u>	<u>87,527,658</u>	(24,651,946)
Total Net Position	<u>\$ 390,168,246</u>	<u>\$ 358,190,277</u>	<u>\$ 31,977,969</u>

- The designation of the unrestricted net position of \$62,875,712 as of June 30, 2025, is as follows:

Designations of unrestricted net position	<u>June 30, 2025</u>
Emergency and board reserve	\$ 30,100,000
Student success and academic projects	4,000,000
Technology and unplanned capital repairs	20,414,575
Talent cultivation	1,000,000
Strategic planning and future proofing	16,000,000
Facility funds	19,998,831
Unfunded pension, benefits, and absences	<u>(28,637,694)</u>
Total unrestricted net position	<u>\$ 62,875,712</u>

- The net investment in capital assets of \$327,255,619 is net of related debt that includes bond debt to Howard County of \$7,176,073 and accounts payable related to construction of \$281,342.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

- Net assets with donor restrictions are those whose use by the Foundation has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, 2025, there was \$23,236,343 in net assets with donor restrictions for a specific time period or purpose.
- *Total assets* increased \$33.1million, a 7 percent increase over the prior year. The primary increase in *current assets* was in cash and cash equivalents attributable to increased revenue throughout the year. *Non-current assets* also saw an increase of 5 percent primarily due to the increase in construction in progress (CIP) associated with the Kahlert Foundation Complex (KC).
- The increase in *non-current assets* is net of depreciation. Capital assets include land, buildings, renovation costs, furniture, equipment, software, library books, leaseholds, land improvements and CIP. CIP, as of June 30, 2025, totaled \$103.3 million, which is the accumulated costs associated with the Kahlert Foundation Complex of \$99.1 million and the Workforce Development Trade Center costs of \$4.1 million.
- *Total liabilities* decreased by \$1.4 million, or 1 percent from the prior year. The primary decrease in liabilities is associated with the decrease in the current liability associated with the retainage payable for construction.
- *Non-current liabilities* include the College's portion of the state pension liability for certain employees, the OPEB liability, lease and subscription-based information technology arrangement (SBITA) liability, and bond debt. The College's bond debt decreased by 9 percent. The bonds are held by the county on behalf of the College and provided funding for the garage and other capital assets. The debt repayment schedule is detailed in Note 9 of the financial statements. The OPEB liability decreased \$10.9 million, or 39 percent, primarily due to a change in deferred inflows. More information about the OPEB liability is found in Note 12.
- Deferred outflows of financial resources decreased 35 percent and deferred inflows of financial resources decreased 4 percent. These items are related to the College's pension liability for certain employees, discussed in note 11 of the financial statements, and the OPEB liability, discussed in note 12 of the financial statements.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

- These changes resulted in an increase in the College's *net position* of \$19.1 million, an increase of 5 percent from the prior year.
- The College's *unrestricted net position* is internally designated as outlined in the previous chart. The College's unrestricted net position is now \$63.7 million, a change of \$13.6, or a 27 percent increase over the prior year. The College was able to hold funds for future projects which have helped to increase the College's overall net position.

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Variance</u>
Total Operating Revenue	\$ 27,179,048	\$ 28,541,294	\$ (1,362,246)
Operating Expenses			
Instruction	45,058,970	45,978,786	(919,816)
Public service	1,026,230	1,008,042	18,188
Academic support	13,883,272	13,434,361	448,911
Student services	11,166,699	9,166,913	1,999,786
Facilities	11,934,657	12,913,940	(979,283)
Institutional support	19,753,701	16,680,194	3,073,507
Scholarships and related expenses	2,289,049	2,937,387	(648,338)
Auxiliary enterprises	1,869,324	1,540,240	329,084
Certain fringe benefits paid directly by the state	5,315,496	4,256,825	1,058,671
Depreciation	11,553,145	13,423,873	(1,870,728)
Amortization on right to use asset	864,652	1,566,822	(702,170)
Total operating expenses	<u>124,715,195</u>	<u>122,907,383</u>	<u>1,807,812</u>
Operating loss	<u>(97,536,147)</u>	<u>(94,366,089)</u>	<u>(3,170,058)</u>
Non-operating Revenue (Expenses)			
Government appropriations	77,550,277	75,974,559	1,575,718
Grants and contracts	19,208,166	17,077,264	2,130,902
In-kind contributions and certain fringe benefits paid directly by government	6,009,134	5,288,369	720,765
Loss on disposal of assets	4,345	916	3,429
Investment income	4,858,112	4,990,567	(132,455)
Interest on debt to Howard County	(296,458)	(627,599)	331,141
Interest expense - lease/SBITA expense	(33,066)	(67,968)	34,902
Net Non-Operating Revenue	<u>107,300,510</u>	<u>102,636,108</u>	<u>4,664,402</u>
Income (Loss) before capital appropriations	9,764,363	8,570,019	1,194,344
Capital appropriations	<u>22,213,606</u>	<u>33,954,166</u>	<u>(11,740,560)</u>
Change in net position	31,977,969	42,524,185	(10,546,216)
Net position, beginning of year	<u>358,192,109</u>	<u>315,667,924</u>	<u>42,524,185</u>
Net Position, End of Year	<u>\$ 390,170,078</u>	<u>\$ 358,192,109</u>	<u>\$ 31,977,969</u>

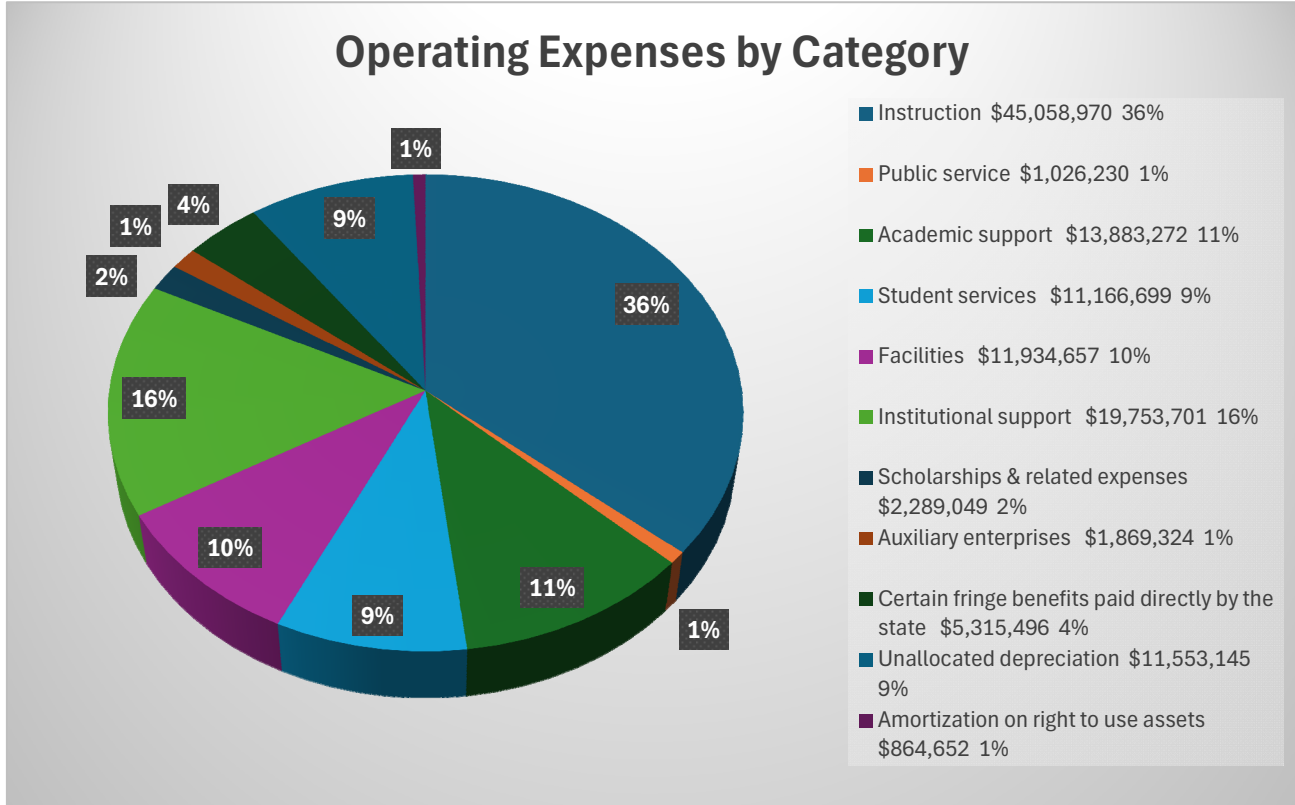
**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

- *Operating revenue* saw a decrease of \$1.4 million over the prior year. This decrease is primarily due to the increased scholarships for students to offset the tuition and fee cost.
- Total *operating expenses* increased \$1.8 million or 1 percent over the prior year. Instruction and academic support together represent 47 percent of expenditures, which is a one percent decrease when compared to the prior year. Student services saw an increase of 22 percent. Scholarships and related expenditures saw a decrease of \$648,000.
- *Non-operating revenue* had a 5 percent, or \$4.7 million increase from the prior year. The county appropriation increased about five percent, and the state appropriation decreased 1.5 percent.
- *Grants and contracts* increased \$2.1 million, or 12 percent from the prior year.
- *Government appropriations* decreased \$1.6 million, or 2 percent from the prior year.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

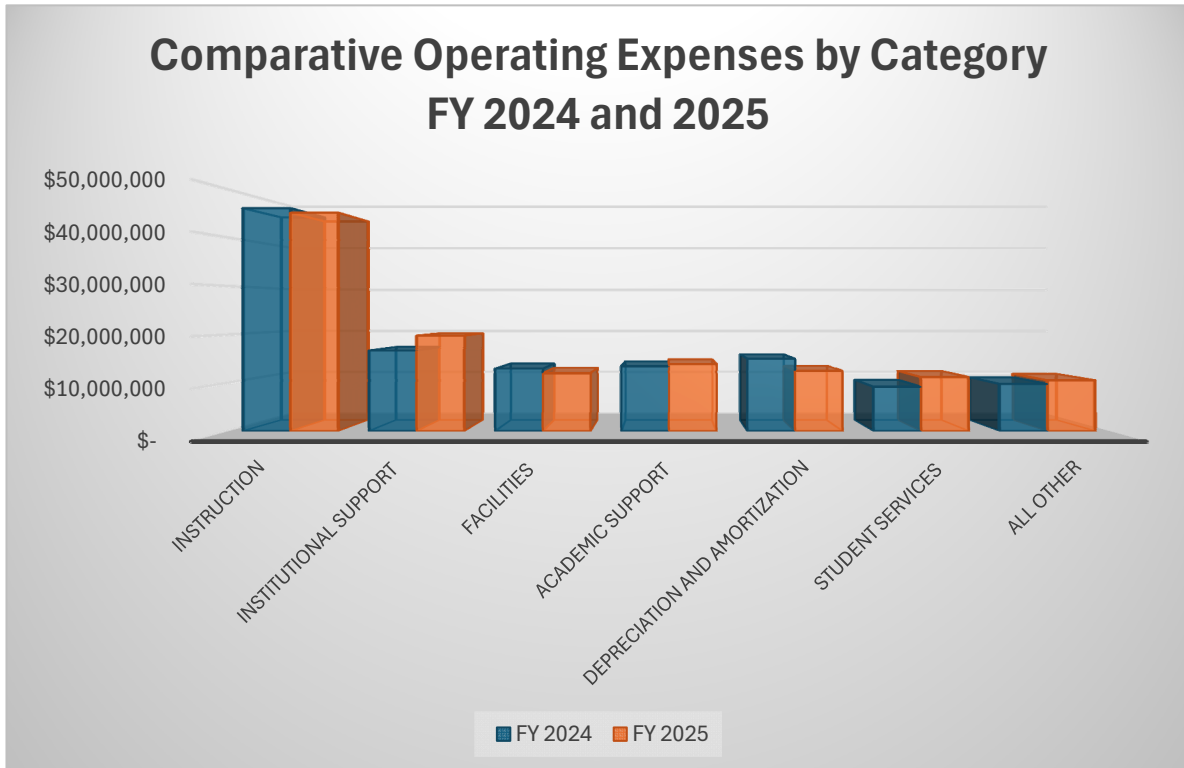
Financial Statement Highlights and Analyses *(continued)*



**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

- Operating expenses, with the exception of Institutional support, Student services, and Depreciation and amortization, remained relatively flat over the last fiscal year as demonstrated in the chart below:



**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Dollar Variance</u>
Cash Flows from Operating Activities			
Net cash used by operating activities	<u>\$ (77,320,680)</u>	<u>\$ (65,337,803)</u>	<u>\$ (11,982,877)</u>
Cash Flows from Non-Capital Financing Activities			
Net cash provided by non-capital financing activities	<u>96,758,443</u>	<u>93,033,857</u>	<u>3,724,586</u>
Cash Flows from Capital Financing Activities			
Net cash used by capital financing activities	<u>(15,834,146)</u>	<u>(15,000,523)</u>	<u>(833,623)</u>
Cash Flows from Investing Activities			
Net cash provided by investing activities	<u>4,858,112</u>	<u>4,990,567</u>	<u>(132,455)</u>
Net increase in cash and cash equivalents	<u>8,461,729</u>	<u>17,686,098</u>	<u>(9,224,369)</u>
Cash and cash equivalents, beginning of year	<u>103,644,878</u>	<u>85,958,780</u>	<u>17,686,098</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 112,106,607</u></u>	<u><u>\$ 103,644,878</u></u>	<u><u>\$ 8,461,729</u></u>

- Cash and cash equivalents increased \$8.5 million, or 8 percent from the prior year.
- The primary inflow of cash from operations continues to come from student tuition and fees. This inflow had a 13 percent decrease for the year, due to slightly higher receivables. The primary outflows of cash from operations are supplier payments, employee compensation, and employee benefits costs. These outflows collectively increased 8.2 percent over the prior year. As a result, *net cash used in operating activities* increased 18 percent.
- State and local appropriations are typically the primary cash inflows from *non-capital financing activities*. Other funds come from grants and contracts. The county increased 1 percent, and the state decreased 2 percent over the prior year and grant receipts increased 12 percent. The changes resulted in an increase in net cash provided by *non-capital financing activities* of 4 percent over the prior year.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Financial Statement Highlights and Analyses *(continued)*

- *Capital financing activities* include resources received from the county and state for the College's capital projects, purchase of capital assets, and the issuance and repayment of debt. Cash receipts for appropriations decreased 48 percent over the prior year, expenditures on capital projects decreased 28 percent and bond interest expense payments decreased 10 percent and bond principal payments increased 9 percent. Interest expense on leases/SBITAs decreased 51 percent and principal payments on leases decreased 46 percent.

The College believes that its liquidity position as of June 30, 2025, is adequate. The College's current assets are deemed to be sufficient to pay its current liabilities as of June 30, 2025.

As the College collects the majority of its tuition revenue at the beginning of each term and receives its grants and appropriations regularly, liquidity should not be an issue for the next fiscal year.

Economic Factors that Will Affect the Future

Howard County and the State of Maryland provide significant resources to the College for both its operating and capital budgets. Restricted funding from federal, state, and local governments covers significant expenses for college programs and provides support to students with financial need. This support, exclusive of capital appropriations, is reflected in the financial statements as non-operating revenue. These governmental and grant funds covered 80 percent of operating expenses; therefore, the economic condition of the state and county is critical to the College's future financial health.

Tuition and fees remain a major source of revenue for the College. Given the challenges of enrollment across colleges and universities nationally, the College built the FY26 budget on a 2.0 percent decrease in enrollment.

In the FY26 budget, in-county tuition rates increased a modest \$2 per credit hour for in-county tuition, alongside required increases for out-of-county and out-of-state students. State guidelines on tuition rates resulted in higher increases for non-county residents.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

The College is completing construction of the new Mathematics and Athletic Complex that has been funded over several years. The complex supports current enrollment and allows for growth in the mathematics division and athletics programs while addressing existing facilities inadequacies and severe space deficits.

The College received capital funding in FY25 for a Workforce Development and Trades Center which will serve the skilled trades area. Credit programs expected in the building include manufacturing, welding, and automotive. Non-credit programs include electrical, HVAC, plumbing, and forklift/heavy equipment operations. The detailed room by room requirements for the project were submitted to the state for approval. Design of the building began in FY24.

On the operating side, in FY26, the College anticipates an additional \$1,335,000 or a 3 percent increase from the county. The state increased their funding by 2.6 percent. Together, county and state funding will make up 51 percent of the College's operating budget for FY26.

**HOWARD COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

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

In the long-term, the county is transitioning from a “growth county” to a “maturing county.” The county’s population is aging, resulting in slower growth in personal income tax and additional needs for an aging population. In addition, with the limited availability of developable land, there is a significant shift to more dense and multi-family driven housing for development, also lowering our income tax revenue. Other factors that could restrict growth are uncertain interest rates, a shift in office space demand as well as state and federal policies.

The College was fortunate to receive increases in state and county funding for the past three years, however, funding in FY25 was decreased. Hence, the College must look to other sources such as enrollment growth and prudent spending to manage our budget. The significant changes made in teaching and learning and student success along with our transition to eight-week courses will help us with our enrollment growth and retention. Although there are significant challenges ahead, the College is confident in our ability to innovate and elevate into the future.

Requests for Information

The management’s discussion and analysis financial report is intended to provide a general overview of the College’s finances. Questions concerning information within this report or requests for additional information should be addressed to the office of finance and administration, Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044. Email questions can be sent to FinanceOffice@howardcc.edu.

Electronic versions of this audit report are provided for informational purposes and convenience of the reader. While reasonable efforts have been made to ensure the integrity of electronic statements, they should not be relied upon. A copy of the printed financial statements will be provided upon written request made to: Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044; Attention: The Office of the Executive Vice President for Finance and Administration. Email requests should be sent to FinanceOffice@howardcc.edu.

**HOWARD COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Howard Community College	Howard Community College Educational Foundation, Inc.
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 112,106,607	\$ 1,885,269
Investments	-	9,426,025
Tuition and Other Receivables, (Net of \$3,430,521 Allowance)	1,758,868	-
Federal, State, Local and Other Receivables	52,287,304	-
Contribution Receivable, Net	-	609,199
Prepaid Expenses/Other Assets	507,807	38,246
Total Current Assets	166,660,586	11,958,739
NONCURRENT ASSETS		
Investments and Interest in Irrevocable Trust	-	13,246,209
Contribution Receivable, Net	-	676,273
Capital Assets, Not Being Depreciated	103,706,747	-
Capital Assets, Net of Accumulated Depreciation and Amortization	231,731,593	-
Total Noncurrent Assets	335,438,340	13,922,482
Total Assets	502,098,926	25,881,221
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Pension	1,423,516	-
Other Postemployment Benefits	5,184,334	-
Total Deferred Outflows of Financial Resources	6,607,850	-
CURRENT LIABILITIES		
Accounts Payable and Accrued Wages	10,195,308	667,440
Accrued Compensated Absences	2,378,245	-
Payable to PGCC Joint Venture	531,434	-
Payable to Howard County for Construction	49,391,715	-
Other Liabilities	346,007	-
Bonds Payable, Howard County, Current Portion	642,407	-
SBITA Liability, Current	534,802	-
Deposits	173,056	-
Unearned Revenue	1,833,406	60,745
Total Current Liabilities	66,026,380	728,185

See accompanying Notes to Financial Statements.

HOWARD COMMUNITY COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2025

	Howard Community College	Howard Community College Educational Foundation, Inc.
NONCURRENT LIABILITIES		
Pension Liability	\$ 3,651,765	\$ -
Other Postemployment Benefits	17,328,502	-
Bonds Payable, Howard County, Net of Current Portion	6,533,666	-
SBITA Liability, Net of Current	190,505	-
Total Noncurrent Liabilities	<u>27,704,438</u>	<u>-</u>
 Total Liabilities	 93,730,818	 728,185
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Pension	175,370	-
Other Postemployment Benefits	24,632,342	-
Total Deferred Inflows of Financial Resources	<u>24,807,712</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	327,255,619	-
Restricted for Scholarships and Program Uses	36,915	-
With Donor Restrictions	-	23,236,343
Without Donor Restrictions	-	1,916,693
Unrestricted	<u>62,875,712</u>	<u>-</u>
 Total Net Position	 <u>\$ 390,168,246</u>	 <u>\$ 25,153,036</u>

See accompanying Notes to Financial Statements.

HOWARD COMMUNITY COLLEGE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Howard Community College	Howard Community College Educational Foundation, Inc.
OPERATING REVENUE		
Student Tuition and Fees		
Net of Discounts, Allowances, and Financial Aid of \$17,359,524	\$ 25,654,253	\$ -
Cultural, Community, and Other Programs, Net of Financial Aid of \$68,747	511,376	-
Auxiliary Enterprise Revenue	226,572	-
Other Operating Revenue	786,847	-
Contributions	-	4,552,987
In-Kind Contributions	-	1,194,763
Special Events	-	535,884
Total Operating Revenue	<u>27,179,048</u>	<u>6,283,634</u>
OPERATING EXPENSES		
Instruction	45,058,970	-
Public Service	1,026,230	-
Academic Support	13,883,272	-
Student Services	11,166,699	-
Facilities	11,934,657	-
Institutional Support	19,753,701	680,737
Scholarships and Related Expenses	2,289,049	1,475,690
Program Expenses	-	1,099,550
Special Events	-	172,833
Fundraising	-	386,477
Auxiliary Enterprises	1,869,324	-
Certain Fringe Benefits Paid Directly by the State of Maryland	5,315,496	-
Depreciation	11,553,145	-
Amortization on Right-to-Use Asset	864,652	-
Total Operating Expenses	<u>124,715,195</u>	<u>3,815,287</u>
OPERATING INCOME (LOSS)	(97,536,147)	2,468,347

See accompanying Notes to Financial Statements.

HOWARD COMMUNITY COLLEGE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Howard Community College	Howard Community College Educational Foundation, Inc.
NONOPERATING REVENUE (EXPENSES)		
Howard County Government Appropriations	\$ 44,500,000	\$ -
State of Maryland Appropriations	33,050,277	-
State of Maryland Rhec	177,811	-
Federal Grants and Contracts	15,464,247	-
State Grants and Contracts	2,274,392	65,837
Local Grants and Contracts	190,072	15,152
Other Grants and Contracts	577,472	210,854
Foundation Grants and Contracts	524,172	-
In-Kind Contributions - Howard County Government	693,638	-
Gain on Disposal of Assets	4,345	-
Certain Fringe Benefits Paid Directly by the State of Maryland	5,315,496	-
Investment Income	4,858,112	545,889
Net Realized and Unrealized Gain on Investments	-	1,788,408
Interest Expense - Bonds	(296,458)	-
Interest Expense - Lease & SBITA Expense	(33,066)	-
Total Nonoperating Revenue, Net	<u>107,300,510</u>	<u>2,626,140</u>
INCOME BEFORE CAPITAL APPROPRIATIONS	9,764,363	5,094,487
CAPITAL APPROPRIATIONS		
State of Maryland	10,505,924	-
Howard County	11,707,682	-
Total Capital Appropriations	<u>22,213,606</u>	<u>-</u>
CHANGES IN NET POSITION	31,977,969	5,094,487
Net Position - Beginning of Year	<u>358,190,277</u>	<u>20,058,549</u>
NET POSITION - END OF YEAR	<u><u>\$ 390,168,246</u></u>	<u><u>\$ 25,153,036</u></u>

See accompanying Notes to Financial Statements.

**HOWARD COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES

Student Tuition and Fees	\$ 23,109,688
Student Loan Receipts	(3,762,401)
Student Loan Disbursements	3,762,401
Payments to Suppliers	(11,760,266)
Payments to Employees	(64,978,433)
Payments for Employee Benefits	(22,835,764)
Auxiliary Enterprises	(1,642,752)
Other Receipts	786,847
Net Cash Used by Operating Activities	<u>(77,320,680)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Local Appropriations	44,500,000
State Appropriations	33,228,088
Grants, Contracts, and Foundation	19,030,355
Net Cash Provided by Noncapital Financing Activities	<u>96,758,443</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Capital Appropriations	13,059,208
Purchase of Capital Assets	(26,914,652)
Proceeds from Sale of Capital Assets	4,345
Interest Expense on Bonds	(296,458)
Principal Payments on Bonds, Net of Refunding	(728,692)
Interest on Leases/SBITAs	(33,066)
Payments on Leases/SBITAs	(924,831)
Net Cash Used by Capital Financing Activities	<u>(15,834,146)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Interest	4,858,112
Net Cash Provided by Investing Activities	<u>4,858,112</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

8,461,729

Cash and Cash Equivalents - Beginning of Year

103,644,878

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 112,106,607

See accompanying Notes to Financial Statements.

**HOWARD COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024**

**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Loss	\$ (97,536,147)
Adjustments to Reconcile Operating Loss to Net	
Cash Used by Operating Activities:	
Depreciation Expense	11,553,145
Lease/SBITA Amortization	864,652
Amounts Paid Directly by the State and County	6,009,134
Effects of Changes in Noncash Operating Assets and Liabilities:	
Receivables, Net	(901,954)
Prepaid Expenses and Other Assets	(5,349)
Pension and OPEB Outflow	3,591,607
Accounts and Other Payables	10,934,391
Unfunded Pension Liability	407,878
Unfunded OPEB Liability	(10,869,159)
Pension and OPEB Inflow	(1,124,577)
Unearned Revenue	(304,904)
Compensated Absences	60,603
Net Cash Used by Operating Activities	<u><u>\$ (77,320,680)</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND
RELATED FINANCING ACTIVITIES**

Capital Assets Acquired by Capitalization of SBITA Contracts	<u><u>\$ 45,864</u></u>
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See accompanying Notes to Financial Statements.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 ORGANIZATION AND BACKGROUND

Howard Community College (the College), founded by the Board of Education of Howard County (the County), was formally authorized by the County Commissioners to provide a full range of educational services to the County's citizens; however, citizens of other counties, states and countries are also eligible to attend. In fiscal year 2025, 75.7% of the College's credit student populations were County residents. The College is fully accredited by the Middle States Commission on Higher Education and by the Maryland Higher Education Commission to offer programs of learning and to award associate degrees and certificates of proficiency.

A seven-member board of trustees, appointed by the Governor of Maryland, governs the College. The College president is a nonvoting member and serves as the secretary-treasurer.

The College is defined as a component unit of Howard County, Maryland government, and the College's financial statements are included in the comprehensive annual report of the County in accordance with generally accepted accounting principles in the United States of America.

The Howard Community College Educational Foundation, Inc. (the Foundation) is a separate legal entity with a separate board of directors. The Foundation is a nonprofit organization established in 1978 to provide charitable benefits to the College and financial aid to qualified students attending the College. The College's president holds the position of secretary and the College's director of development holds the position of executive director. The Foundation operates independently of the College.

Since the Foundation was established for the purpose of obtaining resources and to provide charitable benefits to the College, it is considered a component unit of the College, and is discretely presented in the College's financial statements.

Complete financial statements of the Foundation can be obtained by contacting the Foundation's administrative office located at Howard Community College, 10901 Little Patuxent Parkway, Columbia, MD 21044-3197. Email requests can be sent to Foundation@howardcc.edu.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared using accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB).

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB), including FASB *Accounting Standards Codification* Topic no. 958. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College and the Foundation consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. Funds invested through the Maryland Local Government Investment Pool are also considered cash equivalents.

Investments and Interest in Irrevocable Trust

Investments of the Foundation that are comprised of mutual funds and fixed income securities are reported at fair value, based upon the net asset value per share as determined by quoted market prices.

Changes in fair value are recognized in the statement of revenue, expenses, and changes in net position in the period in which the change occurs and are included in net realized and unrealized gains and losses on investments.

Interest in irrevocable trust represents the Foundation's interest in an irrevocable trust donated to the Foundation during the year ended June 30, 2009. The Foundation's interest is reported as the net present value of the estimated fair value based on the Foundation's share of the trust, the fair value of the assets in the trust, and the expected life of the donor.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and Other Receivables

The College's tuition receivable represents obligations of students resulting from course registrations. The receivable is due before the end of the semester for which it was incurred. Amounts that remain uncollected after the College's payment deadlines are considered delinquent. When attempts to collect the balances are unsuccessful, accounts are referred to a collection agency after the end of the semester. The College established a valuation allowance based on prior trends for the tuition receivable it estimates as uncollectible. As of June 30, 2025, the net tuition receivable was \$1,111,995. Included in other receivables are amounts due from the Howard Community College Educational Foundation of \$645,692, and from Slingshot of \$1,181, primarily for May and June's commission on sales.

Contributions Receivable

The Foundation's contributions receivable represents unconditional promises to give from various contributors including individuals, foundations, local businesses, and governments. There was a \$18,000 allowance for uncollectible accounts recorded as of June 30, 2025.

Contributions receivable are recorded at the donated amount or net present value for those contributions expected to be collected in excess of one year. A discount rate of 5% was used as of June 30, 2025. The unamortized discount of \$49,901 is accreted into contribution revenue.

The College's federal, state, local and other receivables represent obligations from governmental or grant agencies primarily associated with reimbursement of expenditures that have already occurred. As of June 30, 2025, the total receivable was \$52,287,304. The majority of this receivable, \$49,737,506, is associated with ongoing capital projects, with receivable due from the County of \$205,120, and state of \$49,532,386.

Capital Assets

Capital assets of the College are long-lived tangible assets that will benefit future periods. These assets have been capitalized and are depreciated over their estimated useful lives. Capital assets are defined as land, land improvements, buildings, building renovations, leasehold improvements, furniture and equipment (including software), and library books that have initial useful lives extending beyond a single reporting period.

The College has established a threshold of \$5,000 for furniture and equipment for items to be capitalized. Library books are capitalized as one component unit for the purchases within the fiscal year.

Capital assets constructed or purchased are capitalized at cost, while assets acquired by gift are capitalized at their acquisition value at the time of donation. The College depreciates all capital assets, except for land. Depreciation expense is not allocated functionally on the financial statements. Cost incurred for construction in progress is capitalized as incurred and not depreciated until the assets are ready to be placed in service.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation is computed on a straight-line basis over estimated useful lives (as listed below), beginning the year after acquisition, except for buildings, which are depreciated in the first year of their use.

Buildings	50 Years
Land Improvements	25 Years
Renovations and Leasehold Improvements	15 years
	(or Lease Term, if Shorter)
Library Books	8 Years
Furniture, Equipment, and Software	3 to 10 Years

Right to Use Asset and Liabilities

The College has entered into subscription agreements for various software. As the College enters into an agreement, the right to use an asset and associated liability are recorded at the net present value. The useful life of the asset ranges from three to five years, and the asset is amortized over shorter of the term of the subscription agreement or the useful life.

Accrued Compensated Absences

The College accrues for unused compensated absences as of year-end. Accrued compensated absences as of June 30, 2025, were \$2,378,245.

The change in the College's accrued compensated absences for the year ended June 30, 2025, was as follows:

	Beginning of Year	Additions	Reductions	End of Year
Payable	<u>\$ 2,317,642</u>	<u>\$ 60,603 *</u>	<u>\$ -</u>	<u>\$ 2,378,245</u>

*The change in the compensated absences liability is presented as a net change.

Unearned Revenue

Unearned revenue for the College is primarily comprised of tuition received for semesters beginning after June 30, 2025, and grant revenue received during the year that has restrictions on spending related to time or purpose, which has been deferred until those restrictions are met. The Foundation collects advance receipts for fundraising events. Funds received for Foundation fundraising events are recognized as special events revenue upon the occurrence of the event.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows Related to Pension and Other Postemployment Benefits

Deferred inflows include differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual earnings, and a change in the College's proportional rate.

Deferred outflows include amounts paid to the County for the College's related expense. They also include changes in actuarial assumptions, and the net difference between projected and actual earnings.

Net Position

Net position of the College is classified as restricted, unrestricted, or net investment in capital assets. Restricted net position is reported as either expendable or nonexpendable. Nonexpendable net position is to be maintained in perpetuity. Expendable net position, for which there are externally imposed constraints, are obligated or expensed within those condition(s). The restricted net position of \$36,915 represents grants given to the College for a specific use. As of June 30, 2025, the College did not have any nonexpendable net position.

The net investment in capital assets of \$327,255,619 is net of related debt that includes bond debt to Howard County of \$7,176,073.

Net Assets Without Donor Restrictions – assets and contributions that are not restricted by donors, or for which restrictions have expired.

Net Assets With Donor Restrictions – Assets whose use by the Foundation has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, 2025, there was \$10,010,134 in net assets with donor restrictions for a specific time period or purpose.

Net assets with donor restrictions also consist of contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and capital gains, if any, on the related investments for general or specific purposes. Investment income earned from such contributions is restricted to support the purpose designated. Net assets with donor restrictions, in perpetuity, was \$13,226,209 for the year ended June 30, 2025.

Revenue Recognition

The financial statements of the College have been prepared on the accrual basis of accounting, whereby all revenue is recorded when earned and all expenses are recorded when they have been incurred. These financial statements are intended to report the public institution as an economic unit that includes all measurable assets and liabilities, financial and capital, of the institution. Internal activity between programs has been eliminated.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The College's tuition and fee revenue is shown net of scholarship allowances. A scholarship allowance is defined as the difference between the stated charge for tuition, fees, goods, and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The scholarship allowance represents the amount the College receives as tuition from outside sources, such as the Title IV Federal Grant Program, the Foundation, other restricted grants, and the College's own scholarship program. Funds received on behalf of students from outside sources, such as third-party payors, 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 the year ended June 30, 2025, the College netted expenses in the amount of \$17,428,311, reducing tuition revenue for these payments.

Auxiliary Enterprises, Workforce, Career, and Community Education, and Cultural, Community, and Other Programs

Auxiliary enterprises operated by the College include the student athletic programs. The bookstore, food service, and vending are outsourced.

Workforce, career, and community education programs primarily represent noncredit courses offered by the College for a fee.

Cultural, community, and other programs are primarily events of the Laurel College Center (LCC), summer instructional and sports camps, the youth music program, the international programs, various student services programs, and athletic activities sponsored by the College for the community. Net position for these programs is part of the unrestricted net position balance.

Contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Howard Community College Educational Foundation statements of activities and changes in net assets as net assets released due to satisfaction of donor restrictions.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Plan

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

Operating and Nonoperating Components

The College has elected to report its operating expenses by functional classification, with the exception of certain fringe benefits paid directly by the state and depreciation expense, which are presented as distinct expenses. The statement of cash flows is presented as required using the direct method that depicts cash flows from operating activities and a reconciliation of operating loss and operating cash flows.

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. The College's principal ongoing operations determine operating activities. Ongoing operations of the College include, but are not limited to, providing intellectual, cultural, and social services through associate degree and certificate programs, along with workforce, career, and community education programs. Operating revenue of the College consists of tuition and fees; cultural, community, and other programs; auxiliary enterprise revenue; and other operating revenue.

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.

Nonoperating activities include certain intergovernmental receipts and payments, such as state and local appropriations, grants, payments paid on behalf of the College, investment earnings, and interest on debt. The College has also identified student financial aid assistance, including Pell Grants and Supplemental Educational Opportunity Grants, as nonoperating revenue as the College does not consider them to be exchange transactions.

Capital financing activities include acquiring and disposing of capital assets used in providing services or producing goods; borrowing money for acquiring, constructing, or improving capital assets, leasing equipment or buildings, and repaying the amounts borrowed, including interest; and paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments and the related investment earnings.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

The Foundation is the designated recipient for all College gifts. The Foundation receives and records all in-kind gifts intended for the College, such as artwork, books, equipment, etc. This property is transferred to the College immediately upon receipt. Annually, the College records all in-kind gifts in the special fund.

The Foundation receives contributions of various goods from nonrelated sources. These contributions and their related expenses are reported at fair value in the period the goods were received. The estimated fair value of these contributions for the year ended June 30, 2025, was \$332,092. Additionally, the Foundation receives in-kind support from the College consisting of personnel and office costs. The estimated value of these services for the year ended June 30, 2025, was \$1,005,593.

Howard County Government allows the College to use the Hickory Ridge Building and the first floor of the Gateway Building for classrooms and administrative offices. Both facilities are owned by the County. The College pays all maintenance and operating costs related to the use of these 77,200 square feet of space. The College has also recognized in-kind OPEB benefits from the County of \$693,638 in nonoperating revenue and operating expense.

Federal and State Income Tax Status

The College is exempt from federal and state income taxes as it is essentially a political subdivision of the state. The Foundation has been granted an exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The IRS has also determined that the Foundation is not a private foundation. The Foundation is required to report unrelated business income to the IRS. The Foundation did not have any unrelated business income for the year ended June 30, 2025. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. As of June 30, 2025, the Foundation has analyzed tax positions taken for filing with the IRS and all state jurisdictions where it operates. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial position or results of activities. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of June 30, 2025.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

Effective July 1, 2024 the College has adopted GASB Statement No. 101 (GASB 101) entitled, *Compensated Absences*. The purpose of GASB 101 is to establish a single model for recognizing and measuring liabilities associated with compensated absences, including vacation, sick leave, and paid time off. Under GASB 101, a liability is recognized when leave is attributable to services already rendered, accumulates, and is more likely than not to be used or paid.

The College has adopted GASB Statement No. 102, *Certain Risk Disclosures*. This standard requires assessing whether any concentration or constraint exists that could have a substantial impact, potentially making the College vulnerable to significant risk related to revenue debt. The College determined that no such concentration or constraint exists that would materially affect the financial statements..

NOTE 3 CASH AND CASH EQUIVALENTS

A. Deposits

As of year-end, the carrying amount of the College's deposits was \$8,140,270 and the bank balance was \$11,657,375. The deposits of the College, as of June 30, 2025, were not exposed to custodial credit risk. The operating account is federally insured up to \$250,000 by the Federal Deposit Insurance Corporation and any amounts in excess of \$250,000 were collateralized by mortgage back securities with a market value of \$10,000,000, as of June 30, 2025. The collateral is held by the bank's agent in the College's name.

B. Investments

The College's allowable investments are determined by Article 95, Section 22 of the Annotated Code of the Public General Laws of Maryland and the College's investment policy. The College may invest in certificates of deposit with commercial banks in the state of Maryland, direct U.S. obligations, U.S. government agency obligations, repurchase agreements, banker's acceptances from approved banks with acceptable credit ratings, commercial paper from entities with an acceptable credit rating, money market funds, and the Maryland Local Government Investment Pool (MLGIP).

As of June 30, 2025, the College's investment is considered a cash equivalent for financial statement purposes and is detailed below:

Cash on Hand	\$ 1,900
Carrying Amount of Deposit	8,140,270
Carrying Amount of MLGIP	<u>103,964,437</u>
Total Cash and Cash Equivalents	<u><u>\$ 112,106,607</u></u>

All of the above investments are in compliance with the College's internal investment policy.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Interest Rate Risk

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the College's exposure to fair value losses arising from increasing interest rates, the College's investment policy limits the term of investment maturities. As of June 30, 2025, the College's investments were limited to the MLGIP with maturity of less than one year. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the College from having to sell investments below original cost for that purpose.

Investment income included interest and dividends in the amount of \$4,858,112 for the year ended June 30, 2025.

Credit Risk

The College invests in MLGIP, which is under the administration of the state treasurer. The MLGIP is rated AAAM by Standards & Poor's, its highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of one dollar per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, market-to-market, is calculated and maintained on a weekly basis to ensure a one dollar per unit constant value.

Custodial Credit Risk

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

Foreign Currency Risk

The College's investment policy does not allow for investments denominated in foreign currencies. The College did not have any investments denominated in any foreign currency for the year ended June 30, 2025.

NOTE 4 INVESTMENTS AND INTEREST IN IRREVOCABLE TRUST

The Foundation's investments and interest in irrevocable trust as of June 30, 2025, were summarized as follows:

	Amortized Cost	Gross Unrealized Gain (Losses)	Fair Value
Fixed Income - Corporate Bonds	\$ 6,306,257	\$ (170,243)	\$ 6,136,014
Mutual Funds	13,005,865	3,368,730	16,374,595
Interest in Irrevocable Trust	87,262	74,363	161,625
Total	<u>\$ 19,399,384</u>	<u>\$ 3,272,850</u>	<u>\$ 22,672,234</u>

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 INVESTMENTS AND INTEREST IN IRREVOCABLE TRUST (CONTINUED)

On January 29, 2009, the Foundation received an irrevocable bequest expectancy in which the College would receive 20% of a charitable remainder trust. The total value of the trust was \$2,444,568 as of June 30, 2025. The Foundation used the IRS guideline suggested discount rate of 6.80% as of June 30, 2025.

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participations on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value and are as follows:

Basis of Fair Value Measurement

Level 1 – Valuation based on quoted prices in active markets for identical unrestricted assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 – Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects the Foundation's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following section describes the valuation methodologies used by the Foundation to measure its financial assets at fair value:

Mutual Funds and Fixed Income – The Foundation's investments in mutual funds and fixed income are valued based upon the net asset value per share as determined by quoted market prices and open market on which the fund is traded.

Interest in Irrevocable Trust – The Foundation's interest in an irrevocable trust is valued at the present value of the estimated fair value of the underlying market value of investments.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

There are no changes in the valuation methodologies as of June 30, 2025.

The following tables set forth, by level within the fair value hierarchy, the Foundation's investment assets at fair value as of June 30, 2025. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 6,136,014	\$ -	\$ -	\$ 6,136,014
Mutual Funds	16,374,595	-	-	16,374,595
Interest in Irrevocable Trust	-	161,625	-	161,625
Total	<u>\$ 22,510,609</u>	<u>\$ 161,625</u>	<u>\$ -</u>	<u>\$ 22,672,234</u>

Unrealized gains in fair value are recorded in the statement of revenue, expenses, and changes in net position.

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable of the Foundation as of June 30, 2025, were recorded as follows:

Amounts Due In:	
Less Than One Year	\$ 609,199
One to Five Years	736,674
More Than Five Years	<u>7,500</u>
Total	1,353,373
Less: Discount for Net Present Value At 5%	49,901
Less: Allowance for Uncollectible Accounts	<u>18,000</u>
Contributions Receivable, Net	<u>\$ 1,285,472</u>

HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 CAPITAL ASSETS

The following table presents the changes in the capital asset categories of the College, less depreciation expense for the year ended June 30, 2025:

	Beginning of Year	Additions/ Transfers	Retirements	End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 378,578	\$ -	\$ -	\$ 378,578
Construction in Progress	79,990,616	23,337,553	-	103,328,169
Total Capital Assets Not Being Depreciated	80,369,194	23,337,553	-	103,706,747
Capital Assets Being Depreciated/ Amortized:				
Land Improvements	84,606	-	(84,606)	-
Buildings	257,740,986	-	-	257,740,986
Building Renovations	112,858,905	3,039,845	(27,635,259)	88,263,491
Furniture, Equipment and Software	20,961,408	621,872	(714,258)	20,869,022
Library Books	233,390	13,592	(44,184)	202,798
Leasehold Improvements	332,648	-	-	332,648
Right-to-Use Assets	255,853	-	(255,853)	-
Subscription Based It Assets	3,306,872	45,864	(238,758)	3,113,978
Total Capital Assets Being Depreciated/Amortized	395,774,668	3,721,173	(28,972,918)	370,522,923
Less: Accumulated Depreciation/ Amortization				
Land Improvements	(50,092)	-	50,092	-
Buildings	(73,647,589)	(5,054,066)	-	(78,701,655)
Building Renovations	(61,905,803)	(5,681,577)	27,635,259	(39,952,121)
Furniture and Equipment	(17,440,817)	(797,356)	718,603	(17,519,570)
Library Books	(123,407)	(20,146)	44,184	(99,369)
Leasehold Improvements	(177,412)	(22,177)	-	(199,589)
Right-to-Use Assets	(248,937)	(6,915)	255,852	-
Subscription Based It Assets	(1,654,184)	(903,600)	238,758	(2,319,026)
Total Accumulated Depreciation/ Amortization	(155,248,241)	(12,485,837)	28,942,748	(138,791,330)
Total Assets, Net	240,526,427	(8,764,664)	(30,170)	231,731,593
Capital Assets, Net	\$ 320,895,621	\$ 14,572,889	\$ (30,170)	\$ 335,438,340

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 RIGHT TO USE ASSET AND LEASE AND SUBSCRIPTION LIABILITY

The College has entered into various lease agreements as lessee primarily for office space and office equipment. The College's leases have initial terms of up to five years, and contain one or more renewals at the College's option, generally for up to five-year periods. The College has generally included these renewal periods in the lease term when it is reasonably certain that the lease renewal option will be exercised. The College's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes, and insurance, which are expensed as incurred as variable lease payments. For office space leases that include variable payments, those include payments for the College's proportionate share of the building's property taxes, insurance, and common area maintenance. The College's lease arrangements do not contain any material residual value guarantees.

As the interest rate implicit in the College's leases is not readily determinable, the College utilizes its incremental borrowing rate between 2.53% and 5% to discount the lease payments.

As of June 30, 2025, the statement of net position includes the following amounts relating to leases:

	Beginning of Year	Amortized Amount	End of Year
Lease Right-to-Use Asset:			
Building	\$ -	\$ -	\$ -
Equipment	6,916	(6,916)	-
Total	<u>\$ 6,916</u>	<u>\$ (6,916)</u>	<u>\$ -</u>
Lease Liability:			
Building	\$ -	\$ -	\$ -
Equipment	7,415	(7,415)	-
Total	<u>\$ 7,415</u>	<u>\$ (7,415)</u>	<u>\$ -</u>

The College has several Subscription-Based Information Technology Arrangements, that under GASB Statement No. 96, we are required to recognize and subscription liability and an intangible right-to-use subscription asset. The length of the subscriptions range from 24 to 52 months.

As the interest rate implicit in the College's subscriptions is not readily determinable, the College utilizes its incremental borrowing rate between 1.894% and 2.647% to discount the subscription payments.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 RIGHT TO USE ASSET, LEASE AND SUBSCRIPTION LIABILITY (CONTINUED)

As of June 30, 2025, the statement of net position includes the following amounts relating to subscriptions:

	Beginning of Year	Additions	Reduction	Amortized Amount	End of Year	Amount Due in One Year
Right-to-Use Asset:						
Subscriptions	<u>\$ 1,652,688</u>	<u>\$ 45,864</u>	<u>\$ -</u>	<u>\$ (903,600)</u>	<u>\$ 794,952</u>	N/A
Liability:						
Subscriptions	<u>\$ 1,596,859</u>	<u>\$ 45,864</u>	<u>\$ (917,416)</u>	<u>\$ -</u>	<u>\$ 725,307</u>	<u>\$ 534,802</u>

The future principal and interest lease and subscription payments as of June 30, 2025, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 534,802	\$ 12,197
2027	182,851	1,566
2028	3,770	230
2029	3,884	116
Total	<u>\$ 725,307</u>	<u>\$ 14,109</u>

NOTE 9 BONDS PAYABLE, HOWARD COUNTY

The College is indebted to the County for bond issues in the amount of \$7,176,073 as of June 30, 2025, for construction costs of the east parking garage, the College's portion of the Horowitz Visual and Performing Arts Center, and the Campus Roadway Project that includes the east parking garage expansion. Payments began in 2008 and are due through 2039 at interest rates ranging from 0.5% to 5%.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 642,407	\$ 265,250
2027	612,032	238,147
2028	589,128	212,760
2029	585,027	186,678
2030	575,455	163,147
2031 to 2035	2,874,525	501,259
2036 to 2040	1,297,499	84,588
Total	<u>\$ 7,176,073</u>	<u>\$ 1,651,829</u>

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 BONDS PAYABLE, HOWARD COUNTY (CONTINUED)

Changes in the College's long-term liabilities for the year ended June 30, 2025, were as follows:

	Beginning of Year	Additions	Reduction	End of Year	Amount Due in One Year
Bonds Payable	<u>\$ 7,904,765</u>	<u>\$ -</u>	<u>\$ (728,692)</u>	<u>\$ 7,176,073</u>	<u>\$ 642,407</u>

NOTE 10 RESTRICTED NET POSITION

Restricted for expendable net position of the College was \$36,915 as of June 30, 2025. Restricted for expendable net position of the Foundation of \$10,010,134 as of June 30, 2025, consists of funds restricted for scholarship purposes and other specified programs. Net position released from restrictions were funds restricted for scholarship purposes and other specified programs whose restrictions were satisfied. The \$17,103,139, reflected with donor restriction in the endowment, is comprised of the \$13,226,209 to held in perpetuity and the expendable earnings from those funds.

Endowment

The board of directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as expendable net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of the Foundation and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation; and
- the investment policies of the Foundation.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 RESTRICTED NET POSITION (CONTINUED)

Endowment (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating 4% of the average year-end balance for the prior three years of the endowment at the end of each fiscal year. The Foundation board may spend more or less than the 4% because balances may not be sufficient due to deposits, withdrawals, and investment returns. The Board approved funding the endowments at a 5% spending rate for the year ended June 30, 2025.

Strategies Employed for Achieving Objectives

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

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and there were \$45,053 of deficiencies as of June 30, 2025.

Composition of the Endowment by Net Position

As of June 30, 2025, the composition of the endowments were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted and Board-Designated Endowment Funds	\$ 546,559	\$ 17,103,139	\$ 17,649,698

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 RESTRICTED NET POSITION (CONTINUED)

Change in Endowment Net Position

The changes in endowment net position were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 546,559	\$ 13,599,065	\$ 14,145,624
Investment Return:			
Investment Income	-	372,110	372,110
Net Appreciation	-	1,400,388	1,400,388
Total Investment Return	-	1,772,498	1,772,498
Contributions	-	2,013,588	2,013,588
Transfers	-	321,980	321,980
Appropriated for Expenditures	-	(603,992)	(603,992)
Transferred to Other Organization	-		
Endowment Net Assets - End of Year	<u>\$ 546,559</u>	<u>\$ 17,103,139</u>	<u>\$ 17,649,698</u>

NOTE 11 RETIREMENT BENEFITS

All budgeted full-time and budgeted part-time College employees participate in either the Maryland State Retirement and Pension Systems (MSRPS) or an Optional Retirement Program (ORP), primarily the Teachers Insurance and Annuity Association (TIAA). The College's total current-year payroll for all employees was \$63,284,169. The payroll of employees covered by either the MSRPS or an ORP was \$49,302,605.

MSRPS is a cost-sharing multiple employer Public Employees Retirement System (PERS) established and administered in accordance with State Personnel and Pension Article of the Annotated Code of Maryland. Annually, the State Retirement Agency publishes a publicly-available financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained by writing to MSRPS at the State Retirement Agency, 301 West Preston Street, Baltimore, Maryland, 21201-2363.

MSRPS Benefits Provided

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The system also provides disability and survivor benefits to DB plan members.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

MSRPS Benefits Provided (Continued)

Employee benefits and contributions differ based on the employees' participation in either the retirement system (Teachers' Retirement System or Employees' Retirement System) or the pension system (Teachers' Pension System or Employees' Pension System). All new budgeted employees must join the pension system or an ORP. Employees who were members of the retirement system on December 31, 1979, can continue membership unless they elect to join the pension system or an ORP.

All employees have vested benefits after 10 years of creditable service. Retirement benefits under both the retirement and pension systems are based on years of service. Under the pension system, benefits are integrated with Social Security benefits and cost-of-living adjustments vary depending on the plan. The retirement system has no integration level.

The pension system requires individuals to contribute 7% of their annual salary. Employees, who are members of the retirement system can, if they had elected by July 1984, contribute 7% of their annual compensation and receive an unlimited cost-of-living adjustment.

Employer contributions to the system are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Teacher's Retirement Pension Plan

The state of Maryland pays, on behalf of the College, the employer's share of retirement costs for teachers and related positions. During the fiscal year ended June 30, 2025, the state paid \$3,834,563 in retirement costs, equal to approximately 7.78% of the covered payroll costs. The College's share of retirement costs for other employees was calculated based on the accrued benefit cost method.

General Information About the Plan

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/>.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

General Information About the Plan (Continued)

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 retiree's and/or designated beneficiary's attained age and similar actuarial factors.

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%) 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 member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

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

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

General Information About the Plan (Continued)

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% annually. Members of the Teachers' Retirement System and Employees' Retirement System are required to contribute 5% to 7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

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

Employees Retirement and Pension Systems

At June 30, 2025, the College reported a liability of \$3,651,765 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ended June 30, 2024. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the state of Maryland. As of June 30, 2024, the College's proportionate share was 0.0139%, which is a decrease of .0002% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the College recognized pension expense of \$408,384. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 378,448	\$ (90,999)
Net Difference Between Projected and Actual		
Earnings on Plan Investments	278,597	-
Changes in Assumption	247,663	-
Change in Allocation Rate	123,835	(84,371)
College Contributions Subsequent to the Measurement Date	394,973	-
Total	<u>\$ 1,423,516</u>	<u>\$ (175,370)</u>

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

General Information About the Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Employees Retirement and Pension Systems (Continued)

The \$394,973 reported as deferred outflows related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction in net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 174,969
2027	401,954
2028	152,905
2029	86,173
2030	37,172
Total	<u><u>\$ 853,173</u></u>

Teachers Retirement and Pension Systems

At June 30, 2025, 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. As of June 30, 2024, the State's proportionate share of the net pension liability assumed for the College was \$28,225,279.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% General, 3.00% Wage
Salary Increases	3.00% to 22.50%
Investment Rate of Return	6.80%

Mortality rates were based on Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality improvement scale.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

General Information About the Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Retirement and Pension Systems (Continued)

Actuarial Assumptions (Continued). The economic and demographic actuarial assumptions used in the June 30, 2024 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014 to 2018, after completion of the June 30, 2023 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2024. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.50% were used in the June 30, 2024 valuation.

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 weighing 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	34 %	6.00 %
Private Equity	16	8.50
Rate Sensitive	20	2.40
Credit Opportunity	9	5.40
Real Assets	15	5.50
Absolute Return	6	3.90
Total	<u>100 %</u>	

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2024.

For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

General Information About the Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Teachers Retirement and Pension Systems (Continued)

Discount Rate. The single discount rate used to measure the total pension liability was 6.80%. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and 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.

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%, as well as what the College's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher for the Employees Retirement and Pension Systems:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
College's Proportionate Share of the Net Pension Liability	\$ 5,307,276	\$ 3,651,765	\$ 2,271,782

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.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

Optional Retirement

TIAA is a Fortune 100 financial services organization that is a leading retirement provider for people who work in the academic, research, medical and cultural fields. Much of TIAA operates on a nonprofit basis, with surplus returned to participants. The TIAA program is a money purchase plan under which the benefit is determined by the retirement income purchased by state and employee contributions. Fidelity is also an available optional retirement plan. The state contribution rate is determined by state law and is currently 7.25% of salary. During the fiscal year ended June 30, 2025, the state paid \$1,480,933 in retirement costs for the optional retirement plan. The College reflects these on-behalf payments by the state as revenues and expenditures in its financial statements, in accordance with GASB statement No. 24. No employee contribution is required. Participants in an optional retirement plan may begin to receive their annuity income at any time after leaving the College; however, there is a penalty for those under retirement age.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The College contributes to the Howard County Other Postemployment Benefits Trust, a cost-sharing multiple-employer defined benefit health care plan (the plan). The County established an irrevocable trust for administering the plan assets and paying health care costs on behalf of the participants. Howard County provides postemployment health insurance benefits to all eligible employees who retire from the County or its component units who wish to participate. In order to be eligible, the retiree must have a minimum of 10 years of service, and immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees of the County or its components. The County will pay a percentage of the retiree's health insurance premium based upon certain criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria must have five years of service to participate in the retirees' health insurance program by paying the full premium at the group rate. The County issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Howard County Government, 3430 Courthouse Drive, Ellicott City, MD 21043, or by calling 410-313-2195.

Plan Funding Policy

The College's required annual contribution is based on its annual retiree expense. The County, as the plan sponsor, is responsible for funding the plan. For the year ended June 30, 2025, the College recognized the County payment made on behalf of the College of \$693,638, which was made during the measurement period.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funding Status and Funding Process

While the College is paying an annual contribution, the College is not funding the plan. Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of the June 30, 2025 Howard County Actuarial Valuation of Other Post-retirement Benefits, the plan was 21.10% funded.

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

As of June 30, 2025, the College reported a liability of \$17,328,502 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on an actuarial calculation of the College's OPEB liability on a standalone basis compared to the Plan's total OPEB liability. As of June 30, 2025, the College's proportion was 1.58%, which decreased 1.04% from the prior year.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, the College recognized an OPEB expense of \$3,596,402. This amount includes the contribution of \$693,638 made by the County. As of June 30, 2025, 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	\$ 1,014,011	\$ (3,831,644)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	-	(27,218)
Changes in Assumption	4,170,323	(8,458,790)
College Contributions Subsequent to the Measurement Date	-	-
Change in Proportionate Share	-	(12,314,690)
Total	<u>\$ 5,184,334</u>	<u>\$ (24,632,342)</u>

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

The College reported \$-0- deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. The prior year contribution of \$342,564 was included as OPEB expense in fiscal year 2025. The remaining deferred outflows of \$5,184,334 combined with the deferred inflows of resources of \$24,632,342 related to OPEB will be recognized in OPEB expenses as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2026	\$ (2,995,608)
2027	(2,880,381)
2028	(2,789,282)
2029	(2,683,125)
2030	(2,797,220)
Thereafter	(5,302,392)
Total	<u>\$ (19,448,008)</u>

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2024, measurement date was determined by an actuarial valuation as of January 1, 2024 with update procedures used to roll forward the total OPEB liability to June 30, 2024.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior expected in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2024. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements. This actuarial valuation used the following actuarial assumptions.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

Actuarial Cost Method	Entry Age Normal		
Interest Assumption	Discount rate of 4.80% as of June 30, 2024		
Inflation	2.65%		
Municipal Bond Rate	4.21% as of 6/30/24 based on the Bond Buyer General Obligation 20-Year Bond Municipal Bond Index		
Projected Cash Flows	The long-term expected rate of return was applied to fiscal years 2022 to 2042.		
Long-Term Expected Real Rate of Return	Real Rate of Return:		
	Equities	45%	4.85%
	Fixed Income	23%	2.46%
	Alternative Investments	26%	6.21%
	Real Assets	6%	4.33%
	Expected Real Rate of Return		4.60%
	Inflation Rate	+	<u>2.65%</u>
	Total Investment Rate of Return		7.25%
Mortality	SOA RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality MP217 Mortality Improvement Scale.		
Healthcare Cost Trend Rate	4.09%		

Discount Rate

The discount rate used to measure the total OPEB liability was 4.80%, an increase of 0.20% from the prior year discount rate of 4.60%. The projection of cash flows used to determine the discount rate assumed that contributions from County and the College will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees through 2044. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments through 2044 to determine the total OPEB liability.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.80%) or one percentage point higher (5.80%) than the current discount rate:

	1% Decrease (3.80%)	Current Discount Rate (4.80%)	1% Increase (5.80%)
Net OPEB Liability	21367240	\$ 17,328,502	\$ 14,119,827

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using healthcare cost trend that are one percentage point lower (6.09% decreasing to 3.09%) or one percentage point higher (4.09% increasing to 5.09%) than the current healthcare cost trend rates:

	1% Decrease (3.09%)	Healthcare Cost Trend Rates (4.09%)	1% Increase (5.09%)
Net OPEB Liability	14023142	\$ 17,328,502	\$ 21,639,839

NOTE 13 RISK MANAGEMENT

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The College is insured through Howard County Government's self-insurance program, which is underwritten by the Local Government Insurance Trust (LGIT). The self-insurance fund provides general liability insurance, all-risk property, cyber liability and worker's compensation insurance for Howard County, Maryland. The Fund is a self-insurance mechanism, authorized under Maryland Law, by which local governments' pool together to provide casualty self-insurance coverage.

The limit of coverage for general liability and cyber liability is \$5,000,000 per occurrence for any single event, with the first \$1,000,000 covered under the Howard County fund and the \$4,000,000 additional through a policy of excess liability insurance directly through LGIT. The limit for property coverage is full replacement cost equal to the insurable value of real or personal property, with the first \$100,000 covered under the Howard County Fund and the remaining balance of full replacement through a policy of excess property insurance directly through LGIT. The limit of coverage for workers' compensation is the statutory coverage as required by the state of Maryland, with the first \$1,000,000 covered under the Howard County Fund and \$4,000,000 additional through a policy of excess professional liability insurance directly through LGIT. The College maintains its primary and excess automobile coverage directly through LGIT with a limit of \$1,000,000 for each automobile claim.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 13 RISK MANAGEMENT (CONTINUED)

Under the umbrella of Howard County, the College has additional coverage from LGIT for liability and property claims in excess as described above. The County pays annual premiums to LGIT for these coverages. LGIT was created to provide broader insurance than that available from commercial insurers, coverage that otherwise would be unavailable, and loss control and risk management services for local governments. The College is covered for workers' compensation claims in excess of the \$1,000,000 per claim as described above. Settled claims have not exceeded coverage in any of the past five years.

The College makes payments to the County and LGIT based on the premiums established by the County dependent on a combination of actuarial estimates and historical cost information. The College has no liability for covered claims other than paying the premium established by the County. The amount paid to the County and LGIT and expensed during the year ended June 30, 2025, was \$687,634.

The College has also entered into an agreement with Howard County to provide health care coverage for its employees under the County's self-insured plan. The College has the option to terminate the agreement at the end of each fiscal year. The College has no liability for covered claims other than paying the premiums established by the County, which were \$9,251,457 for the year ended June 30, 2025.

NOTE 14 RELATED PARTY TRANSACTIONS

As discussed, the Foundation has been determined to be a component unit of the College, after analyzing the requirements of accounting principles generally accepted for governmental accounting, and its financial activity is presented discretely in the College's financial statements.

For the year ended June 30, 2025, the College provided \$1,005,593 of in-kind administrative and overhead support to the Foundation. During the same period, the Foundation provided \$1,475,691 in scholarships awarded to students and \$1,099,552 in nonscholarship benefits, including in-kind contributions, to the College in support of College programs and other services.

Howard County Government allows the College to use the Hickory Ridge Building and the first floor of the Gateway Building for classrooms and administrative offices. Both facilities are owned by the County. The College pays all maintenance and operating costs related to the use of these 77,200 square feet of space. The College has also recognized in-kind OPEB benefits from the County of \$693,638 in nonoperating revenue and operating expense.

**HOWARD COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 15 COMMITMENTS AND CONTINGENCIES

Commitments

As of June 30, 2025, the College has commitments of approximately \$4,249,146 to complete outstanding capital projects and \$1,087,738 in encumbrances for other special projects.

Contingencies

In the normal course of business, the College becomes involved in legal actions. There are no legal actions pending that would materially impact the College's financial position.

Most grants and cost-reimbursable contracts of the College and Foundation specify the types of expenses for which the grant or contract funds may be used. The expenses made by the College under some of these grants and contracts are subject to audit. To date, the College has not been notified of any significant unallowable costs relating to its grants or contracts. In the opinion of management, adjustments for unallowable costs, if any, resulting from such audits will not have a material effect on the accompanying financial statements.

NOTE 16 SUBSEQUENT EVENTS

The College's management evaluated the accompanying financial statements for subsequent events and transactions through November 5, 2025, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

HOWARD COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
LAST TEN FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Employees' Retirement and Pension System</u>										
College's Proportion of the Net Pension Liability	0.0139%	0.0141%	0.0145%	0.0140%	0.0125%	0.0134%	0.0121%	0.0106%	0.0117%	0.0124%
College's Proportionate Share of the Net Pension Liability	\$ 3,651,765	\$ 3,243,889	\$ 2,891,433	\$ 2,102,867	\$ 2,825,355	\$ 2,755,687	\$ 2,546,231	\$ 2,295,602	\$ 2,757,041	\$ 2,579,875
College's Covered Employee Payroll	\$ 3,285,750	\$ 3,142,989	\$ 3,120,299	\$ 3,391,185	\$ 3,247,201	\$ 3,435,325	\$ 3,214,415	\$ 3,031,305	\$ 3,021,313	\$ 2,983,599
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	111.14%	103.21%	92.67%	62.01%	87.01%	80.22%	79.21%	75.73%	91.25%	86.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.09%	69.58%	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%
<u>Teacher's Retirement and Pension System</u>										
College's Proportion of the Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability of the College	28,225,279	30,879,917	-	-	-	-	-	-	-	-
Total	<u>\$ 28,225,279</u>	<u>\$ 30,879,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Employee Payroll	\$ 23,598,371	\$ 22,182,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.05%	76.83%	79.47%	85.40%	73.84%	75.43%	73.35%	71.41%	67.95%	70.76%

See accompanying Notes to Required Supplementary Information for Pensions.

**HOWARD COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Employees' Retirement and Pension System</u>										
Contractually Required Contribution	\$ 394,973	\$ 363,494	\$ 343,529	\$ 329,815	\$ 308,868	\$ 26,825	\$ 274,358	\$ 241,992	\$ 216,075	\$ 227,640
Contributions in Relation to the Contractually Required Contribution	(394,973)	(363,494)	(343,529)	(329,815)	(308,868)	(26,825)	(274,358)	(241,992)	(216,075)	(227,640)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Employee Payroll	\$ 3,788,879	\$ 3,285,750	\$ 3,142,989	\$ 3,120,299	\$ 3,391,185	\$ 3,247,201	\$ 3,435,325	\$ 3,214,415	\$ 3,031,305	\$ 3,021,313
Contributions as a Percentage of Covered Employee Payroll	10.42%	11.06%	10.93%	10.57%	9.11%	0.83%	7.99%	7.53%	7.13%	7.53%
<u>Teachers Retirement and Pension System</u>										
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Employee Payroll	\$ 23,195,473	\$ 23,598,371	\$ 22,182,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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%

See accompanying Notes to Required Supplementary Information for Pensions.

**HOWARD COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS
JUNE 30 2025**

NOTE 1 CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

NOTE 2 CHANGES OF ASSUMPTIONS

There were the following changes in assumptions:

- Inflation assumption changed from 2.25% general and 2.75% wages to 2.50% general and 3.00% wages.
- Salary assumption changes from 2.75% to 11.25% to 3.00% to 22.50%

**HOWARD COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
HOWARD COUNTY GOVERNMENT
LAST TEN FISCAL YEARS**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's Proportion of Net OPEB Liability	1.58%	2.62%	2.62%	2.62%	2.62%	2.92%	2.92%	3.01%
College's Proportionate Share of Net OPEB Liability	\$ 17,328,502	\$ 28,197,661	\$ 27,537,696	\$ 48,309,689	\$ 42,612,277	\$ 39,159,723	\$ 34,243,904	\$ 33,279,623
College's Covered Payroll	\$ 47,399,425	\$ 45,763,412	\$ 46,156,807	\$ 44,471,480	\$ 45,610,772	\$ 44,031,241	\$ 43,128,303	\$ 40,876,378
College's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	36.56%	61.62%	59.66%	108.63%	93.43%	88.94%	79.40%	81.42%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	21.10%	18.57%	16.92%	11.43%	9.81%	10.31%	9.94%	8.62%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled, the college presents information for those years for which information is available.

See accompanying Notes to Required Supplementary Information for OPEB.

**HOWARD COMMUNITY COLLEGE
SCHEDULE OF OPEB CONTRIBUTIONS
HOWARD COUNTY GOVERNMENT
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutory Required Contributions	\$ 394,699	\$ 342,564	\$ 288,646	\$ 379,067	\$ 370,929	\$ 343,147	\$ 305,856	\$ 269,612	\$ 250,080
Contributions in Relations to Statutorily Required Contributions	\$ 394,699	\$ 342,564	\$ 288,646	\$ 379,067	\$ 370,929	\$ 343,147	\$ 305,856	\$ 269,612	\$ 250,080
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 49,362,221	\$ 47,399,245	\$ 45,763,412	\$ 46,156,807	\$ 44,471,480	\$ 45,610,772	\$ 44,031,241	\$ 43,128,303	\$ 40,876,378
Contributions as a Percentage of Covered Payroll	0.8%	0.7%	0.6%	0.8%	0.8%	0.8%	0.7%	0.6%	0.6%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled, the college presents information for those years for which information is available.

See accompanying Notes to Required Supplementary Information for OPEB.

**HOWARD COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB
JUNE 30 2025**

NOTE 1 CHANGES OF BENEFITS TERMS

There were not changes of benefit terms.

NOTE 2 CHANGES OF ASSUMPTIONS

The investment rate of return changed from 4.6% to 4.8%.

NOTE 3 SALARY INFORMATION

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

