HAGERSTOWN COMMUNITY COLLEGE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2021 AND 2020

HAGERSTOWN COMMUNITY COLLEGE
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YEARS ENDED JUNE 30, 2021 AND 2020

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hagerstown Community College
Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Hagerstown Community College (the College) and its discretely presented component unit, the Hagerstown Community College Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, aggregate remaining fund information and the discretely presented component unit of the College as of June 30, 2021 and 2020, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2021, the College adopted GASB Statement No. 84 Fiduciary Activities. As a result of the implementation of this standard, the College reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of College's proportionate share of the net pension liability – Maryland State Retirement and Pension System, schedule of College's contributions – Maryland State Retirement and Pension System, and schedule of changes in the College's net OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022, on our consideration of College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
January 17, 2022

Financial Highlights

For the fiscal year ended June 30, 2021, the College recorded total operating revenues of $26,804,421 and total operating expenses of $44,755,504. The difference produced an operating loss of $17,951,083. Net nonoperating revenue of $26,178,499 offset this loss and resulted in an overall increase in net position of $8,227,416.

Approximately $11.1 million of the College's operating revenue is generated from student tuition and fees net of the scholarship allowance. In the spring of FY20, credit tuition rates were increased making County tuition at $123, Out-of-County at $192, Out-of-State at $252, and the neighbor rate at $236. Fee projections were based on actualized fee revenue and enrollment projections. Overall, total credit FTE decreased 10.6% over FY20 and noncredit FTE decreased by 9.8%. There is a decrease in the scholarship allowance from FY20 ($3,625,151) to FY21 ($2,848,755). Public institutions report all tuition and fee revenues net of any scholarship discounts and allowances. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the institution and the amount that is paid by the student and/or third parties making payments on behalf of the student. Determinations of scholarship allowances and student aid expenses by category are virtually impossible on a case by case basis since most institutions, including HCC, post financial aid to student's accounts as a batch process. It is permissible to use an alternate method of calculating the allowance. NACUBO Advisory Report 2000-05 provides a methodology for an alternate method which includes the calculation of the following categories:

1. Financial Aid not recognized as revenue
2. Financial aid being applied from resources recognized as revenue
3. Third party payments
4. Payments made directly by students
5. Refunds made to students
6. Non-Monetary institutional waivers
7. Charges applied to student accounts

Operating revenue from auxiliary enterprises, including the Campus Store, Food Services, the Children's Learning Center, and the Technical Innovation Center totaled $1.1 million, a 46.3% decrease from the previous year. With expenses totaling $0.4 million, auxiliary enterprises realized a net income of $743,979. During FY21, there was a transfer of $1 million from the general fund to the auxiliary enterprises. The FY20 loss for auxiliary operations was $383,380.

Operating revenue from federal grants and contracts of $11.6 million is a 47.3% increase from FY20. The prior year reflected a 7.6% increase. Student financial assistance and funding to support career education, adult basic education, and student support services account for the majority of this revenue stream.

Nonoperating revenue includes State and County appropriations of $9.5 million and $10 million, respectively. While the state revenue stream increased by 0.4%, the county contribution remained flat. Capital appropriations increased from $1.3 million in FY20 to $5.7 million in FY21. This increase can be attributed to the completion of the CBES construction in FY 21. Benefits paid on behalf of the College by the State of Maryland were $1.8 million, a slight decrease over the previous fiscal year.

The College's net position increased from $123.6 million to $131.9 million at June 30, 2021.

Statement of Net Position

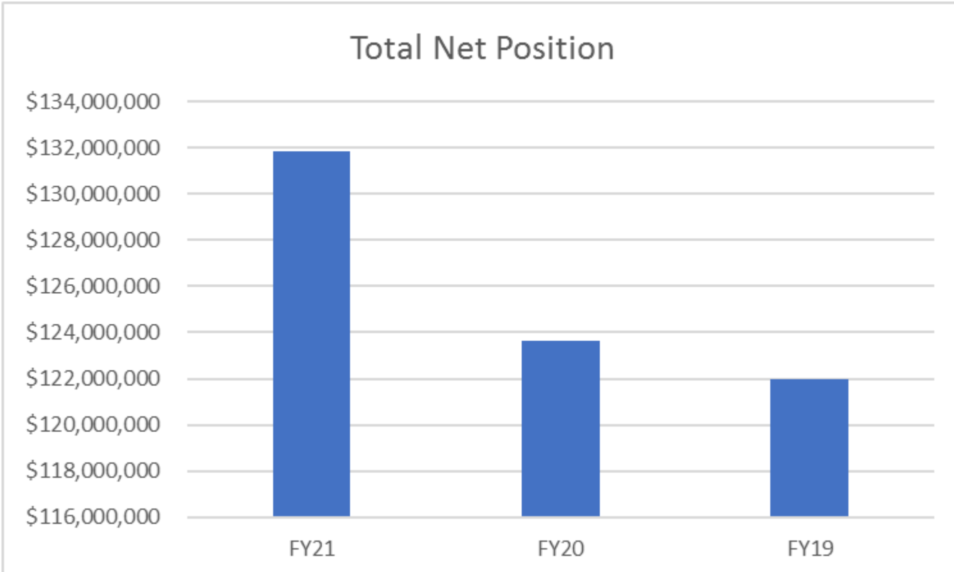
The Statement of Net position reports all of the College's financial and capital resources using the accrual basis of accounting. Under GASB 34, this financial statement reports the difference between assets and liabilities as net position. This is one way to measure the financial health of the College.

Net position is divided into three categories:

- Net investment in capital assets are assets held net of debt in the property, plant and equipment of the College (the College currently has no debt for capital assets).
- Restricted net position are assets available to the College but reserved for a specific purpose by a third party or legislation.
- Unrestricted net position are assets available to the College without restrictions.

Net Position
June 30, 2021, 2020, and 2019

	FY21	FY20	FY19
Assets			
Current Assets	$ 39,150,546	$ 36,206,019	$ 33,589,098
Noncurrent Assets, Net	105,283,859	96,564,826	98,169,692
Total Assets	$ 144,434,405	$ 132,770,845	$ 131,758,790
Deferred Outflows	$ 688,523	$ 893,492	$ 652,987
Liabilities			
Current Liabilities	$ 8,408,715	$ 6,600,290	$ 7,223,913
Noncurrent Liabilities	2,443,830	2,308,081	2,024,959
Total Liabilities	$ 10,852,545	$ 8,908,371	$ 9,248,872
Deferred Inflows	$ 2,398,861	$ 1,111,860	$ 1,180,905
Net Position			
Net Investment in Capital Assets	$ 103,239,631	$ 96,185,745	$ 97,763,574
Restricted	169,231	169,231	167,012
Unrestricted	28,462,660	27,289,130	24,051,414
Total Net Position	$ 131,871,522	$ 123,644,106	$ 121,982,000



Current Assets increased 8.1% to $39.2 million in FY21. Noncurrent Assets increased 9.0% to $105.3 million.

The most significant changes to the total Noncurrent assets were an increase to net property, plant, and equipment and construction in progress in the amount of $7.2 million.

Capital Assets, Net
June 30, 2021, 2020, and 2019

	FY21	FY20	FY19
Land and Land Improvements	$ 3,934,196	$ 3,934,196	$ 3,934,196
Buildings	129,233,500	119,473,350	119,432,578
Infrastructure	8,447,171	8,447,171	8,332,177
Equipment	23,493,036	20,942,237	20,081,985
Construction in Progress	-	1,359,227	113,385
Total Property, Plant, and Equipment	165,107,903	154,156,181	151,894,321
Less: Accumulated Depreciation	(61,664,210)	(57,970,436)	(54,130,747)
Capital Assets, Net	$ 103,443,693	$ 96,185,745	$ 97,763,574

Liabilities include accounts payable, accrued salaries and taxes, deferred revenue, compensated absences and state retirement payable. Total liabilities increased from FY20 to FY21 in the amount of $1.9 million. The most significant change is due to an increase to accrued salaries and taxes.

Unrestricted net position increased from $27,289,130 in FY20 to $28,258,599 in FY21. The increase is a result of adding approximately $1.0 million to working capital or available fund balance.

The College's goal is to maintain unrestricted net position at levels sufficient to protect HCC's financial position from unforeseeable emergencies, revenue shortfalls, and expenditure overages. Given the financial challenges the State and County may face in the upcoming years, sufficient levels of unrestricted net position will become even more important. Additionally, discussions continue between College administration and the board of trustees regarding the possible use of unrestricted net position. The HCC Board of Trustees annually reviews prior commitments of unrestricted net position and considers new areas to designate these funds ensuring they align with institutional priorities and the overall mission of the College.

Statements of Revenues, Expenses, and Changes in Net Position

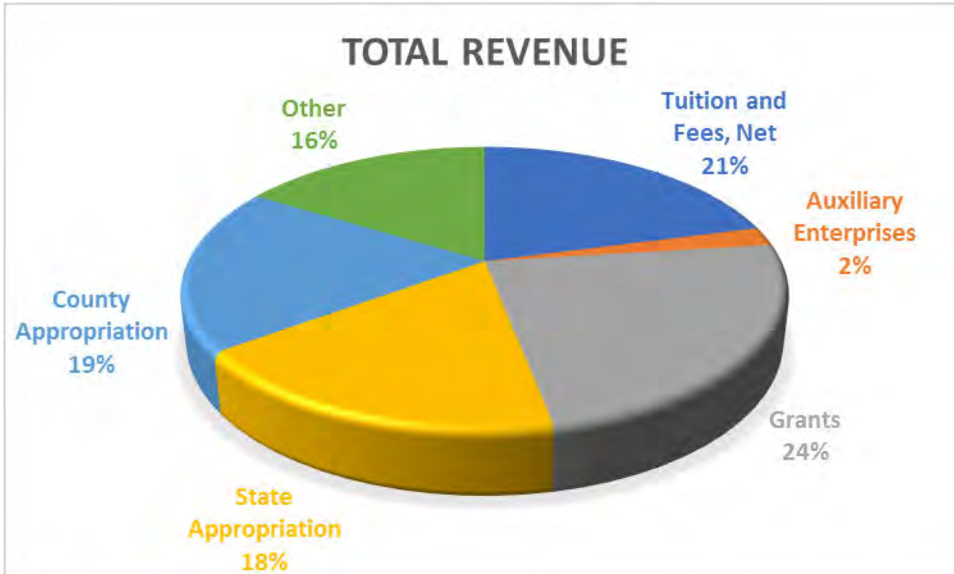
The purpose of this statement is to present the revenues realized and expenses incurred by the College, both operating and nonoperating, as well as any other revenues, expenses, gains and losses realized or incurred by the institution.

Operating revenues are those receipts received for providing goods and services to students and customers of the College. Operating expenses are goods and services that are provided in return for operating revenues. Nonoperating revenues are revenues for which goods and services are not provided. Examples of nonoperating revenue are State and County Appropriations.

Revenues, Expenses and Changes in Net Position
June 30, 2021, 2020, and 2019

	FY21	FY20	FY19*
Operating Revenues and Expenses			
Tuition and Fees, Net	$ 11,073,974	$ 11,000,146	$ 11,489,105
Auxiliary Enterprises	1,130,020	2,104,514	2,490,929
Grants and Contracts	12,676,402	8,545,463	7,955,125
Other	1,924,025	553,666	543,402
Total Operating Revenue	$ 26,804,421	$ 22,203,789	$ 22,478,561
Total Operating Expenses	$ 44,755,504	$ 44,211,104	$ 43,356,241
Nonoperating Revenues and Expenses			
State Appropriation	$ 9,489,550	$ 9,455,511	$ 9,177,996
Capital Appropriation	10,035,290	10,035,290	10,035,290
Capital Appropriation	4,803,355	1,448,028	1,845,796
Investment Income	36,677	271,750	361,362
Certain Fringe Benefits Paid by State	1,772,608	1,825,091	1,747,380
Other Sources (Uses)	41,019	(8,531)	27,159
Total Nonoperating Revenues and Expenses	26,178,499	23,027,139	23,194,983
Increase in Net Position	8,227,416	1,019,824	2,317,303
Net Position - Beginning of Year, as restated	123,644,106	122,624,282	119,664,697
Net Position - Current Year	$ 131,871,522	$ 123,644,106	$ 121,982,000

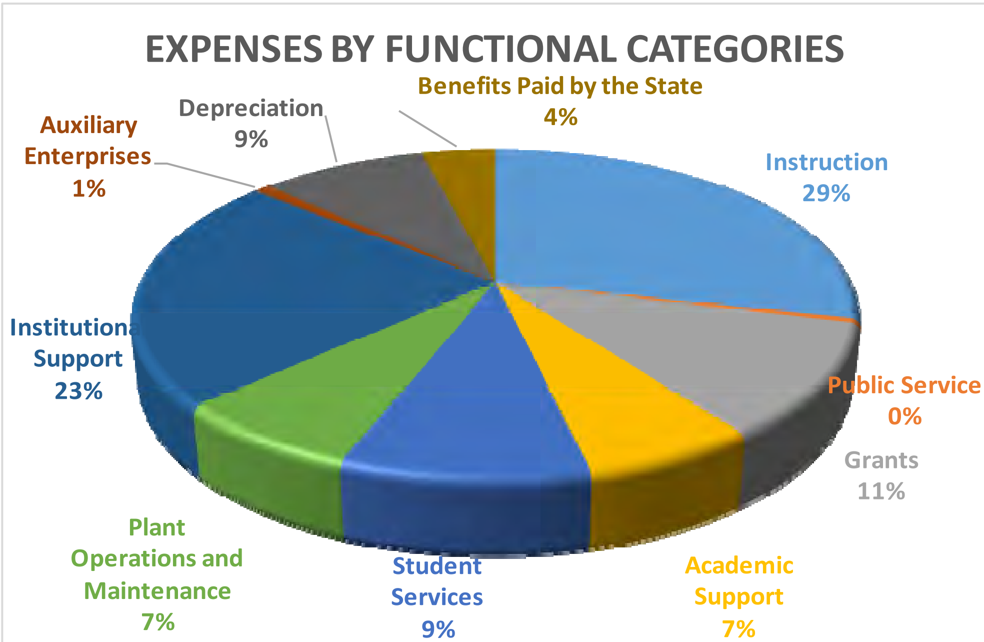
*FY19 was not restated and thus does not include the agency balance in the beginning net position amount.



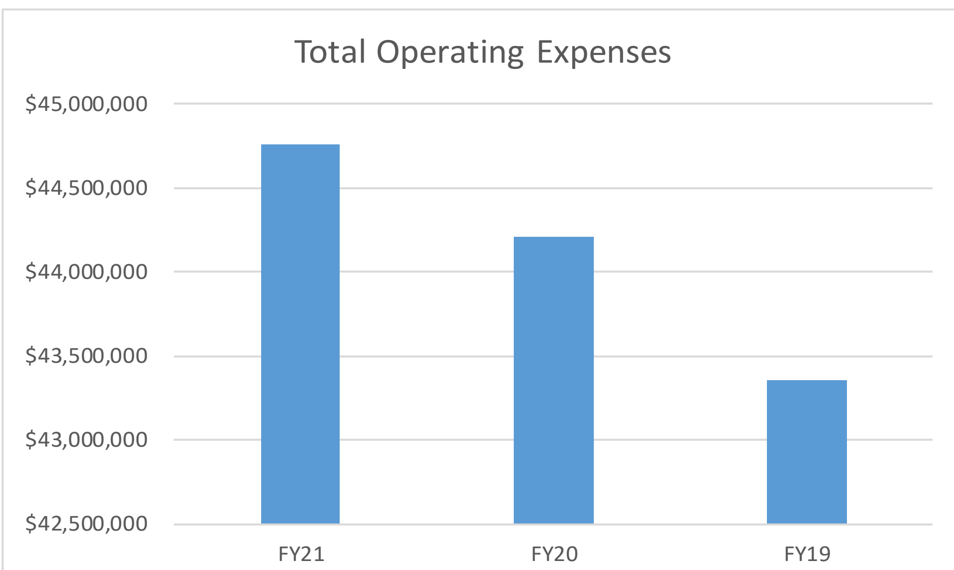
- Tuition and fees, net of scholarship allowances, accounts for 21% of the total revenue of the College. The absolute dollar amount increased by approximately $74 thousand from FY20. This can mainly be attributed to a decrease in scholarship allowances, offset by less enrollment during FY21.
- Auxiliary Enterprises account for approximately 2.1% of the College's total revenue, which is a $974 thousand decrease from FY20. This revenue source includes the Campus Store, Children's Learning Center, Technical Innovation Center and Food Services.
- Federal grants and contracts account for approximately 22% of total revenues in FY21. The revenue of $11.6 million increased approximately $3.7 million from FY20.
- State and County Appropriations, excluding capital appropriations, accounts for 37% of the total institutional revenue. As a percentage of total institutional revenue, this revenue source is up 0.2% when compared to the previous fiscal year.
- Capital appropriations from the State and County increased $4.3 million up to $5.7 million. Most of FY 21 funding was due to the completion of the center for business and entrepreneurial studies (CBES) construction.

Operating expenses by functional categories are:

	FY21	FY20	FY19
Instruction	$ 12,740,918	$ 13,307,662	$ 14,021,800
Public Service	186,963	112,384	37,871
Grants	4,924,141	3,328,733	2,081,145
Academic Support	2,930,574	2,943,243	2,795,708
Student Services	4,212,238	4,816,655	4,654,910
Plant Operations and Maintenance	3,297,205	3,155,062	3,645,878
Institutional Support	10,285,555	8,199,463	7,879,715
Auxiliary Enterprises	386,041	2,487,894	2,750,116
Depreciation	4,019,261	4,034,917	3,741,718
Benefits Paid by the State	1,772,608	1,825,091	1,747,380
	$ 44,755,504	$ 44,211,104	$ 43,356,241



Overall, operating expenditures increased by $544 thousand. The most significant change attributing to the overall increase is from institutional support which is $2.1 million more than FY20. Many functional areas decreased due to cost cutting efforts attributable to the challenging enrollment environment currently being experienced due to the impact of the COVID-19 pandemic.



Statements of Cash Flows

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

Cash flow from operating activities consists of tuition and fees, auxiliary enterprises, and grants and contracts. Major cash outlays in operating activities consist of salaries and benefits of $25 million and payments to suppliers of $13 million. Net cash used for operating activities decreased by approximately $1.9 million from FY20 to FY21 primarily due to decreases in payments for salaries and benefits and an increase in cash from tuition and fees.

State and local appropriations are the primary source of noncapital financing activities. Generally Accepted Accounting Principles require that the College reflect this source of revenue as nonoperating even though the College's budget depends on this to continue the current level of operations. These appropriations from FY20 to FY21 increased approximately 0.17%.

Capital financing activities represent funds that were used to purchase or add value to capital assets. There was a net decrease in funds used from FY20 to FY21 of $5.5 million due primarily to the completion of the CBES construction.

Cash flows from investing activities represent income earned on cash invested in the Maryland Local Government Investment Pool (MLGIP) and certificates of deposits. Investment income in FY21 was $36,677. This decreased from $271,750 in FY20 due to the slashing of interest rates to almost zero after the onset of the COVID-19 pandemic in the spring of 2020.

Cash Flows
June 30, 2021, 2020, and 2019

	FY21	FY20	FY19*
Cash, Beginning, as restated	$ 28,960,331	$ 25,978,407	$ 22,575,807
Cash Provided (Used) by:			
Operating Activities	(13,860,943)	(15,791,531)	(14,916,593)
Noncapital Financing Activities	19,565,859	19,510,764	19,238,028
Capital Financing Activities	(6,473,854)	(1,009,060)	(1,927,014)
Investing Activities	32,307	271,751	361,362
Net Increase (Decrease) in Cash	(736,631)	2,981,924	2,755,783
Cash, Ending	$ 28,223,700	$ 28,960,331	$ 25,331,590

*FY19 was not restated and thus does not include the agency balance in the beginning cash amount.

Budget Adjustments

During the fiscal year each cost center manager has the flexibility to move allocated operational funds from one line item to another without requesting a budget revision through the executive staff level. These operational line items do not include salaries, benefits, memberships, professional development, lease agreements, software or capital outlays, which are considered institutional discretionary and designated funds as outlined in the College's Annual Plan and Budget.

Hagerstown Community College Foundation, Inc. (HCCF or Foundation)

The Foundation is a component unit of the College. The purpose of the Foundation is to encourage and seek private financial contributions for the progress of Hagerstown Community College as a vital community partnership between the College and the community. While the Foundation's primary focus has been on providing scholarship assistance, $687,229 in FY21 (which includes $146,494 in community scholarships awarded), it also has made progress with securing major gifts for projects such as the Center for Business and Entrepreneurial Studies (CBES). It is the Foundation's intent to disburse only the income received from the investments for scholarships; however, this is not a requirement.

The Foundation's net assets with donor restrictions consist of four separate divisions within the endowment: Regular Scholarships, Faculty Scholarships, Athletic Scholarships, and the Arboretum. The primary purpose of the Regular Scholarships is to provide financial assistance to students. The Faculty Scholarships were established to provide scholarships to attend Hagerstown Community College to students from the Washington County Area High Schools that have demonstrated scholastic achievement. Donations to the Arboretum were established to maintain the aesthetic beauty of Hagerstown Community College.

Net position for the Foundation increased $3,204,507 to $16,375,478 in FY21. This is mainly attributable to an increase in investment return during FY 21. The HCC Foundation also realized revenue of $60,840 this fiscal year as a result of a distribution from a real estate limited partnership (RELP) interest carried at $1,046,830. There is an Indemnification Agreement whereby the Foundation cannot be asked for cash calls. Additional donations of $817,438 were realized in FY21. This includes $4,825 in noncash donations. The College paid, on behalf of the Foundation, various overhead expenditures totaling $322,075. This is included in the financial statements as contributions of in-kind services. The expenses are also reflected under the appropriate expenditure line item.

Major cash outlays in operating activities consist of scholarships of $687,229, transfers to the College for scholarships of $155,464, fundraising expenses of $32,389, and other expenses in the amount of $306,804.

The Foundation's investments include the aforementioned RELP and units in the Unitized Investment Fund (the Fund) of the University System of Maryland Foundation. The market value of these investments as of June 30, 2020 was $15,191,699. In FY21, there was a net investment return from investment activities in the amount of $3,152,368.

Economic Factors Affecting the Future

The economic health of the College is closely tied to the appropriations provided by the County and State, as well as the revenue associated with the College's enrollment. As noted in the Statements of Revenues, Expenses, and Changes in Net Position, the County and State governments provide vital resources to the College's operating budget. The COVID-19 pandemic has put a strain on all areas of the economy during FY21. Anticipating this uncertainty, the College took conservative measures in forecasting enrollment, state and county funding for FY 21. All of those revenue sources met or exceeded the benchmarks set forth by the College in its FY21 budget. The College also received CARES ACT funding, HERRF funding, and Federal Governor's Emergency Education Relief (GEER) funding. These funds have helped students with financial assistance, the College with offsetting costs associated with the pandemic, lost revenue, and supported our IT infrastructure to meet a more virtual delivery platform going forward.

In addition to the Federal COVID stimulus funding, the State of Maryland finally took steps to reach its full obligations under the CADE funding formula. The increases made by the state legislature in the FY21 budget provided a significant increase in operating fund for the College. The expectation for FY22 is that state funding will reach the full CADE formula amount for the first time in state history. While Washington County Government has kept operational funding level for the last three years, they have provided significant capital assistance to the College in FY21. Said capital funding included funds for air conditioning in the Athletic, Recreation and Community Center (ARCC) and the re-roofing and exterior panel replacement of the Learning Resource Center.

The reduction of interest rates to near zero has adversely impacted investment income for the College. The long-term forecast for a rise of investment income rates is not favorable. Subsequently the College no longer considers investment income a significant source of revenue in its budget planning.

Strategies to Strengthen the College's Financial Position

The College has made great effort to strengthen the institution's financial position. This success is documented through the maintenance of an adequate fund balance, growing investment in capital assets, and strong financial ratios. All of these elements provide a very positive picture of the College's financial health.

During the pandemic phase of COVID-19 the College worked diligently to transition classes to mostly on-line in response to virus transmission and instituted safeguards on campus to keep employees, student, and the general public as safe as possible. In last year's audit, we noted that we were focused on strategies to generate greater amounts of noncredit FTE revenue through the creation of modularized online instruction packages for public and private sector entities. That effort yielded an additional 85 FTE to our total production, and was an immense success. We will continue to look for new ways to deliver noncredit modularized training in this manner as it is very productive and highly efficient. HCC has also transitioned some low enrollment credit programs to noncredit in an effort to generate greater student headcount in those areas and reduce costs of delivery. These strategies resulted in the largest percentage of FTE funding growth among Maryland community colleges in FY21. Looking ahead to FY22, our enrollment growth is the strongest among the Maryland community colleges for the Fall 2021 term.

Now that COVID-19 is entering a more permanent endemic phase, the College is taking steps to ensure the maximum number of students and employees receive voluntary vaccinations. The College is returning to traditional classroom delivery while following current guidelines promulgated by the Maryland Department of Health. These efforts coupled with the aforementioned strategies will place HCC in a position of fiscal and enrollment strength coming out of the pandemic.

On September 30, 2021, the College purchased a 41,000 square foot building situated on six acres of land just inside the Hagerstown City limits. Over the next three years we will renovate that structure and begin to consolidate our three off-campus training operations at the Valley Mall, Washington County Day Reporting Center, and HCC Commercial Vehicle Transportation Training Center to one singular location. This will reduce the footprint of operations, pare expenses on educational delivery costs, and enable us to reach into the City of Hagerstown to better serve that population. Additionally, this facility will create more opportunities for partnership with other educational providers resulting in greater FTE production over the long-term.

The College has a fully-funded other postemployment benefits (OPEB) trust that can provide a revenue stream in the future to pay for retiree health care expenses. Maintaining a fully funded trust results in less expense being recorded each year, therefore, not decreasing the College's fund balance.

The College also continues to pursue fundraising initiatives and grant opportunities, both of which help support students and the College in general, by assisting with scholarships and helping to keep tuition rates low. In particular, the College will focus efforts on increasing grant revenue in areas where curricular or student growth is anticipated.

The College closed its Children's Learning Center in June 2020 due to the pandemic. As outlined in the last audit, the College carried through on its plan to outsource childcare services to a third party. During FY21, an RFP was issued, several vendors responded, and a lease was awarded to Little Jack's Child Care of Williamsport, MD. This arrangement largely removes the liability exposure of HCC operating a childcare center, and eliminates the annual deficit incurred to its auxiliary services when the College operated the center.

CBES is now largely complete and tenant recruitment is underway. Several offices have been leased at this writing. While not a profit center for the College, it is our intent that CBES will contribute to the overall health of economic development efforts in Washington County. The College is currently examining other options for increasing auxiliary services revenue.

Contingency Planning

In the event that HCC does not receive the operational funding that it requests or enrollment declines at a significant rate, the annual plan and budget is developed with contingencies in place. In addition, the College builds into its annual budget a general contingency line item for any unforeseen or emergency-type event.

HAGERSTOWN COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	Hagerstown Community College		Component Unit Hagerstown Community College Foundation	
	2021	2020	2021	2020
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 28,223,700	$ 28,960,331	$ 256,189	$ 237,302
Accounts Receivable:				
Student Receivables (Net of Allowance of $2,977,092 and $3,138,407)	4,046,027	4,051,064	-	-
State of Maryland	2,774,292	276,126	-	-
Federal Government	1,604,127	536,713	-	-
Other	1,006,639	1,198,041	-	-
Due from Foundation	76,398	58,740	-	-
Interest Receivable	242	13,530	-	-
Pledges Receivable, Net	-	-	157,332	174,151
Inventories	183,271	210,054	-	-
Prepaid Expenses	1,235,850	901,420	-	-
Total Current Assets	39,150,546	36,206,019	413,521	411,453
NONCURRENT ASSETS				
Property, Plant, and Equipment, Net	103,443,693	94,826,518	-	-
Construction in Progress	-	1,359,227	-	-
OPEB Asset	1,840,166	379,081	-	-
Investments, at Fair Value	-	-	15,191,699	11,705,216
Investments, at Cost	-	-	1,046,830	1,046,830
Pledges Receivable, Net	-	-	118,236	99,611
Total Noncurrent Assets	105,283,859	96,564,826	16,356,765	12,851,657
Total Assets	144,434,405	132,770,845	16,770,286	13,263,110
DEFERRED OUTFLOWS	688,523	893,492	-	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	2,632,558	2,088,482	312,796	26,690
Accrued Salaries and Taxes	2,117,910	1,313,751	-	-
Scholarships Payable	-	-	5,150	6,709
Due to College	-	-	76,862	58,740
Unearned Revenue	3,658,247	3,198,057	-	-
Total Current Liabilities	8,408,715	6,600,290	394,808	92,139
NONCURRENT LIABILITIES				
Compensated Absences	310,307	344,193	-	-
Net Pension Liability	2,133,523	1,963,888	-	-
Total Noncurrent Liabilities	2,443,830	2,308,081	-	-
Total Liabilities	10,852,545	8,908,371	394,808	92,139
DEFERRED INFLOWS	2,398,861	1,111,860	-	-
NET POSITION				
Net Investment in Capital Assets	103,239,631	96,185,745	-	-
Restricted	169,231	169,231	-	-
With Donor Restrictions	-	-	11,726,770	9,069,083
Without Donor Restrictions, Board-Designated	-	-	3,614,882	2,788,050
Unrestricted	28,462,660	27,289,130	1,033,826	1,313,838
Total Net Position	$ 131,871,522	$ 123,644,106	$ 16,375,478	$ 13,170,971

See accompanying Notes to Financial Statements.

HAGERSTOWN COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	Hagerstown Community College		Component Unit Hagerstown Community College Foundation	
	2021	2020	2021	2020
REVENUES				
Operating Revenues:				
Tuition and Fees	$ 13,922,729	$ 14,625,297	$ -	$ -
Scholarship Allowances	(2,848,755)	(3,625,151)	-	-
	11,073,974	11,000,146	-	-
Federal Grants and Contracts	11,629,131	7,894,517	-	-
State, Local, and Other Grants and Contracts	1,047,271	650,946	-	-
Auxiliary Enterprises	1,130,020	2,104,514	-	-
Contributions	-	-	812,613	1,209,522
Income Distribution from RELP	-	-	60,840	70,200
Noncash Donations	-	-	4,825	48,649
Special Events:				
Gross Revenue including Contributions	-	-	30,585	152,880
Less: Direct Costs of Events	-	-	(1,248)	(3,308)
Contribution of In-Kind Services	-	-	322,075	385,858
Other Sources	1,924,025	553,666	4,335	3,595
Total Operating Revenues	26,804,421	22,203,789	1,234,025	1,867,396
EXPENSES				
Instruction	12,740,918	13,307,662	-	-
Public Service	186,963	112,384	-	-
Grants	4,924,141	3,328,733	-	-
Academic Support	2,930,574	2,943,243	-	-
Student Services	4,212,238	4,816,655	-	-
Plant Operations and Maintenance	3,297,205	3,155,062	-	-
Institutional Support	10,285,555	8,199,463	-	-
Auxiliary Enterprises	386,041	2,487,894	-	-
Fundraising	-	-	32,389	118,022
Scholarships Awarded	-	-	540,735	572,011
CSA Scholarships Awarded	-	-	146,494	200,805
Contribution to the College	-	-	155,464	86,093
Other	-	-	306,804	302,179
Depreciation	4,019,261	4,034,917	-	-
Certain Fringe Benefits Paid Directly by the State of Maryland	1,772,608	1,825,091	-	-
Total Operating Expenses	44,755,504	44,211,104	1,181,886	1,279,110
OPERATING INCOME (LOSS)	(17,951,083)	(22,007,315)	52,139	588,286
NONOPERATING REVENUES				
County Appropriation	10,035,290	10,035,290	-	-
State Appropriation	9,489,550	9,455,511	-	-
Capital Appropriation	4,803,355	1,448,028	-	-
Investment Return (Loss), Net of Expenses	36,677	271,750	3,152,368	26,045
Certain Fringe Benefits Paid Directly by the State of Maryland	1,772,608	1,825,091	-	-
Other Sources (Uses)	41,019	(8,531)	-	-
Total Nonoperating Revenues	26,178,499	23,027,139	3,152,368	26,045
CHANGE IN NET POSITION	8,227,416	1,019,824	3,204,507	614,331
Net Position - Beginning of Year, as restated	123,644,106	122,624,282	13,170,971	12,556,640
NET POSITION - END OF YEAR	$ 131,871,522	$ 123,644,106	$ 16,375,478	$ 13,170,971

See accompanying Notes to Financial Statements.

HAGERSTOWN COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	Hagerstown Community College 2021	Hagerstown Community College 2020	Component Unit Hagerstown Community College Foundation 2021	Component Unit Hagerstown Community College Foundation 2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	$ 12,329,227	$ 10,785,541	$ -	$ -
Grants and Contracts	8,459,717	8,265,729	-	-
Other Sources	1,924,025	463,169	-	-
Payments to Suppliers	(13,027,914)	(11,807,187)	-	-
Payments for Salaries and Benefits	(24,676,018)	(25,603,297)	-	-
Auxiliary Enterprises Revenue	1,130,020	2,104,514	-	-
Foundation Operating Activity	-	-	353,462	508,913
Net Cash Provided (Used) by Operating Activities	(13,860,943)	(15,791,531)	353,462	508,913
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
County Appropriations	10,035,290	10,035,290	-	-
State Appropriations	9,489,550	9,455,511	-	-
Other Sources	41,019	19,963	-	-
Net Cash Provided by Noncapital Financing Activities	19,565,859	19,510,764	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
State and County Capital Appropriation	4,803,355	1,448,028	-	-
Purchases of Capital Assets	(11,335,665)	(2,490,772)	-	-
Proceeds from Sale of Fixed Assets	-	5,188	-	-
Loss (Gain) from Sale of Fixed Assets	58,456	28,496	-	-
Net Cash Used by Capital Financing Activities	(6,473,854)	(1,009,060)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	-	-	(682,953)	(1,241,692)
Proceeds from Sale of Investments	-	-	348,378	714,842
Investment Income	32,307	271,751	-	-
Net Cash Provided (Used) by Capital Investing Activities	32,307	271,751	(334,575)	(526,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(736,631)	2,981,924	18,887	(17,937)
Cash and Cash Equivalents - Beginning of Year	28,960,331	25,978,407	237,302	255,239
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 28,223,700	$ 28,960,331	$ 256,189	$ 237,302
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ (17,951,083)	$ (22,007,315)	$ 52,139	$ 588,286
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,019,261	4,034,917	-	-
In-Kind County, Plant, and State Paid Fringes	1,772,608	1,825,091	-	-
Bad Debts	-	-	-	2,664
Effects of Changes in Operating Assets, Deferred Inflows, Liabilities, and Deferred Outflows				
Student Receivable, Net	5,037	1,346,766	-	-
Accounts Receivable - State of Maryland	(2,498,166)	394,451	-	-
Accounts Receivable - Federal Government	(1,067,414)	(75,563)	-	-
Accounts Receivable - Other (Net)	191,402	(489,622)	-	-
Prepaid Expenses	(334,430)	(338,541)	-	-
Inventories	26,783	174,940	-	-
Deferred Outflows	204,969	31,293	-	-
Accounts Payable	544,076	970,204	286,566	11,010
Accrued Salaries and Taxes	804,159	43,445	-	-
Compensated Absences	(33,886)	174,391	-	-
Deferred Revenue	460,190	(1,670,373)	-	-
Net Pension Liability	169,635	108,191	-	-
Net OPEB Asset / Liability	(1,461,085)	27,037	-	-
Deferred Inflows	1,287,001	(340,843)	-	-
Pledges Receivable	-	-	(1,806)	(91,156)
Other Receivables	-	-	18,122	1,538
Other Liabilities	-	-	(1,559)	(3,429)
Net Cash Provided (Used) by Operating Activities	$ (13,860,943)	$ (15,791,531)	$ 353,462	$ 508,913

See accompanying Notes to Financial Statements.

HAGERSTOWN COMMUNITY COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2021 AND 2020

	OPEB Trust Fund	
	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 379,083	$ 337,981
Investments	8,418,124	6,506,060
Total Assets	$ 8,797,207	$ 6,844,041
NET POSITION		
Net Position Restricted for OPEB	$ 8,797,207	$ 6,844,041
Total Net Position	$ 8,797,207	$ 6,844,041

HAGERSTOWN COMMUNITY COLLEGE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	OPEB Trust Fund	
	2021	2020
Additions:		
Investment Earnings:		
Net Appreciation in Fair Value of Investments	$ 1,968,244	$ 239,792
Total Additions	1,968,244	239,792
Deductions		
Administrative Expense	15,078	13,186
Total Deductions	15,078	13,186
CHANGE IN NET POSITION	1,953,166	226,606
Net Position - Beginning of Year	6,844,041	6,617,435
NET POSITION - END OF YEAR	$ 8,797,207	$ 6,844,041

NOTE 1 REPORTING ENTITY

Hagerstown Community College (HCC or the College) is considered a “body politic” under Maryland State law as an instrumentality of the state of Maryland (the State). The College is governed by a seven-member board of trustees, who are appointed for six-year terms by the Governor of the State with the advice and consent of the State Senate.

Funding is received from both the State and Washington County (the County). Annual state funding is based upon a statutory formula that utilizes the number of full-time equivalent students reported two years earlier.

Hagerstown Community College Foundation, Inc. (HCCF or the Foundation) is considered a component unit of the College and is presented in the College’s financial statements based on management’s interpretation of Government Accounting Standards Board Statement (GASB) No. 39, *Determining Whether Certain Organizations are Component Units*. The purpose of the Foundation is to encourage and seek private financial contributions for the progress of the College as a vital community partnership between the College and the community. While the Foundation’s primary focus has been providing scholarship assistance, its role is to raise funds for the benefit of the College, its students, and faculty through public contributions. Complete financial statements for the Foundation can be obtained by contacting Hagerstown Community College Foundation, Inc. at 11400 Robinwood Drive, Hagerstown, MD 21742.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The College and the Foundation is presented to assist in understanding the College’s and Foundation’s financial statements. The financial statements and notes are representations of the College’s and Foundation’s management, who are responsible for their integrity and objectivity.

Basis of Presentation

In June 1999, the GASB approved Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments;* this statement has been in part amended by GASB 63. This was followed by Statement No. 35 *Basic Financial Statements and Management’s Discussion Analysis for Public Colleges and Universities*. GASB Statement 34 identified three types of special-purpose governments (SPG): (1) those engaged only in governmental activities, (2) those engaged only in business-type activities, and (3) those engaged in both governmental and business type activities.

Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange transactions. On the other hand, business-type activities (BTAs) are financed in whole or in part by fees charged to external parties for goods and services.

Given the importance of tuition, fees and other exchange-type transactions in financing higher education, the College adopted the financial reporting model required of SPG’s engaged in business-type activities. Colleges reporting as BTA’s follow GASB standards applicable to proprietary (enterprise) funds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The BTA model requires the following financial statement components.

* Management's Discussion and Analysis
* Statement of Net Position
* Statement of Revenues, Expenses, and Changes in Net Position
* Statement of Cash Flow
* Notes to the Financial Statements

The College's financial statements are prepared using the format of a special-purpose government engaged only in business-type activities with an economic resources measurement focus and the accrual basis of accounting. All revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal contractual obligation to pay. The statements are intended to report the public institution as an economic unit that includes all measurable assets, liabilities, financial results, and capital of the institution.

The statements of revenues, expenses, and changes in net position for special-purpose governments engaged in BTAs require an operating/nonoperating format to be used. The College has elected to report its operating expenses by functional classification. The statements of cash flows are presented utilizing the direct method, which depicts cash flows from operating activities and a reconciliation of operating cash flows to operating income.

One of the primary purposes of financial reporting is to account for resources received and used, as well as accounted for and reported. In certain situations, both restricted and unrestricted net position may be available to cover an expense incurred. In those few cases, as long as the expense meets all of the requirements of the restricted net position, restricted resources would be applied first.

The College's tuition and fee revenue is reported net of scholarship allowance. The scholarship allowance represents funds received as tuition from outside resources such as Title IV Federal Grant Program, restricted grants, board of trustee Scholarships, as well as waivers.

The Foundation is a private, nonprofit organization that reports under FASB ASC 958 *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Certain presentation reclassifications have been made to the Foundation's financial statement information included in the College's financial statements.

The Foundation has presented its financial statements in accordance with generally accepted accounting principles in the United States of America for nonprofit organizations. Accordingly, the Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions (including board-designated) and with donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements (HCC and HCCF)

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for doubtful accounts, allowance for uncollectible pledges, discounts on pledges receivable, the useful lives of depreciable assets, and fair value measurements.

Fair Value Measurements (HCCF)

The Foundation accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

The Foundation is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or nonactive markets.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs (HCC)

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and William D. Ford Direct Student Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, Code of Federal Regulations Title 2 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and U.S. Office of Management and Budget's Compliance Supplement.

Operating and Nonoperating Components (HCC)

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

Cash and Cash Equivalents (HCC and HCCF)

The College and the Foundation consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments (HCCF)

Investment securities are carried at fair value. Money market funds included therein are stated at cost, which approximates fair value. Fair value is the quoted market price of the investment or the net asset value for mutual funds. Accordingly, the change in unrealized appreciation or depreciation of marketable securities for the year is reflected in the statement of activities. Realized gains and losses on sales of investments are recorded on the settlement date of the transaction. Certain investments are effectively restricted as to use to the extent of permanently and temporarily restricted net assets.

The Foundation invests with the University System of Maryland Foundation (USMF) in a comingled investment fund. These investments are recorded at fair value.

The Foundation's investments also include a 6% interest in a real estate limited partnership (RELP). The limited partnership agreement contains an indemnification agreement whereby the Foundation cannot be asked for additional capital contributions. Cash distributions received from the partnership are treated as unrestricted donations in the accompanying statements of activities. The Foundation's investment in the RELP is carried at cost. Management has determined that no impairment loss is required for its interest in the RELP.

Student Receivables (HCC)

Student receivables are uncollateralized obligations of students resulting from course registration. The receivable is due at the start of the semester for which it was incurred. The College uses the allowance method to determine accounts receivables. The allowance is based on prior years' experience and management's analysis of collection history and specific promises made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Pledges Receivable (HCC and HCCF)

Unconditional promises to give that are expected to be collected within one year are reported at their net realizable values. Unconditional promises to give that are expected to be collected in future years are discounted to present value of their estimated future cash flows. The discounts on noncurrent amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is recognized as contribution revenue over the life of the pledge. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The College and the Foundation use the allowance method to evaluate the collectability of student accounts and promises to give based on prior years' experience and management's analysis of specific promises made. At June 30, 2021 and 2020, management has established an allowance for doubtful accounts as stated on the statement of net position (HCC) and in Note 6 to these financial statements (HCCF).

Inventories (HCC)

Inventories are comprised predominately of textbooks held for sale in the bookstore and are stated at cost using the First in First out (FIFO) method. Generally, unsold books are returned to the publishers.

Pension (HCC)

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 College's retirement plans and additions to/deductions from the retirement plans' fiduciary net position have been determined on the same basis as they are reported by the retirement plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefits and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Obligations (HCC)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the College's OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB trust. For this purpose, member contributions are recognized as revenue in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Investments are reported at fair value, except for money market investments which cost approximates fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Goods and Services (HCCF)

Donated assets, including securities and property and equipment are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with donor restrictions. Absent donor stipulations regarding how long the donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor at which time restricted net assets are reclassified to unrestricted net assets. Donated services that require specialized skills or enhance nonfinancial assets are recorded as support at fair value at the time of donation with a corresponding charge to expense.

Net Position Classification and Endowments (HCCF)

The Foundation complies with the provisions of FASB ASC 958-205 *Endowments of Not-for-profit Organizations: Net Asset Classification of Funds* Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds, which provides guidance on net position classification of donor-restricted endowment funds and related disclosures. The Foundation's endowment funds include both donor-restricted and board-designated endowment funds. As required by accounting standards generally accepted in the United States of America, net position associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Maryland has adopted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). UPMIFA was issued by the National Conference of Commissioners on Uniform State Laws to, among other things, improve (a) protection of donor intent with respect to expenditures from endowments and (b) the endowment spending rule by eliminating the historic dollar value concept and provide better guidance regarding the operation of the prudence standard. The Maryland Law is called the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA). Under MUPMIFA, the term "endowment funds" does not include assets that an institution designates as an endowment fund for its own use. However, the disclosures required under ASC 958-205 apply to both donor-restricted and board-designated endowment funds.

Federal and State Income Tax Status (HCC and HCCF)

The College is exempt from federal and state income taxes as it is an instrumentality of the State.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal and State Income Tax Status (HCC and HCCF) (Continued)

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation complies with ASC 740-10 Income Taxes, which establishes a threshold for determining when an income tax benefit of a tax position can be recognized. Under ASC 740-10, a tax position includes, among other things, (a) a decision not to file a tax return, (b) an allocation or a shift of income between jurisdictions, (c) the characterization of income or a decision to exclude reporting taxable income in a tax return, (d) a decision to classify a transaction, entity, or other position in a tax return as tax exempt, and (e) an entity's status, including its status as a tax-exempt nonprofit entity. Based on its interpretation of the requirements of ASC 740-10, management believes that the Foundation has no uncertain tax positions that qualify for either recognition or disclosure. The Foundation believes it is no longer subject to income tax examinations for years prior to 2012.

Net Position (HCCF)

Net position with donor restrictions are comprised of the following as of June 30:

	2021	2020
Regular Scholarship	$ 8,891,294	$ 6,775,251
Faculty Scholarship	230,326	182,389
Athletic Scholarship	2,104,772	1,698,867
Arboretum	483,037	395,235
CPB Capital Campaign	17,341	17,341
Total	$ 11,726,770	$ 9,069,083

The primary purpose of the Regular Scholarships is to provide financial assistance to students. The Faculty Scholarships were established to provide scholarships to attend Hagerstown Community College to students from Washington County High Schools that have demonstrated high scholastic achievement. Donations to the Arboretum were established to maintain the aesthetic beauty of the College's campus.

The Athletic Scholarship and Booster Leadership Group was established to generate fan support and raise funds to support and promote HCC athletics. In regard to raising funds, the club is associated with the HCC Foundation and all fundraising will be specifically addressed through the Athletic Scholarship and Booster Support Committee. In regard to fan support and community interest, the group continues to operate at their own discretion.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (HCCF) (Continued)

The Foundation was a partner in the Waltersdorf/Henson Endowment Challenge Campaign. The established goal of $800,000 was met in FY08. This matching gift program provided a dollar-for-dollar match creating a $1.6 million fund within the Community Foundation of Washington County (CFWC) to support the Foundation with scholarships and a teaching and learning excellence fund. The Foundation has transferred such funds, which are a component fund of CFWC, and granted variance power to CFWC with respect to such funds. Accordingly, the Foundation has not recognized such funds as an asset. The Foundation is a beneficiary of the investment return on such funds and, accordingly, has recognized the investment return on such fund as contributions. The fair market value of these funds were $2,617,976 and $2,015,488 as of June 30, 2021 and 2020, respectively.

NOTE 3 RISKS AND UNCERTAINTIES (HCC AND HCCF)

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident; and natural disasters.

The College purchases commercial insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection concerning instruction of nursing and Allied health students. The College also purchases private stop-loss insurance for employee health coverage. Settled claims have not exceeded this commercial coverage for the past three fiscal years.

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash, cash equivalents, and investments. USMF, directed by the adopted investment policy, manages the majority of the Foundation’s investment portfolio.

NOTE 4 CASH AND INVESTMENTS

Deposits (HCC)

As of June 30, 2021 and 2020, the College’s carrying value of cash was $10,029,577 and $4,539,369, respectively, and the bank balance was $9,115,483 and $4,474,281, respectively. All of these funds are insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the depository institutions.

Short-Term Investments (HCC)

The repurchase agreement as of June 30, 2021 and 2020 was $11,094,539 and $16,049,183, respectively. The College had $6,849,584 and $6,841,995 invested in the Maryland Local Government Investment Pool (MLGIP) at June 30, 2021 and 2020, respectively. The College had $250,001 and $1,529,784 in CDs with maturities of 1 year or less at June 30, 2021 and 2020, respectively. These investments are in accordance with Article 95 of the Annotated Code of Maryland.

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Short-Term Investments (HCC) (Continued)

	2021	
	Carrying Amount	Book Balance
Investments not Subject to Fair Value:		
Repurchase Agreements	$ 11,094,539	$ 11,094,539
Investment in Maryland Local Government Investment Pool	6,849,584	6,849,584
Certificates of Deposit	250,001	250,001
Total Investments	18,194,124	18,194,124
Cash	10,029,576	9,115,483
Total	$ 28,223,700	$ 27,309,607

	2020	
	Carrying Amount	Fair Value
Investments not Subject to Fair Value:		
Repurchase Agreements	$ 16,049,183	$ 16,049,183
Investment in Maryland Local Government Investment Pool	6,841,995	6,841,995
Certificates of Deposit	1,529,784	1,529,784
Total Investments	24,420,962	24,420,962
Cash	4,539,369	4,474,281
Total	$ 28,960,331	$ 28,895,243

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The valuation technique uses a three level hierarchy of inputs to measure fair value. Investments classified in Level 1 within the fair value hierarchy are valued using prices quoted in active markets for identical assets. Level 2 investment valuations utilize inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. If fair value inputs are unobservable, the investments will be classified as Level 3.

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Short-Term Investments (HCC) (Continued)

Fair value measurements at June 30, 2021 and 2020 for the OPEB Trust Fund:

	2021			
	Quoted prices in Active Markets for Identical Assets (Level 1)	Sigificant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by fair value level:				
Fixed Income	$ 2,264,235	$ -	$ -	$ 2,264,235
Equities	6,153,889	-	-	6,153,889
Total Investments by fair value level	$ 8,418,124	$ -	$ -	$ 8,418,124

	2020			
	Quoted prices in Active Markets for Identical Assets (Level 1)	Sigificant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments by fair value level:				
Fixed Income	$ 2,201,981	$ -	$ -	$ 2,201,981
Equities	4,304,079	-	-	4,304,079
Total Investments by fair value level	$ 6,506,060	$ -	$ -	$ 6,506,060

Investment rate risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the College's exposure to fair value losses arising from increasing interest rates, the College's investment policy limits the maturity date of direct investments, unless matched to a specific cash flow, to one year from the date of purchase. The College may invest in instruments that contain some underlying securities with maturity dates greater 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. The investments at June 30, 2021, met the College's investment policy as of that date.

Credit Risk

College investment policy does not permit investments in commercial paper or corporate bonds, except as permitted under state law in the state investment pool. The College invests in the Maryland Local Investment Pool (MLGIP) which is under the administration of the State Treasurer. The MLGIP seeks to maintain a constant value of $1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a $1.00 per unit constant value. The College maintains a repurchase agreement with Columbia Bank that is collateralized with Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) Notes.

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Short-Term Investments (HCC) (Continued)

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. At June 30, 2021, all of the College's investments were insured or collateralized in the College's name, or invested in the MLGIP or in instruments whose underlying securities are comprised solely with obligations of the U.S. Treasury.

Foreign Currency Risk

The College's investment policy does not allow for and does not have investments denominated in foreign currencies.

NOTE 5 INVESTMENTS (HCCF)

The Foundation does not own an undivided interest in the individual investments at USMF. The tables below represent the Foundation's proportional interest in the various investments as reported by USMF. The Foundations investments consisted of the following as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Assets at USMF	$ -	$ -	$ 15,191,699	$ 15,191,699

	2020			
	Level 1	Level 2	Level 3	Total
Assets at USMF	$ -	$ -	$ 11,705,216	$ 11,705,216

There were no transfers of assets between Level 1, 2 or 3 classifications for the years ended June 30, 2021 and 2020.

The Foundation's Investment in USMF

The Foundation's USMF investment is held in a commingled investment fund. The Foundation owns an undivided interest in the whole of USMF and does not have the ability to dispose of individual assets and liabilities at USMF, and there are no restrictions on redemptions such as lockup or gate provisions. Therefore, the Foundation reports the fair value of its investment in USMF using the net asset value as reported by USMF. In calculating the net asset value there are a significant amount of USMF's investments that have Level 3 inputs, and as such, the Foundation's investment in USMF is considered a Level 3 investment.

NOTE 5 INVESTMENTS (HCCF) (CONTINUED)

University System of Maryland Foundation

The following describes the investment valuation methodologies used by USMF to arrive at their net asset value which is used to value the Foundation's investment in USMF. Some of USMF's investments may be illiquid and USMF may not be able to vary the portfolio in response to changes in economic and other conditions. Some of the investments that are purchased and sold are traded in private, unregistered transactions and are therefore subject to restrictions on resale or otherwise have no established trading market. In addition, if USMF is required to liquidate all or a portion of its portfolio quickly, the Foundation may realize significantly less than the value at which it previously recorded those investments.

Money market funds and short-term investments include amounts invested in accounts with depository institutions and managed accounts which are readily convertible to known amounts of cash. USMF invests in these assets to maintain liquidity for spending needs and unfunded commitment liability. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore bear a risk of loss. USMF has not experienced such losses on these funds.

The value, liquidity, and related income of the investments are sensitive to changes in economic conditions, including real estate value, delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates and credit downgrades. USMF invests in these assets to protect in the event of sudden interest rate changes as well as to maintain liquidity for spending needs and unfunded commitment liability.

In general, equity securities and mutual funds traded on national securities exchanges are valued at the last quoted sales price, except securities traded on the NASDAQ Stock Market, Inc. (NASDAQ), which are valued in accordance with the NASDAQ Official Closing price. USMF invests in equities to gain exposure to the overall direction of global equity markets.

Separately managed accounts represent vehicles that are managed by external investment managers that trade and hold securities on USMF's behalf. The investments held in these separately managed accounts are largely publicly traded common stock and fixed income securities that are easily converted into cash, however the vehicle through which USMF invests is a separately managed account with a fair value that is not observable, but maintains observable inputs that external managers use to determine the fair value of the portfolio.

Private investments measured at NAV consists of investments in partnership-based structures where the general partner or investment manager generally values their investments at fair value. The fair value of these investments has been estimated either by using the NAV per share of the investment of the ownership percentage of the fund's net assets as allowed as a practical expedient under fair value guidance.

NOTE 5 INVESTMENTS (HCCF) (CONTINUED)

University System of Maryland Foundation (Continued)

The general partner or manager generally values the investments at fair value. Securities with no readily available market are initially valued at cost, with subsequent adjustment to values which reflect either the basis of meaningful third-party transactions in the private market or the fair value deemed appropriate by USMF's management. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment company/fund can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. Such value represents USMF's proportionate share of the capital in the investment company/fund. Accordingly, the value of the investment is generally increased by additional contributions and the share of net earnings from the investments and decreased by distributions from the partnerships and the partner's share of net losses. These investments have been labeled as Level 3 based on their lock up periods and the transparency of their assets. Redemption of these investments is left to the discretion of the general partner/manager of the funds. Distributions from each fund will be received as the underlying investments are liquidated. As of June 30, 2021, unfunded commitments within the intermediate assets category equal approximately 44.6% of the assets in that category.

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

Net investment return (loss) consisted of the following for the years ended June 30:

	2021	2020
Interest, Dividends, and Other Activity	$ 173,875	$ 159,895
Realized Gain on Sale of Investments	501,694	649,015
Unrealized Gain (Loss) on Investments	2,592,480	(694,529)
Total Investment Return	3,268,049	114,381
Less: Investment Management Fees	115,681	88,336
Investment Return, Net	$ 3,152,368	$ 26,045

NOTE 6 PLEDGES RECEIVABLE (HCCF)

Pledges receivable consisted of the following at June 30:

	2021	2020
Receivable in Less than One Year	$ 157,332	$ 174,151
Receivable in One to Five Years	129,111	111,840
Total Unconditional Promises to Give	286,443	285,991
Less: Discounts to Net Present Value	875	2,229
Less: Allowance for Uncollectible Promises	10,000	10,000
Net Unconditional Promises to Give	$ 275,568	$ 273,762
Pledges Receivable, Current Portion	$ 157,332	$ 174,151
Pledges Receivable, Long-Term	118,236	99,611
Total Pledges Receivable	$ 275,568	$ 273,762

Unconditional promises to give have been discounted at 0.16% and 2.12%, respectively.

NOTE 7 CAPITAL ASSETS (HCC)

Capital assets are stated at cost, if purchased, and at fair value, if donated. Depreciation of physical plant and equipment is provided on a straight-line basis over the useful lives of the assets ranging from 5 to 50 years. Included under the equipment category for financial reporting purposes is the College's investment in library books.

	2020	Additions	Deletions / transfers	2021
Land and Land Improvements	$ 3,934,196	$ -	$ -	$ 3,934,196
Buildings	119,473,350	9,871,385	(111,235)	129,233,500
Infrastructure	8,447,171	-	-	8,447,171
Equipment	20,942,237	2,823,507	(272,708)	23,493,036
Construction in Progress	1,359,227	-	(1,359,227)	-
Total Property, Plant, and Equipment	154,156,181	12,694,892	(1,743,170)	165,107,903
Less: Accumulated Depreciation	57,970,436	4,019,261	(325,487)	61,664,210
Capital Assets, Net	$ 96,185,745	$ 8,675,631	$ (1,417,683)	$ 103,443,693

	2019	Additions	Deletions	2020
Land and Land Improvements	$ 3,934,196	$ -	$ -	$ 3,934,196
Buildings	119,432,578	40,772	-	119,473,350
Infrastructure	8,332,177	114,994	-	8,447,171
Equipment	20,081,985	1,089,164	(228,912)	20,942,237
Construction in Progress	113,385	1,245,842	-	1,359,227
Total Property, Plant, and Equipment	151,894,321	2,490,772	(228,912)	154,156,181
Less: Accumulated Depreciation	54,130,747	4,034,917	(195,228)	57,970,436
Capital Assets, Net	$ 97,763,574	$ (1,544,145)	$ (33,684)	$ 96,185,745

NOTE 8 RETAINAGE (HCC)

As of June 30, 2021 and 2020, the College withheld retainage totaling approximately $949,811 and $204,061, respectively. The retainage predominately relates to the CBES construction projects. This represents less than 10% of completed work as of June 30, 2021 and 2020.

NOTE 9 INTERFUND BORROWINGS (HCC)

Interfund borrowings have been made principally by current funds from plant and agency funds to finance expenditures until related receivables from governmental agencies are collected. All amounts are due currently.

NOTE 10 UNEARNED REVENUE (HCC)

Unearned Revenue consists primarily of tuition and fees resulting from registrations received for summer classes and fall school programs starting after July 1st. Deferred revenue as of June 30, 2021 and 2020 was $3,658,248 and $3,198,057, respectively.

NOTE 11 RETIREMENT PLANS (HCC)

Plan Description

The employees of the College are covered by one of the following defined benefit pension plans affiliated with the State Retirement and Pension System of Maryland (the System).

The Teachers Retirement System of the State of Maryland
Employees Retirement System of the State of Maryland
Pension System for Teachers of the State of Maryland
Pension System for Employees of the State of Maryland

These systems provide pension and death and disability benefits to plan members and beneficiaries. The plans are administered by the State Retirement Agency (Agency). The responsibility for the administration and operation of the System is vested in a 14-member board of trustees. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System.

That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201, or by calling (410) 225-1400.

NOTE 11 RETIREMENT PLANS (HCC) (CONTINUED)

Funding Policy

The State Personnel and Pensions Article require active members to contribute to the System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. The contribution rate under the state Employees' and Teachers' Pension Enhancement Benefit Act of 2006, which became effective July 1, 2006, was increased to 7% in FY13 of the member's earnable compensation. The combined State contribution rate for 2020 and 2021 of 15.59% and 14.23%, respectively, of covered payroll.

Contributions

For the years ended June 30, 2021 and 2020, the College's annual pension cost of $1,545,003 and $1,631,739, respectively, was equal to its required and actual contributions made in accordance with an actuarial valuation performed as of June 30, 2021 and 2020. The state of Maryland contributed a total of $1,412,312 for all plans in 2021 and $1,429,344 in 2020. This amount is included as both revenue and expense (Certain Fringe Benefits Paid by the State of Maryland) in the accompanying statements as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

The College has a responsibility for funding employees' contributions that are members of the Employees' Retirement System of the State of Maryland. Therefore, the College has been instructed to treat this plan as a cost-sharing multi-employer defined benefit pension plan.

Pension Costs

At June 30, 2021 and 2020, the College reported a liability of $2,133,523 and $1,963,888, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that dates, respectively. The College's proportion of the net pension liability was based on the College's contributions to the System in relation to total system contributions including direct aid from the state of Maryland. At June 30, 2021 and 2020, the College's proportionate share was 0.0094% and 0.0095%, respectively, resulting in a decrease in proportionate share of 0.0001%

For the years ended June 30, 2021 and 2020, the College recognized pension expense of $318,133 and $357,313, respectively.

NOTE 11 RETIREMENT PLANS (HCC) (CONTINUED)

Pension Costs (Continued)

At June 30, 2021 and 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	2021	2020
Changes in Assumptions	$ 9,598	$ 27,457
Change in Proportion	198,154	328,889
Net Difference Between Projected and Actual Investment Earnings	161,325	38,662
Change in Proportionate Share of Contributions	862	4,488
Contributions Subsequent to the Measurement Date	192,827	202,395
Total	$ 562,766	$ 601,891

Deferred Inflows of Resources	2021	2020
Change in Proportion	$ 17,891	$ 52,015
Change in Assumptions	42,032	53,448
Change in Proportionate Share of Contributions	81	92
Net Difference Between Projected and Actual Experience	81,020	118,926
Total	$ 141,024	$ 224,481

Deferred inflows and outflows of resources are made up of employer contributions, changes in actuarial assumptions, differences in actual and expected experience, and net differences in the projected and actual investment earnings. Deferred outflows related to employer contributions made subsequent to the plan's actuarial measurement date reduce net pension liability in the fiscal year in which the related actuarial measurement date is used to measure the net pension liability, generally the following fiscal year. Employer contributions included in deferred outflows as of year-end reduce net pension liability for the subsequent year. The deferred inflows and outflows related to noninvestment activity are being amortized over the remaining service life ranging from 5.68 to 5.87 years. The deferred outflows not related to investment activity are being amortized over the remaining service life of five years. The net difference in investment earnings for is being amortized over a closed five-year period.

The following table shows the amortization of the balances:

Fiscal Year Ending	Amount
2022	$ 53,605
2023	62,343
2024	73,753
2025	41,000
2026	(1,786)

NOTE 11 RETIREMENT PLANS (HCC) (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the Employees' Maryland State Retirement and Pension System's total pension liability as of the June 30, 2020 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal
- Amortization method – Level Percentage of Payroll, Closed
- Inflation – 2.60% general, 3.10% wage (2021); 2.60% general, 3.10% wage (2020)
- Salary increases – 3.10% to 11.60% (2021); 3.10% to 11.60% (2020), including inflation
- Discount rate – 7.40% (2021); 7.40% (2020)
- Investment rate of return – 7.40% (2021); 7.40%(2020)
- Mortality – Pub-2010 Mortality Tables with projected mortality improvements based on the MP-2018 fully generational mortality improvement scale (2021), RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience (2020).

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

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

	2021	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.20%
Private Equity	13%	6.50%
Rate Sensitive	19%	-0.30%
Credit Opportunity	9%	2.80%
Real Assets	14%	4.30%
Absolute Return	8%	1.80%
Total	100%	

NOTE 11 RETIREMENT PLANS (HCC) (CONTINUED)

Actuarial Assumptions (Continued)

Asset Class	2020 Target Allocation	2020 Long-Term Expected Real Rate of Return
Public Equity	37%	6.30%
Private Equity	13%	7.50%
Rate Sensitive	19%	1.30%
Credit Opportunity	9%	3.90%
Real Assets	14%	4.50%
Absolute Return	8%	3.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.40%. This single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

Pension Liability Sensitivity

The following presents the College's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

2021

Description	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.40%	7.40%	8.40%
College's Proportionate Share of the Net Pension	$ 3,037,416	$ 2,133,523	$ 1,380,666

2020

Description	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.40%	7.40%	8.40%
College's Proportionate Share of the Net Pension	$ 2,842,531	$ 1,963,888	$ 1,232,089

NOTE 11 RETIREMENT PLANS (HCC) (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the System's fiduciary's net position is available in a separately-issued System financial report which may be requested by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, MD 21202 or by calling 410-625-5555.

Optional Retirement Plan

Professional employees otherwise eligible to join the state of Maryland Plan may choose instead to join the Optional Retirement Plan (ORP) administered by the state of Maryland. This plan is a noncontributory defined contribution plan. The plan provides for retirement and death benefits. The plan was established by and can be amended by the State Legislature. The state of Maryland contributes 7.25% of eligible salaries on behalf of the College. Contributions were $360,296 and $395,747 for 2021 and 2020, respectively. This amount is included as both revenue and expense (Certain Fringe Benefits Paid by the State of Maryland) in the accompanying statements as required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance.*

Deferred Compensation Plan

The College offers a defined contribution 403(B) plan to all of its eligible employees. The plan is contributory on a voluntary basis with all contributions being paid to the trustee. The College makes no basic or matching contributions on behalf of its employees.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HCC)

Plan Description

The College offers postemployment medical benefits (medical, prescription drug, and dental) to eligible retirees and their dependents. One plan is offered for medical plus prescription and one plan is offered for dental coverage. Both plans are self-funded and eligible retirees are required to pay a premium based on their years of service. Premiums are approved by the board of trustees. Employees (and spouses) are eligible to receive benefits from the Retiree Medical Plan upon retirement if they are enrolled in the active medical plan immediately prior to retiring. The eligibility for retirement is the same as under the Maryland State Pension System (regardless of the actual pension plan enrolled in) with the added requirement of at least 10 years of service. These requirements include either 30 years of service, or age 55 and 15 years of service, or age 62 and 10 years of service. Retired employees and their spouse are eligible to continue participation for life.

Employees Covered by Benefit Terms

Substantially all full-time employees may qualify for these benefits. At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

Retirees Currently Receiving Benefits	103
Active Employees	232
Total Plan Members	335

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HCC) (CONTINUED)

Contributions

During fiscal year 2017, the College's board of trustees elected to provide funding to the OPEB Trust of $1,038,078. The College will continue to pay benefits on a pay-as-go basis with the College's general funds. The trust balance as of June 30, 2021 was $8.8 million.

Net OPEB Liability

The College's total and net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of June 30, 2021.

Actuarial Methods and Assumptions

The total OPEB liability actuarial valuation for June 30, 2021 and 2020 was determined using entry age normal method and the following actuarial assumptions:

Inflation Rate	3.0%
Salary Increases	4.0%
Investment Rate of Return	7.3%
Healthcare Cost Trends Rates	4.5% - 5.5%
Dental Cost Trend Rate	3.0%

Long-term Expected Rate of Return

The long-term expected total rate of return is 7.3% for June 30, 2021 and 2020. The allocation was based on the best estimates of arithmetic real rates of return by major asset class presented below:

Asset Class	Targeted Allocation	Expected Rate of Return
Domestic Equity	65%	8.5%
Fixed Income	30%	5.7%
Cash Equivalents	5%	1.0%
	100%	

Discount Rate

A projection of cash flows was used to determine the discount rate. The analysis shows that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments for the lifetime of every individual in the census. As such, the discount rate used to measure the total OPEB liability was 7.3%, which is the long-term expected rate of return.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HCC) (CONTINUED)

Net OPEB Plan's Fiduciary Net Position

The elements of the OPEB Plan are summarized below:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning Balance - June 30, 2020	$ 6,464,961	$ 6,844,042	$ (379,081)
Changes for the Year:			
Service Cost	139,007	-	139,007
Interest	458,941	-	458,941
Experience Losses	(99,468)	1,454,144	(1,553,612)
Employer Contributions	-	-	-
Net Investment Income	-	1,953,165	(1,953,165)
Changes in Assumptions	349,790	(1,454,144)	1,803,934
Benefit Payments	(356,190)	-	(356,190)
Net Changes	492,080	1,953,165	(1,461,085)
Ending Balance - June 30, 2021	$ 6,957,041	$ 8,797,207	$ (1,840,166)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning Balance - June 30, 2019	$ 6,211,317	$ 6,617,435	$ (406,118)
Changes for the Year:			
Service Cost	150,020	-	150,020
Interest	438,842	-	438,842
Experience Losses	-	(255,991)	255,991
Employer Contributions	-	-	-
Net Investment Income	-	226,607	(226,607)
Changes in Assumptions	64,347	255,991	(191,644)
Benefit Payments	(399,565)	-	(399,565)
Net Changes	253,644	226,607	27,037
Ending Balance - June 30, 2020	$ 6,464,961	$ 6,844,042	$ (379,081)

The plan funded status is 126.5% and 105.9% as of June 30, 2021 and 2020, respectively.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HCC) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate

The following presents the net OPEB liability if it were calculated using a discount rate that is 1% point lower and 1% higher than the current discount rate.

	Discount Rate		
2021	1% Increase	Valuation Rate	1% Decrease
Net OPEB Liability (Asset)	$ (2,588,427)	$ (1,840,166)	$ (924,378)

	Discount Rate		
2020	1% Increase	Valuation Rate	1% Decrease
Net OPEB Liability (Asset)	$ (1,061,183)	$ (379,081)	$ 447,593

	Health Care Trend		
2021	1% Increase	Valuation Rate	1% Decrease
Net OPEB Liability (Asset)	$ (842,716)	$ (1,840,166)	$ (2,652,538)

	Health Care Trend		
2020	1% Increase	Valuation Rate	1% Decrease
Net OPEB Liability (Asset)	$ 526,722	$ (379,081)	$ (1,123,364)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the years ended June 30, 2021 and 2020, the College recognized OPEB expense of $100,989 and $500,274, respectively. At June 30, 2021 and 2020, the College reported deferred inflows of resources related to OPEB from the following sources:

	2021	2020
Deferred Outflows of Resources		
Net Difference Between Projected and Actual Investment Earnings	$ -	$ 291,601
Net Difference Between Projected and Actual Experience	125,635	-
Change in Assumptions	122	-
Total	$ 125,757	$ 291,601
Deferred Inflows of Resources		
Change in Assumptions	$ 652,362	$ 381,450
Net Difference Between Projected and Actual Experience	386,131	505,929
Net Difference Between Projected and Actual Investment Earnings	1,219,344	-
Total	$ 2,257,837	$ 887,379

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (HCC) (CONTINUED)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	Amount
2022	$ (494,552)
2023	(483,555)
2024	(403,572)
2025	(353,661)
2026	(354,442)
2027	(42,298)

NOTE 13 ENDOWMENT (HCCF)

The Foundation's endowments consist of approximately 180 named funds established to support a variety of scholarship programs and other activities at Hagerstown Community College. The endowment may include both donor-restricted endowment funds and funds designated by the board of directors to function as endowment funds. The net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) has been interpreted 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 the gifts donated, (b) the original value of the subsequent gifts, and (c) accumulations 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 board-designated unrestricted net assets until those amounts are appropriated for expenditure by the board in a manner consistent with MUPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the endowment fund
2) The purpose of the Institution and the endowment fund
3) The general economic conditions
4) The possible effect of inflation or deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Institution
7) The investment policies of the Foundation

NOTE 13 ENDOWMENT (HCCF) (CONTINUED)

The Foundation has adopted investment policies employed by USMF for the Foundation's Endowment which seeks to provide a steady and sustainable distribution of funds to provide a source of income for scholarship assistance and other financial assistance for the benefit of the College's students and faculty. USMF governs according to fundamental investment principles approved by its investment committee and board of directors, with the objective of achieving superior risk adjusted returns in order to grow the corpus of the capital base and provide capital for spending distributions. Specifically, the goal of the Endowment is to achieve returns in excess of inflation plus spending plus fees.

To satisfy its objectives, USMF employs a diversified asset allocation that allows for investment in public risk assets (liquid investments), private risk assets (illiquid portion of the portfolio), and safe assets (cash and U.S. Government securities). In addition, on an as needed basis to further protect capital, assets may be allocated to the portfolio overlay class (liquid, exchange traded instruments that aim to hedge against undesired risks). The asset allocation target ranges inclusive of these securities as of June 30, 2021 is as follows:

Safe Assets	0% - 25%
Intermediate Assets	5% - 25%
Public Risk Assets	25% - 75%
Private Risk Assets	10% - 75%

The Endowment Portfolio is constructed based on the following principles:

1) Allocation: The overall goal of the investment committee at USMF is to establish asset classes in a range to create balance across the portfolio between sources of return, liquidity timeliness, and types of risk. The allocation to safe assets is in place to provide capital preservation and stability during volatile periods as well as facilitate spending and capital call requirements. Portfolio overlay is another line of defense for capital preservation. The target allocation is set to 0% because allocating capital to this asset class will only be on an as needed opportunistic basis. The public risk assets are actually parsed in four sub-asset classes which further define the portfolio's risk. These sub classes are (a) public equity, which is the primary growth drive of the portfolio (b) public credit provides a differentiated source of return from the overall equity markets and diversify our public market risk, (c) real return represents a hedge against inflation, so as to preserve the endowment's corpus, and (d) pure alpha, which is a portion of the portfolio that invests with niche investment managers that provide idiosyncratic sources of investment return. Private risk assets are the illiquid portion of the portfolio, serving as the primary return enhancement over broad public equity markets. These investments are also further defined into two sub-asset classes. They are: (a) private equity transactions that take ownership in companies across the spectrum of their life cycles and (b) private credit investments.

NOTE 13 ENDOWMENT (HCCF) (CONTINUED)

2) Diversification: By allocating funds to asset classes whose returns are not highly correlated over time, USMF's Investment Committee aims to mitigate some of the volatility inherent in equities and thereby provide greater stability in spending distributions that might be possible with a more concentrated portfolio. Although such diversification means the endowment may not reap all of the benefits of equity bull markets, it will also avoid the full brunt of bear markets. No more than 5% of the Fund's assets may be invested in one fund and no more than 10% of the Fund's assets may be invested in one manager. The Investment Committee, however, may make an exception in special circumstances.

3) Rebalancing: In order to reap the benefits of diversification, portfolio holdings will be rebalanced as necessary to ensure that the actual portfolio asset allocation does not deviate materially from policy target allocations ranges.

The Foundation has a spending rate policy for endowment funds in order to preserve the purchasing power of the assets, to protect against erosion of nominal principal and to promote stability and predictability of annual budgeting. The spending rate determines the amount to be distributed for current spending. If the agreement with the donor so provides, any amounts remaining after annual distributions are reinvested and become part of the corpus. If the agreement is silent as to earnings in excess of distributions, then under Foundation policy any amounts remaining after the distributions are reinvested and available for future spending. Some agreements provide that the corpus can be invaded to provide for spending stability.

Endowment net asset composition by type of fund consisted of the following as of:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 3,614,882	$ -	$ 3,614,882
Donor Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	9,287,705	9,287,705
Accumulated Investment Gains	-	2,439,065	2,439,065
Total	$ 3,614,882	$ 11,726,770	$ 15,341,652

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	$ 2,788,050	$ -	$ 2,788,050
Donor Restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	8,781,125	8,781,125
Accumulated Investment Gains	-	137,041	137,041
Total	$ 2,788,050	$ 8,918,166	$ 11,706,216

NOTE 13 ENDOWMENT (HCCF) (CONTINUED)

The changes in endowment net assets for the years ended June 30 were as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2020	$ 2,788,050	$ 9,069,083	$ 11,857,133
Investment Return:			
Investment Income, Net	13,729	44,685	58,414
Net Appreciation	743,070	2,350,884	3,093,954
Total Investment Return	756,799	2,395,569	3,152,368
Contributions	218,223	464,269	682,492
Appropriation of Endowment Assets for Expenditure	(148,190)	(202,151)	(350,341)
Endowment Net Assets - June 30, 2021	$ 3,614,882	$ 11,726,770	$ 15,341,652

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2019	$ 2,798,770	$ 8,506,899	$ 11,305,669
Investment Return:			
Investment Income, Net	16,942	54,616	71,558
Net Appreciation	(6,887)	(38,626)	(45,513)
Total Investment Return	10,055	15,990	26,045
Contributions	268,656	971,605	1,240,261
Appropriation of Endowment Assets for Expenditure	(289,431)	(425,411)	(714,842)
Endowment Net Assets - June 30, 2020	$ 2,788,050	$ 9,069,083	$ 11,857,133

NOTE 14 RELATED PARTY TRANSACTIONS (HCC & HCCF)

The following is a summary of transactions between the Foundation and the College as of and for the years ended June 30:

	2021	2020
Contributions to the College for Scholarships	$ 687,229	$ 772,816
Other Contributions to the College	155,464	86,093
In-Kind Services Performed by the College	322,076	385,858
Due to (from) the College - Operating Expenses	76,862	58,740
Due to (from) the College - Scholarships Expenses	5,150	6,790

NOTE 15 RECENT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The following GASB pronouncements expected to have an impact on the College have been issued but not yet implemented by the College:

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The College has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements. With the implementation of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* this statement was postponed and effective for fiscal years beginning after June 15, 2021.

NOTE 16 RESTATEMENT

During fiscal year ended June 30, 2021, the College adopted GASB Statement No. 84, Fiduciary Activities, which required presentation of its OPEB Trust Fund in the financial statements of the College. Additionally, as a result of the implementation of GASB Statement No. 84, the College reported a restatement to recognize amounts previously considered Agency Funds that now require recognition within the primary government. This pronouncement requires the restatement of the June 30, 2021 net position as follows:

	Hagerstown Community College	OPEB Trust Fund
Net Position July 1, 2020, as previously stated	$ 122,982,597	$ -
Restatement	661,509	6,844,041
Net Position July 1, 2020, as restated	$ 123,644,106	$ 6,844,041

NOTE 17 SUBSEQUENT EVENTS (HCC AND HCCF)

The College and Foundation have evaluated events and transactions subsequent to June 30, 2021 through January 17, 2022, the date these financial statements were available to be issued. Based on the definitions and requirements of accounting principles generally accepted in the United States of America, management has not identified any events that have occurred subsequent to June 30, 2021 through January 17, 2022, that require recognition or disclosure in the financial statements.

HAGERSTOWN COMMUNITY COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

	2020	2019	2018	2017
College's Proportion of Net Pension Liability*	0.0094%	0.0095%	0.0088%	0.0077%
College's Proportionate Share of Net Pension Liability*	$ 2,133,523	$ 1,963,888	$ 1,855,697	$ 1,675,426
College's Covered-Employee Payroll	$ 10,856,059	$ 10,748,574	$ 10,642,152	$ 10,515,194
College's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	19.65%	18.27%	17.44%	15.93%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability*	70.72%	67.98%	69.38%	69.38%

*Amounts were determined as of the end of the previous fiscal year.

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.

HAGERSTOWN COMMUNITY COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

June 30,	2021	2020	2019	20218
Statutorily Required Contributions	$ 192,827	$ 202,395	$ 195,525	$ 176,364
Contributions in Relation to Statutorily Required Contributions	192,827	202,395	195,525	176,364
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
College's Covered-Employee Payroll	$ 10,856,059	$ 10,748,574	$ 10,642,152	$ 10,515,194
Contributions as a Percentage of Covered-Employee Payroll	1.8%	1.9%	1.8%	1.7%

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.

Methods and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for State system
Asset Valuation Method	5-year smoothing market; 20% collar
Inflation	2.6% general, 3.1% wage
Salary Increases	3.1% to 11.6% including inflation
Investment Rate of Return	7.40%
Retirement Age	Experienced based table of rates that are specific to the eligibility condition. Last update for 2018 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Pub-2010 Mortality Tables

HAGERSTOWN COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS
HAGERSTOWN COMMUNITY COLLEGE OPEB TRUST PLAN

June 30,	2021	2020	2019
Total OPEB Liability:			
Service Costs	$ 139,007	$ 150,020	$ 154,573
Interest	458,941	438,842	404,354
Experience Losses	(99,468)	-	(41,626)
Changes in Assumptions	349,790	64,347	373,213
Benefit Payments	(356,190)	(399,565)	(436,639)
Net Change in Total OPEB Liability	492,080	253,644	453,875
Total OPEB Liability:			
Beginning	6,464,961	6,211,317	5,757,442
Ending	$ 6,957,041	$ 6,464,961	$ 6,211,317
Plan Fiduciary Net Position:			
Employer Contributions	$ -	$ -	$ -
Net Investments Income	1,956,165	226,607	413,848
Net Change in Fiduciary Net Position	1,956,165	226,607	413,848
Fiduciary Net Position:			
Beginning	6,841,042	6,614,435	6,200,587
Ending	$ 8,797,207	$ 6,841,042	$ 6,614,435
College's Net OPEB (Asset) Liability - Ending	$ (1,840,166)	$ (376,081)	$ (403,118)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	126.5%	105.8%	106.5%
Covered-Employee Payroll	$ 15,165,701	$ 15,015,546	$ 14,866,877
College's Net OPEB Liability as a Percentage of Covered-Employee Payroll	-12.1%	-2.5%	-2.7%

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.

NOTE 1 CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

NOTE 2 CHANGES OF ASSUMPTIONS – PENSION

- Inflation assumptions changed as follows:
  - June 30, 2020 2.60%
  - June 30, 2019 2.60%
  - June 30, 2018 2.60%
  - June 30, 2017 2.65%
- Investment return assumptions changed as follows:
  - June 30, 2020 7.40%
  - June 30, 2019 7.40%
  - June 30, 2018 7.50%
  - June 30, 2017 7.50%

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

Board of Trustees
Hagerstown Community College
Hagerstown, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate remaining fund, and the discretely presented component unit of Hagerstown Community College (the College), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 17, 2022.

The financial statements of Hagerstown Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting of reportable noncompliance associated with Hagerstown Community College Foundation, Inc.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
January 17, 2022