

Montcalm  
Community  
College



Years Ended  
June 30,  
2020 and 2019

Financial  
Statements  
and  
Supplementary  
Information

**Rehmann**

# **MONTCALM COMMUNITY COLLEGE**

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**June 30, 2020**

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**June 30, 2020**

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# MONTCALM COMMUNITY COLLEGE

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

The discussion and analysis of Montcalm Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2020, 2019 and 2018. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

### **Using this Report**

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements and notes to financial statements. Following the basic financial statements and footnotes are required supplementary information and two supplementary schedules, the Combining Statement of Net Position and the Combining Statement of Revenue, Expenses, Transfers and Changes in Net Position. Though the Governmental Accounting Standards Board (GASB) does not require this information be present for a fair and complete presentation, these additional statements do provide additional information regarding the various funds and activities of the College that is not disclosed in the basic statements.

### **Financial Highlights**

The College's financial position decreased during the year ended June 30, 2020. Net position at the end of the fiscal year was down approximately \$1,300,000 or 9 percent. The College had a dramatic decline in enrollment, 9% overall for both the fall 2019 and spring 2020 semesters combined. Despite that downturn, total operating revenues decreased approximately \$285,000. Overall nonoperating revenues also decreased by approximately \$1,316,000. State appropriations were down approximately \$293,000 and Federal Pell grants were down approximately \$388,000 from the previous fiscal year. Investments in general were negatively impacted in the market creating a negative effect on interest and dividend income and loss on investments with a decrease of approximately \$813,000. The markets did recover in the second half of calendar 2020.

The College will continue to feel the significant impact of the addition of GASB 68 (*Accounting and Financial Reporting for Pensions*) and GASB 75 (*Postemployment Benefits Other Than Pensions*) as the College is required to record its proportionate share of liability associated with providing pension and healthcare to retirees related to the State of Michigan Pension program. Additional information is also included in Note 8 to the financial statements, and in the required supplementary information following the footnotes.

### **The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position**

One of the most important questions asked about the College's finances is, "Is Montcalm Community College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Montcalm Community College's operating results.

These two statements report Montcalm Community College's net position and changes in them. You can think of Montcalm Community College's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as the trend in college applicants, student retention, condition of the buildings, and strength of the faculty and staff, to assess the overall health of the College.

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Following is a comparative analysis of the major components of the net position of the College as of June 30, 2020 and 2019, and as of June 30, 2019 and 2018 (in millions):

	<u>2020</u>	<u>2019</u>	Increase <u>(Decrease)</u>	<u>2019</u>	<u>2018</u>	Increase <u>(Decrease)</u>
Current Assets	\$ 8.2	\$ 7.5	\$ 0.7	\$ 7.5	\$ 7.2	\$ 0.3
Restricted Assets	20.3	20.8	(0.5)	20.8	19.8	1
Property and Equipment (net)	<u>13.7</u>	<u>14.2</u>	<u>(0.5)</u>	<u>14.2</u>	<u>14.9</u>	<u>(0.7)</u>
 Total Assets	<u>42.2</u>	<u>42.5</u>	<u>(0.3)</u>	<u>42.5</u>	<u>41.9</u>	<u>0.6</u>
Deferred Outflows of Resources	<u>8.9</u>	<u>8.3</u>	<u>0.6</u>	<u>8.3</u>	<u>4.2</u>	<u>4.2</u>
Current Liabilities	2.1	2.2	(0.1)	2.2	2.1	0.1
Long-term Liabilities	<u>31.6</u>	<u>29.8</u>	<u>1.8</u>	<u>29.8</u>	<u>27.1</u>	<u>2.7</u>
 Total Liabilities	<u>33.7</u>	<u>32.0</u>	<u>1.7</u>	<u>32.0</u>	<u>29.2</u>	<u>2.8</u>
Deferred Inflows of Resources	<u>3.7</u>	<u>3.8</u>	<u>(0.1)</u>	<u>3.8</u>	<u>2.1</u>	<u>1.7</u>
 Net Position:						
Invested in capital assets	10.9	10.9	-	10.9	11.3	(0.4)
Restricted – expendable	13.1	13.1	-	13.1	12.6	0.5
Restricted – nonexpendable	0.3	0.3	-	0.3	0.3	-
Unrestricted (deficit)	<u>(10.5)</u>	<u>(9.3)</u>	<u>(1.2)</u>	<u>(9.3)</u>	<u>(9.4)</u>	<u>0.1</u>
 Total Net Position	<u>\$13.8</u>	<u>\$15.0</u>	<u>\$1.2</u>	<u>\$15.0</u>	<u>\$14.8</u>	<u>\$0.2</u>

The largest contributing factor to long-term liabilities lies with the calculations related to the GASB 75 and GASB 68 standards as previously mentioned. In totality, the Pension and OPEB liabilities total \$23.9 million for June 30, 2020 and \$22.3 million for June 30, 2019.

Deferred outflows of resources of approximately \$8.9 million were recorded at June 30, 2020 as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan. This is an increase of \$0.6 million from June 30, 2019 due to changes in assumptions related to GASB 75 and GASB 68.

See the financial statements for more information regarding the MPSERS Pension and OPEB liability details.

Following is a comparative analysis of the major components of the operating results of the College as of June 30, 2020 and 2019 and as of June 30, 2019 and 2018 (in millions):

	<u>2020</u>	<u>2019</u>	Increase (Decrease)	<u>2019</u>	<u>2018</u>	Increase (Decrease)
Operating Revenues:						
Tuition and Fees	\$ 4.0	\$ 4.4	\$(0.4)	\$ 4.4	\$ 4.3	\$ 0.1
Federal Grants and Contracts	0.5	0.3	0.2	0.3	0.2	0.1
State Grants and Contracts	0.3	0.4	(0.1)	0.4	0.4	-
Other	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>0.2</u>	<u>0.3</u>	<u>(0.1)</u>
Total Operating Revenues	<u>5.0</u>	<u>5.3</u>	<u>(0.3)</u>	<u>5.3</u>	<u>5.2</u>	<u>0.1</u>
Operating Expenses:						
Instruction	7.0	7.1	(0.1)	7.1	6.3	0.8
Public Service(s)	0.3	0.4	(0.1)	0.4	0.3	0.1
Instructional Support	2.3	2.4	(0.1)	2.4	2.5	(0.1)
Student Services	2.1	2.1	-	2.1	1.9	0.2
Institutional Administration	2.2	2.2	-	2.2	1.9	0.3
Information Technology	1.2	1.0	0.2	1.0	1.0	-
Operation and Maintenance of Plant	1.7	1.8	(0.1)	1.8	1.7	0.1
Depreciation and other	<u>1.6</u>	<u>1.5</u>	<u>(0.1)</u>	<u>1.5</u>	<u>1.7</u>	<u>(0.2)</u>
Total Operating Expenses	<u>18.4</u>	<u>18.5</u>	<u>(0.1)</u>	<u>18.5</u>	<u>17.3</u>	<u>1.2</u>
Net Operating Loss	<u>(13.4)</u>	<u>(13.2)</u>	<u>(0.2)</u>	<u>(13.2)</u>	<u>(12.1)</u>	<u>(1.1)</u>
Nonoperating Revenues:						
State Appropriations	3.4	3.7	(0.3)	3.7	3.5	0.2
Federal PELL Grants	1.9	2.3	(0.4)	2.3	2.5	(0.2)
Property Taxes	6.7	6.4	0.3	6.4	6.6	(0.2)
Other Net Nonoperating Revenues	<u>0.1</u>	<u>1.0</u>	<u>(0.9)</u>	<u>1.0</u>	<u>3.1</u>	<u>(2.1)</u>
Net Nonoperating Revenues	<u>12.1</u>	<u>13.4</u>	<u>(1.3)</u>	<u>13.4</u>	<u>15.7</u>	<u>(2.3)</u>
(Decrease) increase in Net Position	(1.3)	0.2		0.2	3.6	(3.4)
Net Position – beginning of year	15.1	14.8	(0.3)	14.8	17.2	(2.5)
Implementation of GASB 75	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6.0)</u>	<u>(6.0)</u>
Adjusted Net Position – beginning	<u>15.1</u>	<u>14.8</u>	<u>(0.3)</u>	<u>14.8</u>	<u>11.3</u>	<u>3.5</u>
Net Position – end of year	<u>\$13.8</u>	<u>\$15.0</u>	<u>\$(1.2)</u>	<u>\$15.0</u>	<u>\$14.8</u>	<u>\$ 0.2</u>

**Operating Revenues**

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, food services and auxiliary operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes between 2020 and 2019 were the result of the following factors:

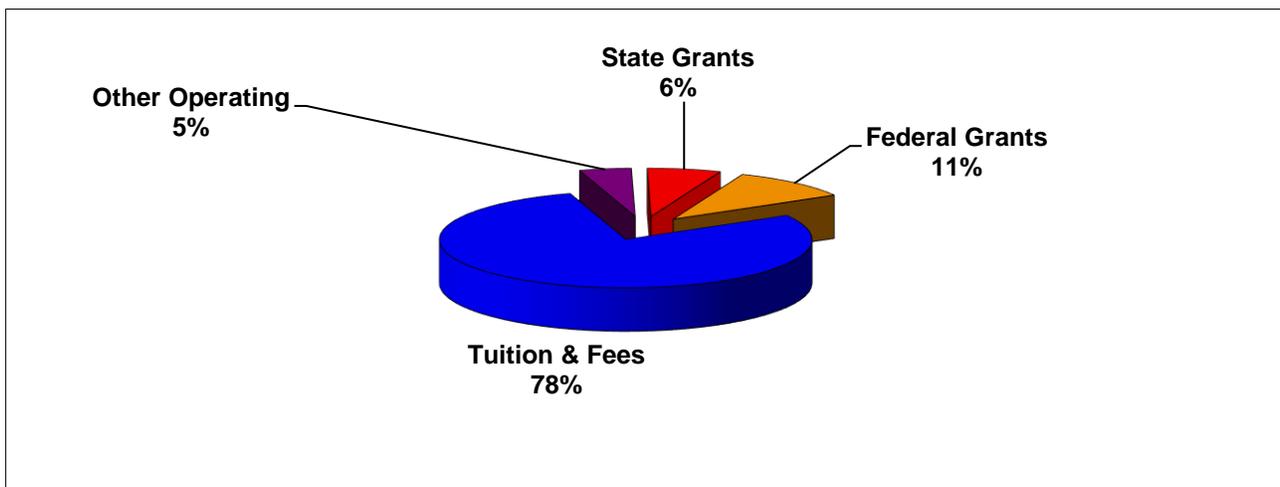
- Student tuition and fees decreased for the 2020 fiscal year due to a decline in fall and spring enrollment. the decrease in revenue of 10 percent or approximately \$403,000 is related to a decrease in approximately 2700 contact hours.
- Grants and contracts revenues increased by \$116,000 from 2019 due to the increase in the Michigan New Jobs Training Program.

Operating revenue changes between 2019 and 2018 were the result of the following factors:

- Student tuition and fees were not increased for the 2019 fiscal year therefore, the slight increase in revenue of 1.4 percent or approximately \$61,000 is related to an increase in approximately 400 contact hours.
- Grants and contracts revenues increased by \$125,000 from 2018 due to the increase in the Michigan New Jobs Training Program.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tuition and fees	\$3,958,119	\$4,360,870	\$4,299,850
Federal grants and contracts	536,504	301,292	245,412
State grants and contracts	321,234	440,178	358,071
Nongovernmental grant	-	-	12,500
Other operating revenues	<u>226,468</u>	<u>224,713</u>	<u>264,386</u>
<b>Total operating revenue</b>	<b><u>\$5,042,325</u></b>	<b><u>\$5,327,053</u></b>	<b><u>\$5,180,219</u></b>

The following is a graphic illustration of 2020 operating revenues by source:



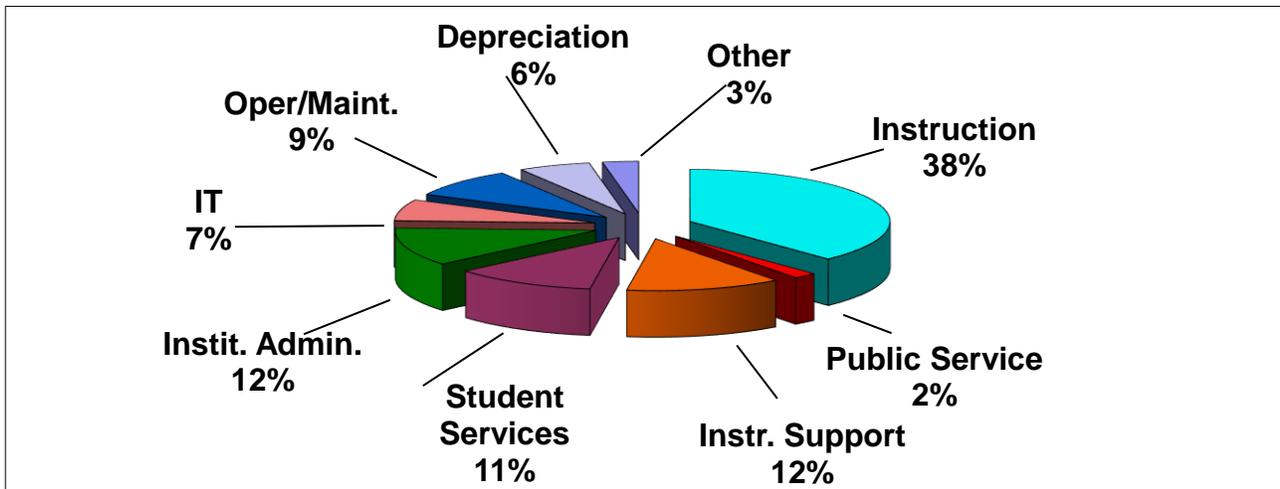
**Operating Expenses**

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries, benefits, utilities, supplies, services and depreciation and are categorized by function. Overall, total operating expenses were flat with a slight decrease of approximately \$78,972 for 2020. There were no major factors affecting operating expense changes overall, however, there are some factors worth noting:

- Instruction and instructional support costs were down due to decreased enrollment.
- Information technology costs increased, related to professional outside services and equipment

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Instruction	\$ 6,978,233	\$ 7,156,839	\$ 6,263,521
Public services	349,982	357,892	344,193
Instructional support	2,306,527	2,424,663	2,526,358
Student services	2,118,773	2,069,218	1,891,143
Institutional administration	2,196,505	2,165,671	1,945,572
Information technology	1,212,380	954,696	965,267
Operation and maintenance of plant	1,656,829	1,778,564	1,738,690
Depreciation	1,070,283	1,071,849	1,204,337
Other	<u>527,703</u>	<u>516,795</u>	<u>461,324</u>
Total operating expenses	<u>\$18,417,215</u>	<u>\$18,496,187</u>	<u>\$17,340,405</u>

The following is a graphic illustration of operating expenses by source:



## Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

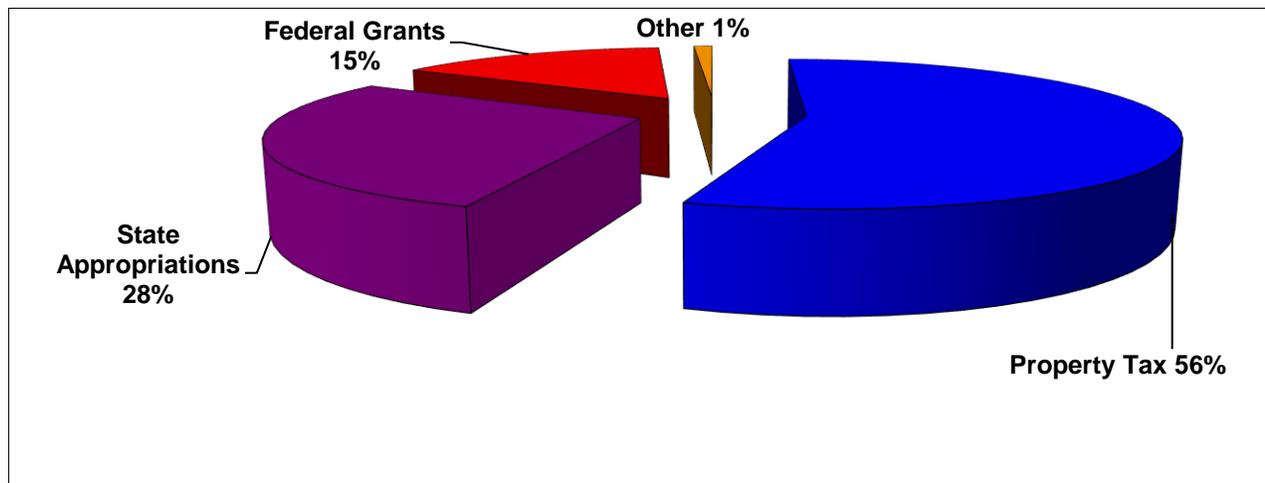
Nonoperating revenue changes were principally due to decreased growth in the economic markets compared to 2019 and 2018 and are related to foundation investments resulting in a decrease of investment income. The decrease in state appropriations was mostly offset by the slight increase in property taxes. Federal Pell grants continued to decline from 2019 and 2018 as a result in the decrease in enrollment and change in student needs.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
State appropriations	\$ 3,363,923	\$ 3,656,761	\$ 3,525,853
Property tax levy	6,715,977	6,451,026	6,610,536
Federal grants - Pell	1,871,406	2,259,280	2,477,990
Investment income and other	<u>128,509</u>	<u>1,028,271</u>	<u>3,061,233</u>
	<u>\$12,079,185</u>	<u>\$13,395,338</u>	<u>\$15,675,612</u>

## Other Revenue

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. For 2020 it consists of interest and dividend income and net losses on investments of \$8,799. Total gifts equated to \$205,816, which helped to offset market losses.

The following is a graphic illustration of 2020 nonoperating revenues by source:



## Statement of Cash Flows

Another way to assess the financial health of a College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Cash Flows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Cash Provided by (Used in):			
Operating Activities	(\$10,713,954)	(\$11,495,601)	\$ 781,647
Noncapital Financing Activities	12,792,812	12,790,328	2,484
Capital and Related Financing Activities	(1,170,078)	(737,189)	(432,889)
Investing Activities	<u>75,460</u>	<u>(187,260)</u>	<u>262,720</u>
Net Increase in Cash and Cash Equivalents	984,240	370,278	613,962
Cash and Cash Equivalents – beginning of year	<u>5,970,695</u>	<u>5,600,417</u>	
Cash and Cash Equivalents – end of year	<u>\$ 6,954,935</u>	<u>\$ 5,970,695</u>	

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Cash Provided by (Used in):			
Operating Activities	(\$11,495,601)	(\$10,547,504)	(\$948,647)
Noncapital Financing Activities	12,790,328	13,809,768	(1,019,440)
Capital and Related Financing Activities	(737,189)	(590,721)	(146,468)
Investing Activities	<u>(187,260)</u>	<u>(1,255,223)</u>	<u>1,067,963</u>
Net Increase in Cash	370,278	1,416,320	(1,046,042)
Cash and Cash Equivalents – beginning of year	<u>5,600,417</u>	<u>4,184,097</u>	
Cash and Cash Equivalents – end of year	<u>\$ 5,970,695</u>	<u>\$ 5,600,417</u>	

The College's liquidity increased moderately during 2020. The following discussion amplifies the overview of cash flows presented above.

Cash used in operating activities was approximately \$10.7 million. Major sources of funds came from student tuition and fees (\$4.2 million), and a mixture of state and federal grants and contracts (\$0.8 million). Primary uses were payments to employees and suppliers (\$15.9 million).

Gifts from donors was \$0.4 million. Cash flows from tuition and fees decreased slightly along with Pell grants during 2020. Property tax revenue also decreased. All of which resulted in the overall decrease in noncapital financing sources. Cash provided by investing activities related primarily to the investing of donated funds.

## **Capital Asset and Debt Administration**

### Capital Assets:

At June 30, 2020, the College had approximately \$14 million invested in capital assets, net of accumulated depreciation of approximately \$27 million. Depreciation charges totaled \$1,070,283 for 2020. Details of these assets are shown below.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land improvements and infrastructure	\$ 3,636,277	\$ 3,654,361	\$ 3,650,498
Buildings and improvements	32,820,368	32,141,587	32,005,573
Furniture, fixtures, equipment and library materials	<u>4,821,998</u>	<u>4,793,592</u>	<u>4,746,980</u>
	<u>\$41,278,643</u>	<u>\$40,589,540</u>	<u>\$40,403,051</u>

More detailed information about the College's capital assets is presented in the footnotes to the financial statements.

### Debt:

At year-end, June 30, 2020, the College had \$2,802,023 in debt outstanding versus \$3,206,869 in June 30, 2019 and \$3,583,534 in June 30, 2018. These include a general obligation bond related to the extensive construction and renovation projects, Advanced Technology Center construction project, and the installment purchase agreement described in the following paragraph.

During the year ended June 30, 2012, the College entered into an Installment Purchase Agreement to finance a program of energy conservation improvements. The approximately \$1.2 million cost of these improvements is being repaid in monthly installments over a ten-year period.

The College made scheduled debt principle repayments of \$404,846 during 2020. More detailed information about the College's long-term liabilities is presented in the footnotes to the financial statement.

## **Economic Factors That Will Affect The Future**

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic, Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning. Undoubtedly, COVID-19 has had a large impact on day-to-day operations of the college beginning with the Spring 2020 semester and continued through summer and fall semesters as well.

The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on students, employees, and vendors, all of which cannot be reasonably predicted at this time. As a result, the College secured funding in the amount of \$861,000 obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. As stipulated in the award, half of the funds were to be awarded to students and the remaining portion was for the college to use only for COVID related expenses. At fiscal year end the college had awarded \$154,275 to students and paid, \$16,364 toward related expenses. While management reasonably expects the COVID-19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain. Even once the pandemic concludes, it is likely that the lasting impact of the virus will change the way the college delivers instruction and support to the community. Investment in technology will continue to be an important factor and expense.

The 2019-2020 fiscal year experienced a 10 percent decline in enrollment compared to the previous year. With concerted effort, in the heart of the pandemic, the 2020 summer semester had an increase in enrollment of five percent compared to the prior year's summer semester. This was achieved in part, by rethinking the methodology used in prior years and asking the entire campus staff to assist returning and new students through the enrollment process. These efforts continued into the enrollment for Fall 2020 semester and due to the efforts, the decline was held to 7.4 percent. Out of 28 Michigan community colleges, we ranked number eight in the state with the average decline being 11.4 percent, and 17 colleges with double digit declines. To continue to grow enrollment for the college, the engagement of the strategic marketing services of RNL (Ruffalo Noel Levitz) have begun. In sustained efforts, the College continues to improve marketing avenues with the local K-12's as well as adult learners and local industrial trade businesses and healthcare partners to help reverse the declining trend.

Property values, and related property tax revenues, experienced a slight increase this fiscal year and are expected to continue to rise at a modest rate. Fiscal year 2019-20 showed a 4% increase and a 2% increase is expected for 2020-21 fiscal year. The college continues to monitor the trend of revenue deferred from the college due to Downtown Development Association (DDA) agreements in the local areas.

## **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

December 14, 2020

To the Board of Trustees  
Montcalm Community College  
Sidney, Michigan

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of **Montcalm Community College** (the "College") as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Independent Auditors' Responsibility***

Our responsibility is to express an opinion 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.

Rehmann is an independent member of Nexia International.



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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of ***Montcalm Community College*** as of June 30, 2020 and 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

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

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 14, 2020, on our consideration of **Montcalm Community 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 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 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 **Montcalm Community College's** internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

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## **FINANCIAL STATEMENTS**

# MONTCALM COMMUNITY COLLEGE

## Statements of Net Position

	June 30	
	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,954,935	\$ 5,970,695
Accounts receivable, less allowance for uncollectible accounts of \$700,597 (\$708,619 in 2019)	241,317	451,580
Property taxes receivable	55,649	111,829
State appropriations receivable	432,206	811,323
Federal and state grants receivable	74,008	49,567
Pledges receivable	312,270	113,293
Prepays and other assets	90,362	26,411
<b>Total current assets</b>	<b>8,160,747</b>	<b>7,534,698</b>
<b>Noncurrent assets</b>		
Pledges receivable, net of current portion	-	400,000
Investments	20,352,896	20,437,155
Capital assets		
Nondepreciable	853,547	871,631
Depreciable, net	12,877,293	13,233,754
<b>Total noncurrent assets</b>	<b>34,083,736</b>	<b>34,942,540</b>
<b>Total assets</b>	<b>42,244,483</b>	<b>42,477,238</b>
<b>Deferred outflows of resources</b>		
Deferred pension and OPEB amounts	<b>8,916,295</b>	<b>8,347,958</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	146,110	403,100
Accrued interest	9,380	10,366
Accrued payroll, vacation (current portion) and other compensation	953,863	887,856
Deposits	479,613	437,842
Unearned revenue	112,042	100,737
Current portion of bonds and note payable	403,104	404,846
<b>Total current liabilities</b>	<b>2,104,112</b>	<b>2,244,747</b>
Bonds and note payable, net of current portion	2,398,919	2,802,023
Net pension liability	23,929,364	21,157,952
Net OPEB liability	5,166,831	5,699,199
Accrued vacation, net of current portion	79,818	75,080
<b>Total liabilities</b>	<b>33,679,044</b>	<b>31,979,001</b>
<b>Deferred inflows of resources</b>		
Deferred pension and OPEB amounts	<b>3,709,040</b>	<b>3,777,796</b>
<b>Net position</b>		
Net investment in capital assets	10,928,817	10,898,516
Restricted for		
Expendable scholarships and grants	13,066,578	13,109,475
Nonexpendable endowments (Note 11)	313,114	312,539
Unrestricted deficit (Note 7)	(10,535,815)	(9,252,131)
<b>Total net position</b>	<b>\$ 13,772,694</b>	<b>\$ 15,068,399</b>

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

# MONTCALM COMMUNITY COLLEGE

## Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2020	2019
<b>Operating revenues</b>		
Tuition and fees, net of scholarship allowance of \$1,457,751 (\$1,775,912 in 2019)	\$ 3,958,119	\$ 4,360,870
Federal grants and contracts	536,504	301,292
State grants and contracts	321,234	440,178
Auxiliary activities	84,561	86,546
Other	141,907	138,167
<b>Total operating revenues</b>	<b>5,042,325</b>	<b>5,327,053</b>
<b>Operating expenses</b>		
Instruction	6,978,233	7,156,839
Public services	349,982	357,892
Instructional support	2,306,527	2,424,663
Student services	2,118,773	2,069,218
Institutional administration	2,196,505	2,165,671
Information technology	1,212,380	954,696
Operation and maintenance of plant	1,656,829	1,778,564
Depreciation	1,070,283	1,071,849
Other	527,703	516,795
<b>Total operating expenses</b>	<b>18,417,215</b>	<b>18,496,187</b>
<b>Operating loss</b>	<b>(13,374,890)</b>	<b>(13,169,134)</b>
<b>Nonoperating revenues (expenses)</b>		
State appropriations	3,363,293	3,656,761
Federal Pell grants	1,871,406	2,259,280
Property taxes	6,715,977	6,451,026
Interest and dividend income	128,877	395,384
Net realized and unrealized (loss) gain on investments	(137,676)	408,846
Interest on capital asset - related debt	(68,508)	(77,146)
Gifts	205,816	301,187
<b>Net nonoperating revenues</b>	<b>12,079,185</b>	<b>13,395,338</b>
<b>(Decrease) increase in net position</b>	<b>(1,295,705)</b>	<b>226,204</b>
Net position - beginning of year	15,068,399	14,842,195
<b>Net position - end of year</b>	<b>\$ 13,772,694</b>	<b>\$ 15,068,399</b>

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

# MONTCALM COMMUNITY COLLEGE

## Statements of Cash Flows

	Year Ended June 30	
	2020	2019
<b>Cash flows from operating activities</b>		
Tuition and fees, net	\$ 4,179,687	\$ 4,192,253
Grants and contracts	833,297	790,071
Payments to suppliers	(6,023,301)	(5,166,077)
Payments to employees	(9,930,105)	(11,536,561)
Auxiliary enterprises	84,561	86,546
Other	141,907	138,167
	<u>                    </u>	<u>                    </u>
<b>Net cash used in operating activities</b>	<b>(10,713,954)</b>	<b>(11,495,601)</b>
<b>Cash flows from noncapital financing activities</b>		
Property taxes	6,772,157	6,519,827
Federal Pell grants	1,871,406	2,259,280
State appropriations	3,742,410	3,615,414
Direct loans/FFEL receipts	1,650,365	2,137,601
Direct loans/FFEL disbursements	(1,650,365)	(2,137,601)
Gifts	406,839	395,807
	<u>                    </u>	<u>                    </u>
<b>Net cash provided by noncapital financing activities</b>	<b>12,792,812</b>	<b>12,790,328</b>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(695,738)	(282,484)
Principal paid on bonds and note payable	(404,847)	(376,665)
Interest paid on capital asset - related debt	(69,493)	(78,040)
	<u>                    </u>	<u>                    </u>
<b>Net cash used in capital and related financing activities</b>	<b>(1,170,078)</b>	<b>(737,189)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	3,737,286	14,611,412
Interest and dividends on investments	128,877	395,384
Purchase of investments	(3,790,703)	(15,194,056)
	<u>                    </u>	<u>                    </u>
<b>Net cash provided by (used in) investing activities</b>	<b>75,460</b>	<b>(187,260)</b>
<b>Net increase in cash and cash equivalents</b>	<b>984,240</b>	<b>370,278</b>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>5,970,695</u>	<u>5,600,417</u>
<b>End of year</b>	<b><u>\$ 6,954,935</u></b>	<b><u>\$ 5,970,695</u></b>

continued...

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

# MONTCALM COMMUNITY COLLEGE

## Statements of Cash Flows

	Year Ended June 30	
	2020	2019
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (13,374,890)	\$ (13,169,134)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,070,283	1,071,849
Change in operating assets and liabilities which provided (used) cash:		
Accounts receivable	210,263	(158,085)
Federal and state grants receivable	(24,441)	48,601
Prepays and other assets	(63,951)	(20,309)
Accounts payable	(256,990)	16,727
Accrued payroll, vacation and other compensation	70,745	93,605
Deposits	41,771	39,045
Unearned revenue	11,305	(10,532)
Change in net pension and OPEB liability and deferred amounts	1,601,951	592,632
<b>Net cash used in operating activities</b>	<b><u>\$ (10,713,954)</u></b>	<b><u>\$ (11,495,601)</u></b>

concluded

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

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 1. MISSION

**Montcalm Community College** (the “College”) is a Michigan community college whose mission is to create a learning community, contributing to shared economic, cultural and social prosperity for all citizens. The College offers associate degrees, numerous certificate programs, and other educational programs while being accredited by the Higher Learning Commission. The primary education centers for the College are its main campus situated northeast of Greenville, and extension center located in Greenville.

### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

The College’s financial statements have been prepared in accordance with the generally accepted accounting principles (GAAP) as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The College reports as a business-type activity, as defined by governmental accounting standards. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The Montcalm Community College Foundation (the “Foundation”) is a legally separate, tax-exempt not-for-profit organization that was formed to solicit, collect, and invest donations made for the promotion of educational activities at and to augment the facilities of the College. The Foundation acts primarily as a fundraising organization to supplement the resources of the College in support of its programs and facilities. Since the restricted resources held by the Foundation can be used only by, or for the benefit of, the College, the Foundation is considered a component unit of the College under governmental accounting standards. Because College management has operational responsibility for the Foundation in addition to meeting other criteria, the Foundation is blended into the College’s financial statements.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The condensed financial information for the Foundation as of and for the years ended June 30 is as follows:

	2020	2019
Condensed statement of net position		
Total assets	\$ 20,693,869	\$ 20,938,909
Total liabilities	<u>(50,640)</u>	<u>(18,958)</u>
<b>Total net position</b>	<b><u>\$ 20,643,229</u></b>	<b><u>\$ 20,919,951</u></b>
Condensed statement of revenues, expenses and changes in net position		
Revenues	\$ 511,158	\$ 1,348,713
Expenses	<u>(787,880)</u>	<u>(763,819)</u>
Changes in net position	(276,722)	584,894
Beginning net position	<u>20,919,951</u>	<u>20,335,057</u>
<b>Ending net position</b>	<b><u>\$ 20,643,229</u></b>	<b><u>\$ 20,919,951</u></b>
Condensed statement of cash flow		
Net cash provided by (used in)		
Operating activities	\$ (296,897)	\$ 84,017
Non-capital financing activities	406,839	395,807
Investing activities	<u>(53,417)</u>	<u>(582,644)</u>
Net change in cash and cash equivalents	56,525	(102,820)
Beginning cash and cash equivalents	<u>23,168</u>	<u>125,988</u>
<b>Ending cash and cash equivalents</b>	<b><u>\$ 79,693</u></b>	<b><u>\$ 23,168</u></b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Significant accounting policies followed by the College and Foundation are described below:

### ***Basis of Accounting and Presentation***

The financial statements have been prepared using the economic resource management focus and accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. The College follows all applicable GASB pronouncements. Certain revenue recognition criteria and presentation features are different under the Financial Accounting Standards Board, which is applicable to the Foundation, from GASB. However, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

### ***Risks and Economic Uncertainties***

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain operations including on-campus learning during the spring, summer and fall 2020 semesters. The extent of the ultimate impact of the pandemic on the College's and Foundation's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which cannot be reasonably predicted at this time. As a result, the College was awarded approximately \$861,000 from the Education Stabilization Fund through the CARES Act for the Higher Education Emergency Relief Fund (HEERF), which was enacted into law on March 28, 2020. Additionally, the College transitioned in-person instruction to an online format and closed its facilities in March 2020. The Facilities were reopened in August 2020 and in-person instruction resumed for the Fall 2020 semester. While management reasonably expects the COVID-19 outbreak to negatively impact the College's and Foundation's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of demand deposits and cash on hand.

### ***Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

### ***Revenue Recognition***

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted.

Operating revenues of the College consist of tuition and fees, grants other than Federal Pell and HEERF grants, and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, property taxes and Federal Pell and HEERF grants are components of nonoperating and other revenues. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy any expenses.

The Foundation's contributions, including unconditional promises to give, are reported as revenue when received and measured at fair value. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions is established based on an estimated percentage of total contributions receivable, past history of collection, and future expectation for collection of various accounts. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Investments*

The Foundation carries investments in cash as well as in investment securities consisting of exchange traded funds at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position. The Foundation maintains investment accounts for its nonexpendable and expendable endowments. Realized and unrealized gains and losses from securities in the investment accounts are allocated quarterly based on the relationship of the market value of each endowment fund to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

### *Fair Value Measurements*

The Foundation has categorized its financial assets and liabilities carried at fair value into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value.

The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). For a further discussion of fair value, refer to Note 4.

### *Capital Assets and Depreciation*

Capital assets, which the College defines as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year, are recorded at cost or, if acquired by gift, at the fair value on the date of acquisition. Management reviews capital assets for impairment. Depreciation is provided for property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

<b>Classifications</b>	<b>Estimated Useful Lives</b>
Buildings	40
Infrastructure and land improvements	15
Building improvements	10
Furniture and fixtures	5
Computer equipment	4
Library materials	7

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### ***Accrued Vacation***

Accrued vacation represents the accumulated liability to be paid under the College's current vacation pay policy. The College pays eligible employees for their unused accumulated vacation upon termination of employment with the College. Employees earn vacation benefits based on time of service with the College. The obligation is included in the accompanying statements of net position as current accrued liabilities of \$235,941 and \$223,506 and long-term accrued liabilities of \$79,818 and \$75,080 at June 30, 2020 and 2019, respectively.

### ***Unearned Revenue***

Unearned revenue at June 30, 2020 and 2019, consists of revenue received prior to year-end that relates to summer semester tuition for the period subsequent to July 1 for the semester, which began June 1 and concluded on July 24 in 2020 and began May 20 and concluded July 27 in 2019.

### ***Internal Service Activities***

Both revenue and expenses related to internal service activities including office equipment, maintenance, and telecommunications have been eliminated in the presentation of these financial statements.

### ***Property Taxes***

Property taxes levied by the College are collected by various municipalities and periodically remitted to the College. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property tax revenues are recognized when levied to the extent that they are determined to be collectible. For both the years ended June 30, 2020 and 2019, the College levied 2.720 mills, per \$1,000 of taxable value for general operations.

### ***Use of Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance, net pension liability, net OPEB liability, and deferred outflows and inflows related to pension and OPEB amounts.

### *Income Taxes*

The Internal Revenue (IRS) has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been recorded. The Foundation analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Foundation also treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its operating expenses.

The Foundation has evaluated its income tax position for the years 2017 through 2020, the years which remain subject to examination by major tax jurisdictions as of June 30, 2020. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in these financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2020 or 2019, and it is not aware of any claims for such amounts by federal or state income tax authorities.

### *Deferred Outflows of Resources*

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and other postemployment benefits ("OPEB") related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension plans' investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and state appropriations for pensions and OPEB received subsequent to the measurement dates. More detailed information can be found in Note 8.

### ***Net Pension and OPEB Liabilities***

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

### ***Net Position***

Net position is classified into the following categories:

***Net investment in capital assets:*** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

***Restricted expendable:*** Net position whose use by the Foundation is subject to externally imposed constraints, such as donor imposed restrictions, that can be fulfilled by actions of the Foundation pursuant to those constraints or that expire by the passage of time. The restricted balance of the Foundation consists primarily of funds restricted for scholarships and grants.

***Nonexpendable endowments:*** Contains donor-imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

***Unrestricted:*** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### ***New Accounting Pronouncement for the Foundation***

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, in June 2018, which was effective for the Foundation for the year ended June 30, 2020 related to contributions received and will be effective for the Foundation’s year ending June 30, 2021 related to contributions made. The amendments in ASU No. 2018-08 provide additional guidance for entities to use to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and to determine whether the transaction is conditional. On July 1, 2019, the Foundation adopted the standard on its contributions received using the modified prospective basis and elected to apply the standard only to agreements that were not completed as of that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption. Management is evaluating the impact of the adoption of this new standard related to contributions made and its effects on the financial position and results of operations of the Foundation.

### ***Subsequent Events - Foundation***

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2020, the most recent statement of net position presented herein, through December 14, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

## **3. DEPOSITS AND INVESTMENTS**

State of Michigan (“State”) statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services. The College is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The College’s investment policy allows for all of these types of investments. The Foundation invests donations primarily in exchange traded funds. Short-term investments include those with maturities of more than 90 days and less than one year.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The College's and Foundation's deposits and investments are included on the statements of net position under the following classifications as of June 30:

2020	College	Foundation	Total
Cash and cash equivalents	\$ 6,875,242	\$ 79,693	\$ 6,954,935
Investments	-	20,352,896	20,352,896
<b>Total</b>	<b><u>\$ 6,875,242</u></b>	<b><u>\$ 20,432,589</u></b>	<b><u>\$ 27,307,831</u></b>

2019	College	Foundation	Total
Cash and cash equivalents	\$ 5,947,527	\$ 23,168	\$ 5,970,695
Investments	-	20,437,155	20,437,155
<b>Total</b>	<b><u>\$ 5,947,527</u></b>	<b><u>\$ 20,460,323</u></b>	<b><u>\$ 26,407,850</u></b>

The above amounts are categorized as follows at June 30:

2020	College	Foundation	Total
Bank deposits (checking, savings and cash sweep accounts)	\$ 6,871,242	\$ 79,693	\$ 6,950,935
Petty cash	4,000	-	4,000
Exchange traded funds and cash	-	20,352,896	20,352,896
<b>Total</b>	<b><u>\$ 6,875,242</u></b>	<b><u>\$ 20,432,589</u></b>	<b><u>\$ 27,307,831</u></b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

2019	College	Foundation	Total
Bank deposits (checking, savings and cash sweep accounts)	\$ 5,943,527	\$ 23,168	\$ 5,966,695
Petty cash	4,000	-	4,000
Exchange traded funds and cash	-	20,437,155	20,437,155
<b>Total</b>	<b>\$ 5,947,527</b>	<b>\$ 20,460,323</b>	<b>\$ 26,407,850</b>

As of June 30, 2020 and 2019, all deposits with financial institutions consist of depository accounts.

### ***Interest Rate Risk***

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### ***Credit Risk***

State law limits the College's investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

### ***Concentration of Credit Risk***

The College's investment policy does not have specific limits on concentration of credit risk. The Foundation's investment policy limits the cost basis of individual equity securities to 12% of its total investment portfolio as measured at market value or 5% as measured at cost.

### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College and the Foundation do not have a policy for deposit custodial credit risk. As of June 30, 2020 and 2019, \$6,197,556 and \$5,607,823, respectively, of the College's bank deposits balance of \$7,024,034 and \$6,392,841, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Custodial Credit Risk – Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College and the Foundation do not have a policy for investment custodial credit risk. However, all investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased. Custodial credit risk for the mutual funds cannot be determined as these investments are not evidenced by specifically identifiable securities.

### *Foreign Currency Risk*

The College is not authorized by state law to invest in investments which have this type of risk.

## 4. FAIR VALUE MEASUREMENTS

The Foundation utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

### *Fair Value Hierarchy*

The Foundation groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Foundation holds no securities classified as Level 2.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. The Foundation holds no securities classified as Level 3.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The following is a description of the valuation methodology used for assets recorded at fair value. There have been no changes in the methodologies used at June 30, 2020 or 2019.

*Cash:* Cash represents amounts on deposit at a financial institution. The carrying amount approximates fair value and is classified as Level 1.

*Exchange traded funds and mutual funds:* Shares held in exchange traded funds and mutual funds are valued at quoted market prices that represent the net asset value (“NAV”) of shares held by the Foundation at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

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 fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation’s investments at fair value as of June 30:

2020	Level 1	Level 2	Level 3	Total
Cash	\$ 530,389	\$ -	\$ -	\$ 530,389
Exchange traded funds				
Intermediate-term bond	2,559,601	-	-	2,559,601
Mid-cap blend	1,675,242	-	-	1,675,242
Small blend	1,783,494	-	-	1,783,494
Large blend	8,294,756	-	-	8,294,756
Foreign large blend	2,455,594	-	-	2,455,594
Diversified emerging markets	801,060	-	-	801,060
Short-term bond	633,905	-	-	633,905
High-yield bond	577,351	-	-	577,351
Large value	1,041,504	-	-	1,041,504
<b>Total investments at fair value</b>	<b>\$ 20,352,896</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,352,896</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

2019	Level 1	Level 2	Level 3	Total
Cash	\$ 849,770	\$ -	\$ -	\$ 849,770
Exchange traded funds				
Fixed income	3,393,614	-	-	3,393,614
Short-term bond	596,083	-	-	596,083
International equity	4,708,209	-	-	4,708,209
Equity index	10,889,479	-	-	10,889,479
<b>Total investments at fair value</b>	<b>\$ 20,437,155</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,437,155</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions and Transfers	Balance June 30, 2020
Nondepreciable capital assets				
Land	\$ 808,786	\$ -	\$ -	\$ 808,786
Construction in progress	62,845	44,761	(62,845)	44,761
<b>Subtotal nondepreciable capital assets</b>	<b>871,631</b>	<b>44,761</b>	<b>(62,845)</b>	<b>853,547</b>
Depreciable capital assets				
Land improvements	1,317,590	-	-	1,317,590
Buildings and improvements	32,141,587	678,781	-	32,820,368
Infrastructure	1,465,140	-	-	1,465,140
Furniture, fixtures and equipment	4,346,736	35,041	(6,635)	4,375,142
Library materials	446,856	-	-	446,856
<b>Subtotal depreciable capital assets</b>	<b>39,717,909</b>	<b>713,822</b>	<b>(6,635)</b>	<b>40,425,096</b>
<b>Total capital assets</b>	<b>40,589,540</b>	<b>758,583</b>	<b>(69,480)</b>	<b>41,278,643</b>
Less accumulated depreciation				
Land improvements	923,004	96,634	-	1,019,638
Buildings and improvements	21,143,808	662,919	-	21,806,727
Infrastructure	1,135,685	32,272	-	1,167,957
Furniture, fixtures and equipment	2,855,053	273,106	(6,635)	3,121,524
Library materials	426,605	5,352	-	431,957
<b>Total accumulated depreciated</b>	<b>26,484,155</b>	<b>\$ 1,070,283</b>	<b>\$ (6,635)</b>	<b>27,547,803</b>
<b>Total depreciated capital assets, net</b>	<b>13,233,754</b>			<b>12,877,293</b>
<b>Total capital assets, net</b>	<b>\$ 14,105,385</b>			<b>\$ 13,730,840</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Construction in progress consists of costs incurred on a classroom project. Minimal additional costs were incurred subsequent to year end at which point the asset was placed in service in August 2020.

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Nondepreciable capital assets				
Land	\$ 808,786	\$ -	\$ -	\$ 808,786
Construction in progress	45,997	62,845	(45,997)	62,845
<b>Subtotal nondepreciable capital assets</b>	<b>854,783</b>	<b>62,845</b>	<b>(45,997)</b>	<b>871,631</b>
Depreciable capital assets				
Land improvements	1,317,590	-	-	1,317,590
Buildings and improvements	32,005,573	136,014	-	32,141,587
Infrastructure	1,478,125	52,302	(65,287)	1,465,140
Furniture, fixtures and equipment	4,305,257	73,302	(31,823)	4,346,736
Library materials	441,723	5,133	-	446,856
<b>Subtotal depreciable capital assets</b>	<b>39,548,268</b>	<b>266,751</b>	<b>(97,110)</b>	<b>39,717,909</b>
<b>Total capital assets</b>	<b>40,403,051</b>	<b>329,596</b>	<b>(143,107)</b>	<b>40,589,540</b>
Less accumulated depreciation				
Land improvements	826,371	96,633	-	923,004
Buildings and improvements	20,497,696	646,112	-	21,143,808
Infrastructure	1,165,850	35,122	(65,287)	1,135,685
Furniture, fixtures and equipment	2,596,910	288,851	(30,708)	2,855,053
Library materials	421,474	5,131	-	426,605
<b>Total accumulated depreciated</b>	<b>25,508,301</b>	<b>\$ 1,071,849</b>	<b>\$ (95,995)</b>	<b>26,484,155</b>
<b>Total depreciated capital assets, net</b>	<b>14,039,967</b>			<b>13,233,754</b>
<b>Total capital assets, net</b>	<b>\$ 14,894,750</b>			<b>\$ 14,105,385</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 6. DEBT

Debt activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Bonds payable	\$ 2,840,000	\$ -	\$ 270,000	\$ 2,570,000	\$ 265,000
Note payable - direct borrowing	366,869	-	134,846	232,023	138,104
<b>Total</b>	<b>\$ 3,206,869</b>	<b>\$ -</b>	<b>\$ 404,846</b>	<b>\$ 2,802,023</b>	<b>\$ 403,104</b>

Debt activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bonds payable	\$ 3,085,000	\$ -	\$ 245,000	\$ 2,840,000	\$ 270,000
Note payable - direct borrowing	498,534	-	131,665	366,869	134,846
<b>Total</b>	<b>\$ 3,583,534</b>	<b>\$ -</b>	<b>\$ 376,665</b>	<b>\$ 3,206,869</b>	<b>\$ 404,846</b>

The note payable is unsecured and requires payments of \$11,845 per month through February 2022 at a rate of 2.39%.

Bonds payable comprised of 2017 general obligation limited tax obligations are to be repaid from the General Fund of the College, require principal payments ranging from \$80,000 to \$310,000 and are due annually through 2031. Interest is payable semiannually in May and November at a rate of 2.19%.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Scheduled annual principal and interest requirements on debt for each of the next five years and thereafter are summarized as follows:

Year Ending June 30	Principal Bonds Payable	Principal Note Payable (Direct Borrowing)	Interest	Total
2021	\$ 265,000	\$ 138,104	\$ 59,355	\$ 462,459
2022	290,000	93,919	50,265	434,184
2023	285,000	-	43,088	328,088
2024	310,000	-	36,755	346,755
2025	305,000	-	29,985	334,985
2026-2031	1,115,000	-	67,324	1,182,324
<b>Total</b>	<b>\$ 2,570,000</b>	<b>\$ 232,023</b>	<b>\$ 286,772</b>	<b>\$ 3,088,795</b>

## 7. UNRESTRICTED NET DEFICIT

The College has designated the use of a portion of unrestricted net deficit as follows at June 30:

	2020	2019
Foundation board-designated endowment	\$ 7,631,874	\$ 7,782,074
Pension and OPEB liability fund deficit	(23,888,940)	(22,286,989)
Undesignated	5,721,251	5,252,784
<b>Total unrestricted net deficit</b>	<b>\$ (10,535,815)</b>	<b>\$ (9,252,131)</b>

## 8. RETIREMENT PLANS

### *Plan Description*

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### ***Pension Benefits Provided***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

### ***Other Postemployment Benefits Provided***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

### ***Contributions***

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018, and ending September 30, 2038.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2020, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.21% - 12.41% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from the College were \$1,975,475, \$1,917,870 and \$1,919,043 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the College were \$503,817, \$490,770 and \$435,766 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the years ended June 30, 2020, 2019 and 2018, required and actual contributions from the College for those members with a defined contribution benefit were \$61,603, \$64,114 and \$48,079, respectively.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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

At June 30, 2020 and 2019, the College reported a liability of \$23,929,364 and \$21,157,952, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019, the College's proportion was 0.07226%, which was an increase of 0.00188% from its proportion measured as of September 30, 2018 of 0.07038%.

For the year ended June 30, 2020, the College recognized pension expense of \$3,879,879. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 107,259	\$ 99,783	\$ 7,476
Changes in assumptions	4,685,386	-	4,685,386
Net difference between projected and actual earnings on pension plan investments	-	766,895	(766,895)
Changes in proportion and differences between employer contributions and proportionate share of contributions	691,260	30,583	660,677
	5,483,905	897,261	4,586,644
College contributions subsequent to the measurement date	1,728,317	-	1,728,317
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	820,430	(820,430)
<b>Total</b>	<b>\$ 7,212,222</b>	<b>\$ 1,717,691</b>	<b>\$ 5,494,531</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The \$1,728,317 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The \$820,430 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State Aid revenue for the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Amount</b>
2021	\$ 1,788,570
2022	1,461,618
2023	962,696
2024	<u>373,760</u>
<b>Total</b>	<b><u><u>\$ 4,586,644</u></u></b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2019, the College recognized pension expense of \$2,721,173. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 98,177	\$ 153,751	\$ (55,574)
Changes in assumptions	4,900,164	-	4,900,164
Net difference between projected and actual earnings on pension plan investments	-	1,446,666	(1,446,666)
Changes in proportion and differences between employer contributions and proportionate share of contributions	469,577	79,869	389,708
	5,467,918	1,680,286	3,787,632
College contributions subsequent to the measurement date	1,674,877	-	1,674,877
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	816,608	(816,608)
<b>Total</b>	<b>\$ 7,142,795</b>	<b>\$ 2,496,894</b>	<b>\$ 4,645,901</b>

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2020 and 2019, the College reported a liability of \$5,166,831 and \$5,699,199 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017, respectively. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, the College's proportion was 0.07198%, which was an increase of 0.00028% from its proportion measured as of September 30, 2018 of 0.07170%.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2020, the College recognized OPEB expense of \$182,700. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,895,856	\$ (1,895,856)
Changes in assumptions	1,119,548	-	1,119,548
Net difference between projected and actual earnings on OPEB plan investments	-	89,854	(89,854)
Changes in proportion and differences between employer contributions and proportionate share of contributions	191,442	5,639	185,803
	<u>1,310,990</u>	<u>1,991,349</u>	<u>(680,359)</u>
College contributions subsequent to the measurement date	393,083	-	393,083
<b>Total</b>	<b><u>\$ 1,704,073</u></b>	<b><u>\$ 1,991,349</u></b>	<b><u>\$ (287,276)</u></b>

The \$393,083 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2021	\$ (189,996)
2022	(189,996)
2023	(145,141)
2024	(94,243)
2025	<u>(60,983)</u>
<b>Total</b>	<b><u>\$ (680,359)</u></b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2019, the College recognized OPEB expense of \$325,294. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,060,767	\$ (1,060,767)
Changes in assumptions	603,548	-	603,548
Net difference between projected and actual earnings on OPEB plan investments	-	219,034	(219,034)
Changes in proportion and differences between employer contributions and proportionate share of contributions	217,758	1,101	216,657
	821,306	1,280,902	(459,596)
College contributions subsequent to the measurement date	383,857	-	383,857
<b>Total</b>	<b>\$ 1,205,163</b>	<b>\$ 1,280,902</b>	<b>\$ (75,739)</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2018 and 2017 (for the fiscal years ended June 30, 2020 and 2019) actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.8%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80% (7.05% for 2017)
Pension Plus plan (hybrid)	6.80% (7.00% for 2017)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95% (7.15% for 2017)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3.0% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% (3.0% for 2017) Year 12
Mortality	2018 - RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females. 2017 - RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Long-Term Expected Return on Pension Plan Assets*

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money - Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Alternative investment pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			-1.15%
<b>Investment rate of return</b>			<b>6.80%</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

2018			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money - Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity pools	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.66%</u>
Inflation			2.30%
Risk adjustment			<u>-0.91%</u>
<b>Investment rate of return</b>			<b><u>7.05%</u></b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Long-Term Expected Return on OPEB Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018 and 2017, are summarized in the following tables:

<b>2019</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>	<b>Expected Money-Weighted Rate of Return</b>
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.00%</u>
<b>Investment rate of return</b>			<u><u>6.95%</u></u>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

2018			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	<u>2.00%</u>	0.00%	<u>0.00%</u>
	<u><u>100.00%</u></u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.81%</u>
<b>Investment rate of return</b>			<u><u>7.15%</u></u>

### ***Discount Rate***

A discount rate of 6.80% (7.05% for 2019) was used to measure the total pension liability (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% (7.15% for 2019) was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (7.05% for 2019) (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan) and 6.95% (7.15% for 2019), respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Sensitivity of College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2020:

	1% Decrease	Current Discount Rate	1% Increase
	(5.80% /	(6.80% /	(7.80% /
	5.80% /	6.80% /	7.80% /
<b>As of June 30, 2020</b>	<b>5.00%)</b>	<b>6.00%)</b>	<b>7.00%)</b>

College's proportionate share of  
the net pension liability      \$ 31,109,704    \$ 23,929,364    \$ 17,976,615

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease	Current Discount Rate	1% Increase
	(6.05% /	(7.05% /	(8.05% /
	6.00% /	7.00% /	8.00% /
<b>As of June 30, 2019</b>	<b>5.00%)</b>	<b>6.00%)</b>	<b>7.00%)</b>

College's proportionate share of  
the net pension liability      \$ 27,778,757    \$ 21,157,952    \$ 15,657,140

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Sensitivity of College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher as of June 30, 2020:

	<b>1% Decrease (5.95%)</b>	<b>Current Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
<b>As of June 30, 2020</b>			

College's proportionate share of			
the net OPEB liability	\$ 6,337,894	\$ 5,166,831	\$ 4,183,463

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher as of June 30, 2019:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
<b>As of June 30, 2019</b>			

College's proportionate share of			
the net OPEB liability	\$ 6,841,772	\$ 5,699,199	\$ 4,738,155

### *Sensitivity of College's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate*

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher as of June 30, 2020 and 2019:

	<b>1% Decrease (6.5%)</b>	<b>Current Healthcare Cost Trend Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
<b>As of June 30, 2020</b>			

College's proportionate share of			
the net OPEB liability	\$ 4,141,722	\$ 5,166,831	\$ 6,337,756

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

As of June 30, 2019	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
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College's proportionate share of the net OPEB liability	\$ 4,687,528	\$ 5,699,199	\$ 6,859,792
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### ***Pension and OPEB Plans Fiduciary Net Position***

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### ***Payable to the Pension Plan***

At June 30, 2020, the College reported a payable of \$149,170 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$148,474 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

### ***Payable to the OPEB Plan***

At June 30, 2020 and 2019, there were no required outstanding OPEB contributions to the Plan for the years ended June 30, 2020 and 2019.

### ***Defined Contribution Plan***

Effective January 1, 1998, existing professional MPSERS members and new professional employees of the College may elect to participate in the Montcalm Community College Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP was established by the College's Board of Trustees, is administered by TIAA-CREF, and is a defined contribution plan qualified under Section 414(d) of the Internal Revenue Code. Effective September 2012, the College Board of Trustees approved the removal of this plan to new participants. Under the ORP, the College contributed 12% and the participant contributed 4% of the participant's compensation. At June 30, 2020 the college had 5 participants 6 participants at June 30, 2019. Total covered payroll and College contributions were approximately \$592,000 and \$71,000, respectively, for 2020 and \$658,000 and \$79,000, respectively, for 2019.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 9. MONTCALM COMMUNITY COLLEGE FOUNDATION

Montcalm Community College Foundation (the "Foundation") was formed to award scholarships and grants to students, faculty, and staff of the College and to maintain and develop its facilities and services for educational opportunities and service. During the years ended June 30, 2020 and 2019, the Foundation made grants and distributions, from restricted net position, to and on behalf of the College to be used for scholarships totaling \$338,507 and \$261,066, respectively. The components of the Foundation's restricted net position are both for programs and scholarships as of June 30, 2020 and 2019.

Restricted net position consists of the following at June 30:

	2020	2019
Donor restricted endowments subject to expenditures for specified purpose, spending policy, and appropriation for scholarships	<u>\$ 13,011,355</u>	<u>\$ 13,137,877</u>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 10. FOUNDATION LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following for the Foundation as of June 30:

	2020	2019
<b>Financial assets</b>		
Cash and investments	\$ 20,432,589	\$ 20,460,323
Pledge receivables	312,270	513,293
	<u>20,744,859</u>	<u>20,973,616</u>
<b>Total financial assets</b>		
	<b>20,744,859</b>	<b>20,973,616</b>
<b>Less amounts unavailable for general expenditures within one year due to:</b>		
Board-designated endowment funds	(7,631,874)	(7,782,074)
Restricted net position	(13,011,355)	(13,137,877)
Long-term pledge receivables	-	(400,000)
	<u>-</u>	<u>(400,000)</u>
<b>Total financial assets available for general use within one year</b>	<b>\$ 101,630</b>	<b>\$ (346,335)</b>

Board-designated endowment funds can be designated for general use at any time, upon approval by the board of directors.

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

As part of the Foundation's liquidity plan, there is an annual distribution from Foundation endowment investments subject to an annual spending policy as described in Note 11.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 11. FOUNDATION ENDOWMENTS

The Foundation's endowment consists of six individual funds established for student scholarships. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based upon the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SMPMIFA) 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 restricted nonexpendable endowments (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. Any donor-restricted endowment fund that would not be classified as restricted nonexpendable endowments is classified as restricted expendable net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SMPMIFA. In accordance with SMPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The restricted expendable net position of the Foundation as of June 30, 2020 and 2019, are for scholarships. The restricted nonexpendable endowments of the Foundation as of June 30, 2020 and 2019, consist of permanent endowment funds.

From time to time, certain donor-restricted endowment funds may have fair values less than the amounts required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020 and 2019, the Foundation did not have any underwater endowments.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Endowment net position composition by type of fund as of June 30:

	Unrestricted	Restricted	Total
<b>Endowment net position</b>			
<b>Comparison by type of fund as of</b>			
<b>June 30, 2020</b>			
Board-designated endowment funds	\$ 7,631,874	\$ -	\$ 7,631,874
Donor-restricted endowment funds			
Restricted for specific purpose - scholarships and grants	-	1,858,755	1,858,755
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	313,114	313,114
Original donor-restricted term endowment gift amount	-	7,324,896	7,324,896
Accumulated investment gains	-	3,514,590	3,514,590
<b>Total endowment funds</b>	<b><u>\$ 7,631,874</u></b>	<b><u>\$ 13,011,355</u></b>	<b><u>\$ 20,643,229</u></b>
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
<b>Endowment net position</b>			
<b>Comparison by type of fund as of</b>			
<b>June 30, 2019</b>			
Board-designated endowment funds	\$ 7,782,074	\$ -	\$ 7,782,074
Donor-restricted endowment funds			
Restricted for specific purpose - scholarships and grants	-	2,152,521	2,152,521
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	312,539	312,539
Original donor-restricted term endowment gift amount	-	7,324,896	7,324,896
Accumulated investment gains	-	3,347,921	3,347,921
<b>Total endowment funds</b>	<b><u>\$ 7,782,074</u></b>	<b><u>\$ 13,137,877</u></b>	<b><u>\$ 20,919,951</u></b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Changes in endowment net position for the years ended June 30:

	Unrestricted	Restricted	Total
<b>Changes in endowment net position</b>			
<b>For the year ended June 30, 2020</b>			
Interest and dividend income	\$ 155,230	\$ 287,788	\$ 443,018
Net realized and unrealized loss on investments	(16,558)	(121,118)	(137,676)
Contributions	19,314	186,502	205,816
Appropriation of endowment position for expenditure	(308,186)	(479,694)	(787,880)
	<u>(150,200)</u>	<u>(126,522)</u>	<u>(276,722)</u>
<b>Changes in endowment net position</b>			
Endowment net position Beginning of year	7,782,074	13,137,877	20,919,951
	<u>7,782,074</u>	<u>13,137,877</u>	<u>20,919,951</u>
<b>End of year</b>	<b><u>\$ 7,631,874</u></b>	<b><u>\$ 13,011,355</u></b>	<b><u>\$ 20,643,229</u></b>
	Unrestricted	Restricted	Total
<b>Changes in endowment net position</b>			
<b>For the year ended June 30, 2019</b>			
Interest and dividend income	\$ 231,822	\$ 406,858	\$ 638,680
Net realized and unrealized gain on investments	114,698	294,148	408,846
Contributions	79,394	221,793	301,187
Appropriation of endowment position for expenditure	(315,442)	(448,367)	(763,809)
	<u>110,472</u>	<u>474,432</u>	<u>584,904</u>
<b>Changes in endowment net position</b>			
Endowment net position Beginning of year	7,671,602	12,663,445	20,335,047
	<u>7,671,602</u>	<u>12,663,445</u>	<u>20,335,047</u>
<b>End of year</b>	<b><u>\$ 7,782,074</u></b>	<b><u>\$ 13,137,877</u></b>	<b><u>\$ 20,919,951</u></b>

### ***Return Objectives and Risk Parameters***

The Foundation has adopted investment policies for assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity as well as board-designated funds. Under this policy the assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming an average level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 5.0% over the consumer price index. Actual returns in any given year may vary from this range.

### ***Strategies Employed for Achieving Objectives***

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

### ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Foundation has an annual spending policy of 5.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return of its endowment. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment to grow at an average of 2.5% to 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 12. FUNCTIONAL ALLOCATION OF EXPENSES - FOUNDATION

The costs of program and supporting services activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. The table below presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs (student services expenses) and supporting services (other expenses) benefited. Expenses are generally allocated between program services and supporting services based on specific identification or space utilized, whichever is more appropriate.

	Year Ended June 30, 2020				
	Student Services	Other			Total
		Program Services	Administrative	Fundraising	
Scholarships and grants	\$ 338,507	\$ -	\$ -	\$ -	\$ 338,507
Salaries and wages	-	115,171	9,422	18,813	143,406
Benefits	-	26,800	3,747	6,485	37,032
Payroll taxes	-	5,532	709	1,440	7,681
Fundraising	-	-	-	8,075	8,075
Software	-	9,572	1,718	-	11,290
Professional fees	-	-	49,628	-	49,628
Other	-	177,873	14,388	-	192,261
<b>Total expenses</b>	<b>\$ 338,507</b>	<b>\$ 334,948</b>	<b>\$ 79,612</b>	<b>\$ 34,813</b>	<b>\$ 787,880</b>

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

	Year Ended June 30, 2019				
	Student Services	Other			Total
		Program Services	Administrative	Fundraising	
Scholarships and grants	\$ 261,066	\$ -	\$ -	\$ -	\$ 261,066
Salaries and wages	-	129,503	8,646	21,262	159,411
Benefits	-	23,886	3,079	4,131	31,096
Payroll taxes	-	5,922	658	1,625	8,205
Fundraising	-	-	-	4,713	4,713
Software	9,116	3,500	-	-	12,616
Professional fees	-	54,750	75,342	-	130,092
Other	-	139,908	16,712	-	156,620
<b>Total expenses</b>	<b>\$ 270,182</b>	<b>\$ 357,469</b>	<b>\$ 104,437</b>	<b>\$ 31,731</b>	<b>\$ 763,819</b>

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**REQUIRED SUPPLEMENTARY INFORMATION  
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

## MONTCALM COMMUNITY COLLEGE

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Proportionate Share of the Net Pension Liability (Unaudited)

	Year Ended June 30					
	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.07226%	0.07038%	0.06834%	0.06775%	0.06804%	0.69070%
College's proportionate share of the net pension liability	\$ 23,929,364	\$ 21,157,952	\$ 17,710,136	\$ 16,904,228	\$ 16,617,926	\$ 14,974,153
College's covered payroll	\$ 6,313,771	\$ 6,123,733	\$ 5,854,993	\$ 5,648,042	\$ 5,828,495	\$ 5,935,152
College's proportionate share the net pension liability as of its covered payroll percentage	379.00%	345.51%	302.48%	299.29%	285.12%	252.30%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

## MONTCALM COMMUNITY COLLEGE

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans  
 Schedule of the College's Pension Contributions (Unaudited)

	Year Ended June 30					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,975,475	\$ 1,917,870	\$ 1,919,043	\$ 1,623,914	\$ 1,576,914	\$ 1,828,741
Contributions in relation to the contractually required contribution	<u>(1,975,475)</u>	<u>(1,917,870)</u>	<u>(1,919,043)</u>	<u>(1,623,914)</u>	<u>(1,576,914)</u>	<u>(1,828,741)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
College's covered payroll	\$ 6,412,530	\$ 6,330,881	\$ 6,088,670	\$ 5,788,609	\$ 6,321,533	\$ 6,518,944
Contributions as a percentage of covered payroll	30.81%	30.29%	31.52%	28.05%	24.95%	28.05%

See notes to required supplementary information.

## MONTCALM COMMUNITY COLLEGE

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans  
 Schedule of the College's Proportionate Share of the Net Other  
 Postemployment Benefits ("OPEB") Liability (Unaudited)

	Year Ended		
	2020	2019	2018
College's proportion of the net OPEB liability	0.07198%	0.07170%	0.06880%
College's proportionate share of the net OPEB liability	\$ 5,166,831	\$ 5,699,199	\$ 6,092,951
College's covered payroll	\$ 6,313,771	\$ 6,123,733	\$ 5,854,993
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.83%	93.07%	104.06%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

## MONTCALM COMMUNITY COLLEGE

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Other Postemployment Benefits ("OPEB") Contributions (Unaudited)

	Year Ended		
	2020	2019	2018
Statutorily required contribution	\$ 503,817	\$ 490,770	\$ 435,766
Contributions in relation to the statutorily required contribution	<u>(503,817)</u>	<u>(490,770)</u>	<u>(435,766)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 6,412,530	\$ 6,330,881	\$ 6,088,670
Contributions as a percentage of covered payroll	7.86%	7.75%	7.16%

See notes to required supplementary information.

# MONTCALM COMMUNITY COLLEGE

## Notes to Required Supplementary Information

### **Pension Information**

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

### **OPEB Information**

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

## **SUPPLEMENTARY INFORMATION**

# MONTCALM COMMUNITY COLLEGE

## Combining Statement of Net Position

June 30, 2020 (Unaudited)

	Combined Total	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	Pension and OPEB Fund	Foundation
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 6,954,935	\$ 5,338,587	\$ 7,237	\$ 101,366	\$ 1,009,493	\$ 418,559	\$ -	\$ 79,693
Accounts receivable less allowance of \$700,597	241,317	241,317	-	-	-	-	-	-
Property taxes receivable	55,649	55,649	-	-	-	-	-	-
State appropriation receivable	432,206	432,206	-	-	-	-	-	-
Federal and state grants receivable	74,008	-	-	74,008	-	-	-	-
Pledges receivable	312,270	-	-	-	-	-	-	312,270
Prepays and other assets	90,362	90,362	-	-	-	-	-	-
Due from (to) other funds	-	1,049,198	(7,237)	192,963	(1,203,864)	19,930	-	(50,990)
<b>Total current assets</b>	<b>8,160,747</b>	<b>7,207,319</b>	<b>-</b>	<b>368,337</b>	<b>(194,371)</b>	<b>438,489</b>	<b>-</b>	<b>340,973</b>
<b>Noncurrent assets</b>								
Investments	20,352,896	-	-	-	-	-	-	20,352,896
<b>Capital assets</b>								
Land and improvements	2,126,376	-	-	-	2,126,376	-	-	-
Accumulated depreciation	(1,019,638)	-	-	-	(1,019,638)	-	-	-
Infrastructure	1,465,139	-	-	-	1,465,139	-	-	-
Accumulated depreciation	(1,167,957)	-	-	-	(1,167,957)	-	-	-
Buildings and improvements	32,820,368	-	-	-	32,820,368	-	-	-
Accumulated depreciation	(21,806,727)	-	-	-	(21,806,727)	-	-	-
Equipment, including vehicles and library books	4,821,998	-	-	-	4,821,998	-	-	-
Accumulated depreciation	(3,553,480)	-	-	-	(3,553,480)	-	-	-
Construction in progress	44,761	-	-	-	44,761	-	-	-
<b>Total capital assets</b>	<b>13,730,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,730,840</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>34,083,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,730,840</b>	<b>-</b>	<b>-</b>	<b>20,352,896</b>
<b>Total assets</b>	<b>42,244,483</b>	<b>7,207,319</b>	<b>-</b>	<b>368,337</b>	<b>13,536,469</b>	<b>438,489</b>	<b>-</b>	<b>20,693,869</b>
<b>Deferred outflows of resources</b>								
Deferred pension and OPEB amounts	8,916,295	-	-	-	-	-	8,916,295	-

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# MONTCALM COMMUNITY COLLEGE

## Combining Statement of Net Position

June 30, 2020 (Unaudited)

	Combined Total	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	Pension and OPEB Fund	Foundation
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable	\$ 146,110	\$ 95,470	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,640
Accrued interest	9,380	-	-	-	9,380	-	-	-
Accrued payroll, vacation and other compensation	953,863	953,863	-	-	-	-	-	-
Deposits	479,613	5,055	-	-	36,069	438,489	-	-
Unearned revenue	112,042	112,042	-	-	-	-	-	-
Current portion of bonds and note payable	403,104	-	-	-	403,104	-	-	-
<b>Total current liabilities</b>	<b>2,104,112</b>	<b>1,166,430</b>	<b>-</b>	<b>-</b>	<b>448,553</b>	<b>438,489</b>	<b>-</b>	<b>50,640</b>
Bonds and note payable, net of current portion	2,398,919	-	-	-	2,398,919	-	-	-
Net pension liability	23,929,364	-	-	-	-	-	23,929,364	-
Net OPEB liability	5,166,831	-	-	-	-	-	5,166,831	-
Accrued vacation, net of current portion	79,818	79,818	-	-	-	-	-	-
<b>Total liabilities</b>	<b>33,679,044</b>	<b>1,246,248</b>	<b>-</b>	<b>-</b>	<b>2,847,472</b>	<b>438,489</b>	<b>29,096,195</b>	<b>50,640</b>
<b>Deferred inflows of resources</b>								
Deferred pension and OPEB amounts	3,709,040	-	-	-	-	-	3,709,040	-
<b>Net position</b>								
Net investment in capital assets	10,928,817	-	-	-	10,928,817	-	-	-
Restricted for								
Expendable scholarships and grants	13,066,578	-	-	368,337	-	-	-	12,698,241
Nonexpendable endowments	313,114	-	-	-	-	-	-	313,114
Unrestricted (deficit)	(10,535,815)	5,961,071	-	-	(239,820)	-	(23,888,940)	7,631,874
<b>Total net position (deficit)</b>	<b>\$ 13,772,694</b>	<b>\$ 5,961,071</b>	<b>\$ -</b>	<b>\$ 368,337</b>	<b>\$ 10,688,997</b>	<b>\$ -</b>	<b>\$ (23,888,940)</b>	<b>\$ 20,643,229</b>

concluded

# MONTCALM COMMUNITY COLLEGE

## Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position

Year Ended June 30, 2020 (Unaudited)

	Combined Total	Elimination	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Pension and OPEB Fund	Foundation
<b>Revenues</b>								
<b>Operating revenues</b>								
Tuition and fees (net of scholarship allowance of \$1,457,751)	\$ 3,958,119	\$ (1,457,751)	\$ 5,415,870	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	536,504	-	5,320	-	531,184	-	-	-
State grants and contracts	321,234	-	-	-	321,234	-	-	-
Auxiliary activities	84,561	-	53,030	31,531	-	-	-	-
Current funds expensed for capital improvements	-	(695,738)	-	-	-	695,738	-	-
Other	141,907	-	141,907	-	-	-	-	-
<b>Total operating revenues</b>	<b>5,042,325</b>	<b>(2,153,489)</b>	<b>5,616,127</b>	<b>31,531</b>	<b>852,418</b>	<b>695,738</b>	<b>-</b>	<b>-</b>
<b>Operating expenses</b>								
Instruction	6,978,233	(17,100)	6,131,786	-	519,130	-	344,417	-
Public services	349,982	-	334,352	-	-	-	15,630	-
Instructional support	2,306,527	-	2,160,218	-	25,564	-	120,745	-
Student services	2,118,773	(1,841,019)	1,259,522	179,146	2,097,197	-	85,420	338,507
Institutional administration	2,196,505	-	2,083,107	-	-	-	113,398	-
Information technology	1,212,380	-	1,173,538	-	-	-	38,842	-
Operation and maintenance of plant	1,656,829	-	1,593,760	-	-	-	63,069	-
Depreciation	1,070,283	-	-	-	-	1,070,283	-	-
Other	527,703	(633,877)	-	-	-	712,207	-	449,373
<b>Total operating expenses</b>	<b>18,417,215</b>	<b>(2,491,996)</b>	<b>14,736,283</b>	<b>179,146</b>	<b>2,641,891</b>	<b>1,782,490</b>	<b>781,521</b>	<b>787,880</b>
<b>Operating loss</b>	<b>(13,374,890)</b>	<b>338,507</b>	<b>(9,120,156)</b>	<b>(147,615)</b>	<b>(1,789,473)</b>	<b>(1,086,752)</b>	<b>(781,521)</b>	<b>(787,880)</b>

continued...

**MONTCALM COMMUNITY COLLEGE**

**Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position**

Year Ended June 30, 2020 (Unaudited)

	<b>Combined Total</b>	<b>Elimination</b>	<b>General Fund</b>	<b>Auxiliary Activities Fund</b>	<b>Expendable Restricted Fund</b>	<b>Plant Fund</b>	<b>Pension and OPEB Fund</b>	<b>Foundation</b>
<b>Nonoperating revenues (expenses)</b>								
State appropriations	\$ 3,363,293	\$ -	\$ 4,183,723	\$ -	\$ -	\$ -	\$ (820,430)	\$ -
Federal Pell grants	1,871,406	-	-	-	1,871,406	-	-	-
Property taxes	6,715,977	-	6,715,977	-	-	-	-	-
Interest and dividend income	128,877	(338,507)	20,680	-	-	3,686	-	443,018
Net realized and unrealized loss on investments	(137,676)	-	-	-	-	-	-	(137,676)
Interest on capital asset - related debt	(68,508)	-	-	-	-	(68,508)	-	-
Gifts	205,816	-	-	-	-	-	-	205,816
<b>Net nonoperating revenues (expenses)</b>	<b>12,079,185</b>	<b>(338,507)</b>	<b>10,920,380</b>	<b>-</b>	<b>1,871,406</b>	<b>(64,822)</b>	<b>(820,430)</b>	<b>511,158</b>
Transfers (out) in	-	-	(1,506,882)	147,615	2,267	1,357,000	-	-
<b>Net (decrease) increase in net position</b>	<b>(1,295,705)</b>	<b>-</b>	<b>293,342</b>	<b>-</b>	<b>84,200</b>	<b>205,426</b>	<b>(1,601,951)</b>	<b>(276,722)</b>
Net position (deficit) - beginning of year	15,068,399	-	5,667,729	-	284,137	10,483,571	(22,286,989)	20,919,951
<b>Net position (deficit) - end of year</b>	<b>\$ 13,772,694</b>	<b>\$ -</b>	<b>\$ 5,961,071</b>	<b>\$ -</b>	<b>\$ 368,337</b>	<b>\$ 10,688,997</b>	<b>\$ (23,888,940)</b>	<b>\$ 20,643,229</b>

concluded