

Montcalm  
Community  
College



Years Ended  
June 30,  
2023 and 2022

Financial  
Statements  
and  
Supplementary  
Information

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# **MONTCALM COMMUNITY COLLEGE**

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**June 30, 2023**

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|-----------------------|------------------|
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**June 30, 2023**

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# MONTCALM COMMUNITY COLLEGE

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## **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

November 8, 2023

To the Board of Trustees  
Montcalm Community College  
Sidney, Michigan

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of **Montcalm Community College** (the "College"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College, as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Implementation of GASB Statement No. 96*

As described in Notes 2, 5, and 6, in fiscal 2023 the College implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2021. Our opinion is not modified with respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefits plans ("OPEB"), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the combining statement of net position and the combining statement of revenues, expenses, transfers and changes in net position but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 8, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is written in a cursive, flowing style.

## **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, 2023, 2022 and 2021. 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 Revenues, 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 increased during the year ended June 30, 2023. Net position at the end of the fiscal year was up approximately \$5.1 million or 27%. The College experienced an increase in cash and overall investments related to the Montcalm Community College Foundation. Overall enrollment compared to the previous year was down by 3.1% or 853 contact/billing hours. The details by semester were Fall 2022, a 1% decrease, Spring 2023 a 3% decrease and Summer 2023 decreased by 12%.

Overall nonoperating revenues increased by approximately \$6.9 million. This was mainly related to the gain on investments from Montcalm Community College Foundation funds and gifts related to the Kenneth J. Smith Renovation Major Gift Campaign. In addition, there were small positive gains from State appropriations of approximately \$35,000, Federal Pell grants were up by approximately \$240,000, and property taxes were up by approximately \$310,000, from the previous fiscal year.

The College will continue to feel the significant impact of Governmental Accounting Standards Board ("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 the liability associated with providing pension and healthcare to retirees related to the State of Michigan Pension program. Additional information is also included in Note 9 to the financial statements and in the required supplementary information following the footnotes.

For 2023, the College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). The standard requires recognition of certain subscription based assets and liabilities for contracts that convey control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. It establishes a single model for subscription-based accounting based on the foundational principle that SBITAs are financed for the right to use an underlying asset. Under GASB 96, a subscriber is required to recognize a subscription liability and an intangible right-to-use SBITA asset.

The College was not entered into any such arrangements at July 1, 2021 which would require recognition under GASB 96, as such the adoption of GASB 96 had no significant impact to the College's financial statements at July 1, 2021. The College entered into an arrangement during fiscal year 2022 which required the College to restate its statement of net position as of June 30, 2022 by increasing both subscription assets, net of accumulated amortization, and liabilities by \$716,554 and \$641,515, respectively. The net impact to

fiscal 2022 expenses related to the implementation of GASB No. 96 was a nominal amount, and therefore, the College only reclassified the presentation of operating expenses by function in the statement of revenues, expenses and changes in net position for the year ended June 30, 2022. Additional disclosure is found in Notes 5 and 6 to the financial statements.

### **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 therein. 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, 2023 and 2022, and as of June 30, 2022 and 2021 (in millions):

|   | <u>2023</u>   | <u>2022</u>   | Increase<br><u>(Decrease)</u> | <u>2022</u>   | <u>2021</u>   | Increase<br><u>(Decrease)</u> |
|---|---------------|---------------|-------------------------------|---------------|---------------|-------------------------------|
| Current assets  | \$14.9        | \$15.9        | \$(1.0)                       | \$15.9        | \$11.7        | \$4.2                         |
| Other noncurrent assets   | 1.6           | 0.3           | 1.3                           | 0.3           | -             | 0.3                           |
| Investments   | 23.9          | 21.5          | 2.4                           | 21.5          | 25.4          | (3.9)                         |
| Capital assets (net)  | <u>17.2</u>   | <u>16.2</u>   | <u>1.0</u>                    | <u>16.2</u>   | <u>13.2</u>   | <u>2.9</u>                    |
| Total assets  | <u>57.6</u>   | <u>53.9</u>   | <u>3.7</u>                    | <u>53.9</u>   | <u>50.3</u>   | <u>3.6</u>                    |
| Deferred outflows of resources  | <u>9.8</u>    | <u>5.1</u>    | <u>4.7</u>                    | <u>5.1</u>    | <u>7.5</u>    | <u>(2.4)</u>                  |
| Current liabilities, excluding current portion of bonds payable and subscription-based IT arrangement liabilities | 2.1           | 2.7           | (0.6)                         | 2.7           | 2.0           | 0.7                           |
| Long-term liabilities   | <u>35.9</u>   | <u>26.7</u>   | <u>9.2</u>                    | <u>26.7</u>   | <u>31.2</u>   | <u>(4.5)</u>                  |
| Total liabilities   | <u>37.9</u>   | <u>29.5</u>   | <u>8.4</u>                    | <u>29.5</u>   | <u>33.2</u>   | <u>(3.7)</u>                  |
| Deferred inflows of resources   | <u>5.7</u>    | <u>10.8</u>   | <u>(5.1)</u>                  | <u>10.8</u>   | <u>3.9</u>    | <u>6.9</u>                    |
| Net position:   |               |               |                               |               |               |                               |
| Net investment in capital assets  | 10.3          | 11.2          | (1.7)                         | 11.2          | 10.8          | 0.4                           |
| Restricted – expendable   | 17.2          | 14.4          | 2.8                           | 14.4          | 17.1          | (2.7)                         |
| Restricted – nonexpendable  | 0.3           | 0.3           | -                             | 0.3           | 0.3           | -                             |
| Unrestricted deficit  | <u>(4.0)</u>  | <u>(7.3)</u>  | <u>4.1</u>                    | <u>(7.3)</u>  | <u>(7.5)</u>  | <u>0.2</u>                    |
| Total net position  | <u>\$23.8</u> | <u>\$18.7</u> | <u>\$5.1</u>                  | <u>\$18.7</u> | <u>\$20.6</u> | <u>\$(1.9)</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 \$28.0 million for June 30, 2023 and \$18.3 million for June 30, 2022.

Deferred outflows of resources of approximately \$9.8 million were recorded at June 30, 2023 as a result of changes in assumptions to the net pension and other postemployment benefits ("OPEB") liabilities and College contributions to the MPSERS plan, which is an increase of \$4.7 million from June 30, 2022. Deferred outflows of resources of approximately \$5.1 million were recorded at June 30, 2022 as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan, which is a decrease of \$2.4 million from June 30, 2021.

See the financial statements for more information regarding the MPSERS pension and OPEB liabilities details.



Following is a comparative analysis of the major components of the operating results of the College as of June 30, 2023 and 2022 and June 30, 2022 and 2021 (in millions):

|                                       | <u>2023</u>   | <u>2022</u>   | Increase<br>(Decrease) | <u>2022</u>   | <u>2021</u>   | Increase<br>(Decrease) |
|---------------------------------------|---------------|---------------|------------------------|---------------|---------------|------------------------|
| Operating revenues:                   |               |               |                        |               |               |                        |
| Tuition and fees                      | \$4.2         | \$4.3         | \$(0.1)                | \$4.3         | \$4.1         | \$0.2                  |
| Federal grants and contracts          | 0.5           | 0.2           | 0.3                    | 0.2           | 0.4           | (0.2)                  |
| State grants and contracts            | 0.3           | 0.1           | 0.2                    | 0.1           | 0.2           | (0.1)                  |
| Auxiliary and other                   | <u>0.2</u>    | <u>0.2</u>    | -                      | <u>0.2</u>    | <u>0.1</u>    | <u>0.1</u>             |
| Total operating revenues              | <u>5.3</u>    | <u>4.8</u>    | <u>0.5</u>             | <u>4.8</u>    | <u>4.8</u>    | -                      |
| Operating expenses:                   |               |               |                        |               |               |                        |
| Instruction                           | 6.4           | 6.2           | 0.2                    | 6.2           | 7.0           | (0.8)                  |
| Public services                       | 0.4           | 0.3           | 0.1                    | 0.3           | 0.3           | -                      |
| Instructional support                 | 2.5           | 2.0           | 0.5                    | 2.0           | 1.9           | 0.1                    |
| Student services                      | 3.0           | 4.0           | (1.0)                  | 4.0           | 3.1           | 0.9                    |
| Institutional administration          | 2.0           | 1.9           | 0.1                    | 1.9           | 2.1           | (0.2)                  |
| Information technology                | 1.1           | 0.8           | 0.3                    | 0.8           | 1.7           | (0.9)                  |
| Operation and maintenance of<br>plant | 2.2           | 2.2           | -                      | 2.2           | 1.8           | 0.5                    |
| Depreciation and other                | <u>2.4</u>    | <u>2.1</u>    | <u>0.3</u>             | <u>2.1</u>    | <u>1.7</u>    | <u>0.4</u>             |
| Total operating expenses              | <u>19.9</u>   | <u>19.6</u>   | <u>0.3</u>             | <u>19.6</u>   | <u>19.6</u>   | -                      |
| Net operating loss                    | <u>(14.7)</u> | <u>(14.8)</u> | <u>0.1</u>             | <u>(14.8)</u> | <u>(14.9)</u> | <u>0.1</u>             |
| Nonoperating revenues:                |               |               |                        |               |               |                        |
| State appropriations                  | 4.0           | 4.0           | 0.0                    | 4.0           | 3.8           | 0.2                    |
| Federal Pell grants                   | 2.0           | 1.8           | 0.2                    | 1.8           | 1.6           | 0.2                    |
| Property taxes                        | 7.7           | 7.4           | 0.3                    | 7.4           | 6.9           | 0.5                    |
| Other net nonoperating<br>revenues    | <u>6.0</u>    | <u>0.3</u>    | <u>5.7</u>             | <u>0.3</u>    | <u>9.4</u>    | <u>(9.1)</u>           |
| Net nonoperating revenues             | <u>19.8</u>   | <u>12.9</u>   | <u>6.9</u>             | <u>12.9</u>   | <u>21.7</u>   | <u>(8.8)</u>           |
| Increase (decrease) in net position   | 5.1           | (1.9)         | 7.0                    | (1.9)         | 6.8           | (8.7)                  |
| Net position – beginning of year      | <u>18.7</u>   | <u>20.6</u>   | <u>(2.1)</u>           | <u>20.6</u>   | <u>13.8</u>   | <u>6.8</u>             |
| Net position – end of year            | <u>\$23.8</u> | <u>\$18.7</u> | <u>\$5.1</u>           | <u>\$18.7</u> | <u>\$20.6</u> | <u>(\$2.1)</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 and state grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes between fiscal years 2023 and 2022 were the result of the following factors:

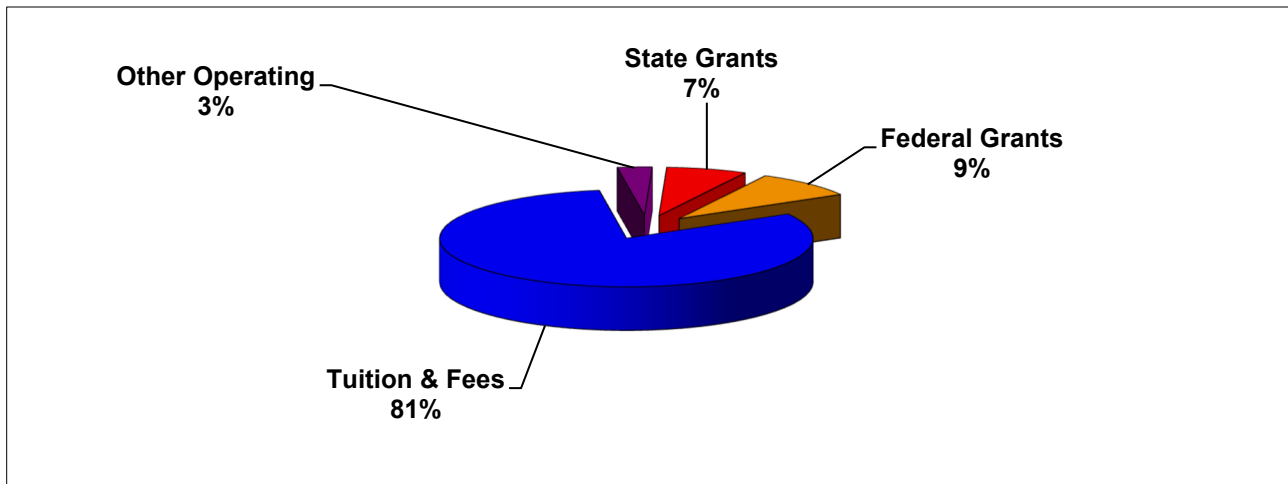
- Student tuition and fees decreased for the 2023 fiscal year due to an overall decrease of 3% in enrollment and a 2% increase in tuition rates.
- Grants and contract revenues increased by approximately \$480,000 from 2022 due to the increase in the use of Federal grants such as Michigan New Jobs Training and the companies choosing to use them.
- Auxiliary and other operating revenues slightly increased approximately \$21,000.

Operating revenue changes between 2022 and 2021 were the result of the following factors:

- Student tuition and fees increased for the 2022 fiscal year due to a small overall increase of 1% in enrollment and a 2% increase in tuition rates.
- Grants and contract revenues decreased by approximately \$235,000 from 2021 due to the decrease in the use of Federal grants such as Michigan New Jobs Training and the companies choosing to use them.
- Auxiliary and other operating revenues began to return to normal levels and increased approximately \$94,000.

|                                | <u>2023</u>               | <u>2022</u>               | <u>2021</u>               |
|--------------------------------|---------------------------|---------------------------|---------------------------|
| Tuition and fees               | \$4,249,903               | \$4,320,135               | \$4,117,565               |
| Federal grants and contracts   | 457,418                   | 199,683                   | 366,156                   |
| State grants and contracts     | 347,200                   | 131,004                   | 199,170                   |
| Other operating revenues       | <u>206,363</u>            | <u>184,703</u>            | <u>90,833</u>             |
| <b>Total operating revenue</b> | <b><u>\$5,260,884</u></b> | <b><u>\$4,835,525</u></b> | <b><u>\$4,773,724</u></b> |

The following is a graphic illustration of 2023 operating revenues by source:

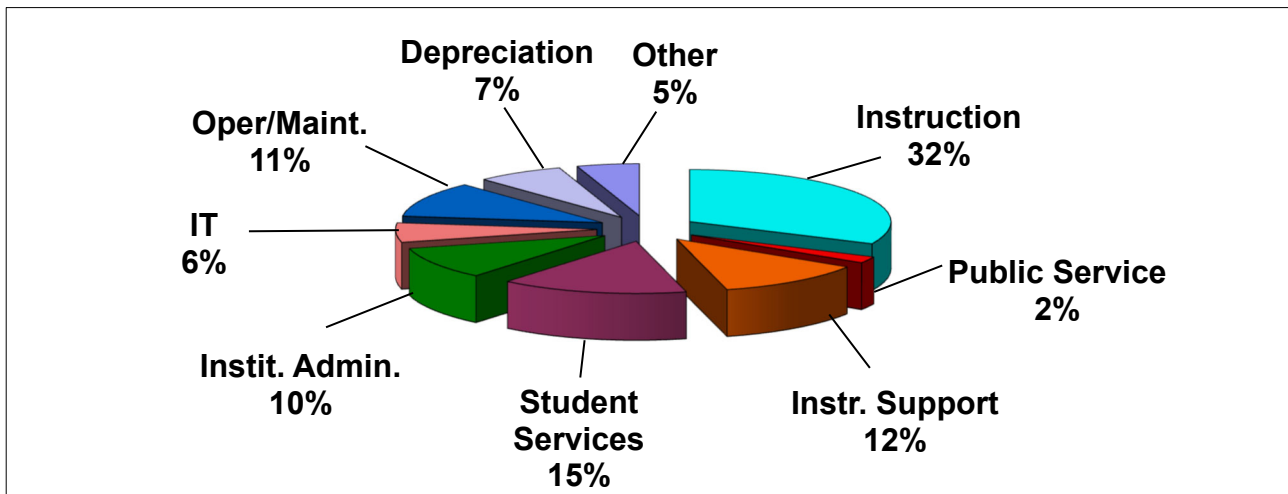


**Operating Expenses**

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 remained basically flat, with a slight increase of approximately \$313,000. The student services area saw the largest decrease due to reallocation of staffing related to the new “conductor” mentoring program which is considered instructional support. Beyond that, there were no other major factors affecting operating expense changes overall, however, it is worth noting that the increase for information technology is related to HEERF funding.

|                                    | <u>2023</u>                | <u>2022</u>                | <u>2021</u>                |
|------------------------------------|----------------------------|----------------------------|----------------------------|
| Instruction                        | \$6,388,072                | \$6,203,971                | \$ 6,990,142               |
| Public services                    | 415,299                    | 333,006                    | 310,492                    |
| Instructional support              | 2,461,923                  | 2,038,395                  | 1,907,010                  |
| Student services                   | 2,964,651                  | 4,028,943                  | 3,073,272                  |
| Institutional administration       | 2,038,100                  | 1,881,595                  | 2,098,094                  |
| Information technology             | 1,106,424                  | 828,150                    | 1,709,167                  |
| Operation and maintenance of plant | 2,193,350                  | 2,247,119                  | 1,856,517                  |
| Depreciation and amortization      | 1,308,884                  | 1,164,438                  | 1,082,505                  |
| Other                              | <u>1,062,188</u>           | <u>900,642</u>             | <u>607,177</u>             |
| <b>Total operating expenses</b>    | <b><u>\$19,938,891</u></b> | <b><u>\$19,626,259</u></b> | <b><u>\$19,634,376</u></b> |

The following is a graphic illustration of 2023 operating expenses by function:



**Nonoperating Revenues**

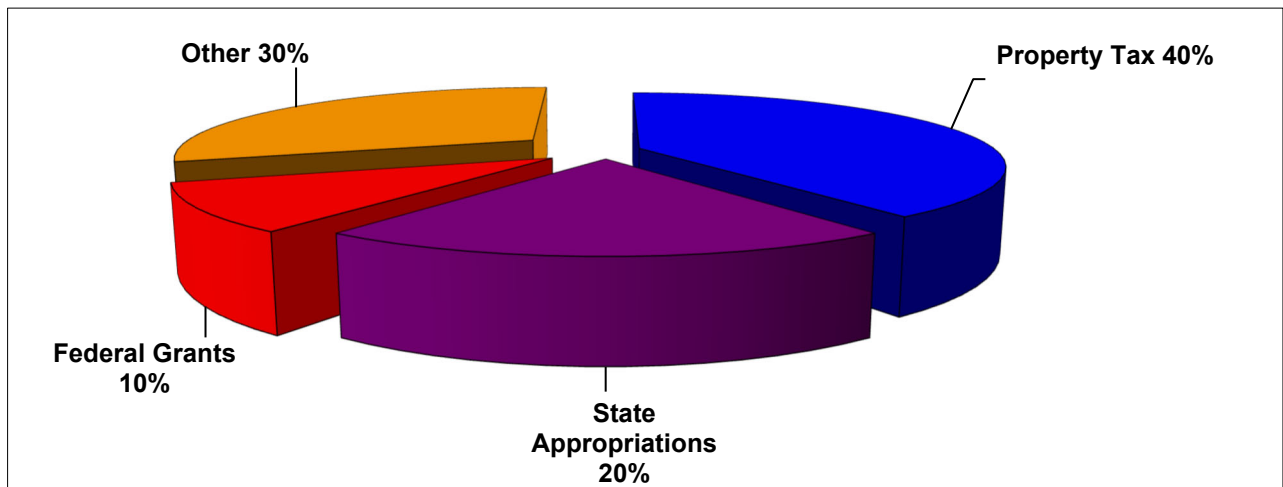
Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, Federal Pell grants, Federal Higher Education Emergency Relief Fund (“HEERF”) grants, investment gain (loss) (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

Nonoperating revenue changes were principally due to increased growth in the economic markets and are related to Foundation investments resulting in an increase of investment income. In addition, the gifts received for the major gift campaign helped to increase nonoperating revenues. The increase in state appropriations was expected and we continue to see a steady increase from property taxes. Federal Pell grants increased from 2022 as a result in the change in student needs. In part, dual enrollment and industrial trades programs have grown and do not require as many Federal Pell grants which result in decreased dollars from the Federal government over time, even though we did see an increase for 2023.

Nonoperating revenues also consist of items that are typically nonrecurring, extraordinary, or unusual to the College. For 2023 it consists of interest and dividend income and net gain on investments of approximately \$2.6 million due to the increase in markets. Total gifts increased due to a major gifts campaign that began in 2022.

|                                  | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         |
|----------------------------------|---------------------|---------------------|---------------------|
| State appropriations             | \$4,025,305         | \$3,989,901         | \$3,773,999         |
| Property tax levy                | 7,746,204           | 7,433,709           | 6,937,580           |
| Federal Pell grants              | 2,014,149           | 1,772,455           | 1,556,320           |
| Investment gain (loss) and other | <u>5,991,501</u>    | <u>(294,112)</u>    | <u>9,404,785</u>    |
|                                  | <u>\$19,777,159</u> | <u>\$12,901,953</u> | <u>\$21,672,684</u> |

The following is a graphic illustration of 2023 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

|  | <u>2023</u>          | <u>2022</u>          | Increase<br>(Decrease) |
|--|----------------------|----------------------|------------------------|
| Cash provided by (used in):                          |                      |                      |                        |
| Operating activities                                 | \$(14,127,543)       | \$(13,238,867)       | (888,676)              |
| Noncapital financing activities                      | 15,815,088           | 16,252,674           | (437,586)              |
| Capital and related financing activities             | (3,068,869)          | 1,619,778            | (4,688,647)            |
| Investing activities                                 | <u>352,088</u>       | <u>470,274</u>       | <u>(118,186)</u>       |
| Net (decrease) increase in cash and cash equivalents | (1,029,236)          | 5,103,859            | <u>\$(6,133,095)</u>   |
| <br>Cash and cash equivalents – beginning of year    |                      |                      |                        |
|  | <u>14,368,532</u>    | <u>9,264,673</u>     |                        |
| Cash and cash equivalents – end of year              | <u>\$ 13,339,296</u> | <u>\$ 14,368,532</u> |                        |

|   | <u>2022</u>          | <u>2021</u>         | Increase<br>(Decrease) |
|---|----------------------|---------------------|------------------------|
| Cash provided by (used in):                       |                      |                     |                        |
| Operating activities                              | \$(13,238,867)       | \$(12,430,635)      | \$(808,232)            |
| Noncapital financing activities                   | 16,252,674           | 14,393,135          | 2,380,317              |
| Capital and related financing activities          | 1,619,778            | (969,192)           | 2,588,970              |
| Investing activities                              | <u>470,274</u>       | <u>1,316,430</u>    | <u>(1,366,934)</u>     |
| Net increase in cash                              | 5,103,859            | 2,309,738           | <u>\$2,794,121</u>     |
| <br>Cash and cash equivalents – beginning of year |                      |                     |                        |
|   | <u>9,264,673</u>     | <u>6,954,935</u>    |                        |
| Cash and cash equivalents – end of year           | <u>\$ 14,368,532</u> | <u>\$ 9,264,673</u> |                        |

The College's liquidity decreased during 2023. The following discussion amplifies the overview of cash flows presented above.

Cash used in operating activities was approximately \$14.1 million. Major sources of funds came from student tuition and fees (\$4.3 million). Primary uses were payments to employees and suppliers (\$19.4 million).

Gifts from donors was \$1.3 million and was an increase from the prior year of approximately \$1.0 million. Cash flows from state appropriations, property taxes and Federal Pell grants all increased during 2023. Cash provided by investing activities related primarily to the sale and maturity of investments. Federal and state grants including the Higher Education Emergency Relief Fund contributed to the increase of cash.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2023, the College had approximately \$17.2 million invested in capital assets, net of accumulated depreciation and amortization of approximately \$30.1 million. Depreciation and amortization charges totaled \$1,308,884 for 2023. Details of these assets are shown below.

|  | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|---------------------|
| Land, land improvements, infrastructure and construction in progress | \$3,538,656         | \$6,868,164         | \$3,880,291         |
| Buildings and improvements   | 38,200,726          | 32,897,872          | 32,820,368          |
| Subscription assets  | 953,236             | 804,615             | -                   |
| Furniture, fixtures, equipment, and library materials                | <u>4,619,825</u>    | <u>5,369,476</u>    | <u>5,083,749</u>    |
|  | <u>\$47,312,433</u> | <u>\$45,940,127</u> | <u>\$41,784,408</u> |

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

#### **Debt**

At June 30, 2023, the College had \$7,171,894 in debt outstanding versus \$7,699,777 at June 30, 2022 and \$2,398,918 at June 30, 2021. These include general obligation bonds related to the extensive construction and renovation projects, Advanced Technology Center construction project, and the complete renovation of the existing Smith building.

The College made scheduled debt principal repayments of \$510,000 during fiscal year 2023. More detailed information about the College’s long-term liabilities is presented in the footnotes to the financial statements.

### **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, has come to a close, per the Federal Government, however, the virus still lives on with its variants, but the region now treats it as the common flu. The college no longer requires reporting and does not require isolation for students and staff. Undoubtedly, however, COVID-19 has changed how our community functions which had a large impact on day-to-day operations of the college. We continue to see growth in on-line courses, but the most successful students, overall tend to gravitate toward the hybrid style environment which offers a mixture of face to face with an online portion. It has changed the way in which the college delivers instruction and support to the community. Investment in technology will continue to be an important factor and expense also.

In a prior fiscal year, the College was awarded Higher Education Emergency Relief Funds (“HEERF”) totaling \$5,783,086, (\$3,436,734 – institutional funds and \$2,346,352 – student funds) obtained through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”), and American Rescue Plan Act. At fiscal year end June 30, 2022 the College had awarded the remaining \$1,685,031 to students and paid \$1,096,668 toward related

expenses. At fiscal year end June 30, 2023, the College had spent \$821,981 in the institutional amount. 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 still highly uncertain.

Property values, and related property tax revenues, continue to increase at a modest rate. Fiscal year 2022-2023 showed a 5% increase. Previous trends average 2% to 4%. The College continues to monitor the trend of revenue deferred from the College due to Downtown Development Association (“DDA”) agreements in the local areas as it can be unpredictable.

The 2022-2023 fiscal year experienced a 3% percent overall decrease in enrollment compared to the previous year. With concerted effort, enrollment is slowly increasing. 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 and encouraging students to increase the amount of courses they take. These efforts continued into the enrollment for Fall 2023 semester and due to them, the increase in contacts is up. The College is in the 3<sup>rd</sup> year of an enrollment strategic plan that was started with RNL (Ruffalo Noel Levitz) and designed to grow enrollment for the College. 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 trends the College experienced in the past. In addition, the College has added Conductor positions which are mentors for students. The focus is to help reduce barriers for our students so they may focus on their coursework. That one-on-one support is critical in helping them learn to manage their time, find transportation, or deal with any other barriers that may impact their student experience and success. Of the students who participated last fall, 82% of them re-registered as students during spring semester.

The College’s strategic plan includes the exploration of student housing, which is underway. The State of Michigan was not able to provide the funding that was discussed in 2022 and that has been problematic in achieving the goal. Without it, we are not able to meet the needs of our students who commute from out of district. We continue to explore financing options and hope to find a solution in the coming fiscal year. The College did begin the first year of athletics as approved by National Junior College Athletic Association to begin a sports program. Currently, 51 students are athletes, with 57% being from out of district or out of state. Both Women’s and Men’s basketball will begin in Fall 2024 to round out the approved teams. Both housing and athletics are expected to provide stability for enrollment for the College.

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## **FINANCIAL STATEMENTS**

# MONTCALM COMMUNITY COLLEGE

## Statements of Net Position

|  | June 30              |                      |
|--|----------------------|----------------------|
|  | 2023                 | 2022                 |
| <b>Assets</b>  |                      |                      |
| <b>Current assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 12,483,821        | \$ 10,997,632        |
| Restricted cash  | 855,475              | 3,370,900            |
| Accounts receivable, less allowance for uncollectible<br>accounts of \$600,090 in 2023 (\$625,474 in 2022) | 193,220              | 288,272              |
| Property taxes receivable  | 31,711               | 12,735               |
| State appropriations receivable  | 944,903              | 898,078              |
| Federal and state grants receivable  | 234,937              | 152,915              |
| Current portion of pledges receivable  | 166,293              | 91,897               |
| Prepays and other assets   | 31,289               | 58,988               |
| <b>Total current assets</b>  | <b>14,941,649</b>    | <b>15,871,417</b>    |
| <b>Noncurrent assets</b>   |                      |                      |
| Pledges receivable, net of current portion   | 1,556,157            | 342,258              |
| Investments  | 23,857,760           | 21,457,708           |
| Capital assets   |                      |                      |
| Nondepreciable/nonamortizable  | 755,926              | 4,085,434            |
| Depreciable/amortizable, net   | 16,490,515           | 12,102,355           |
| <b>Total noncurrent assets</b>   | <b>42,660,358</b>    | <b>37,987,755</b>    |
| <b>Total assets</b>  | <b>57,602,007</b>    | <b>53,859,172</b>    |
| <b>Deferred outflows of resources</b>  |                      |                      |
| Deferred pension amounts   | 7,873,277            | 3,721,349            |
| Deferred OPEB amounts  | 1,933,004            | 1,409,403            |
| <b>Total deferred outflows of resources</b>  | <b>9,806,281</b>     | <b>5,130,752</b>     |
| <b>Liabilities</b>   |                      |                      |
| <b>Current liabilities</b>   |                      |                      |
| Accounts payable   | 134,570              | 838,805              |
| Accrued interest   | 28,248               | 30,788               |
| Accrued payroll, current portion of accrued<br>vacation and other compensation                             | 1,159,004            | 1,097,758            |
| Deposits   | 596,698              | 550,791              |
| Unearned revenue   | 178,627              | 191,934              |
| Current portion of bonds payable   | 557,883              | 527,883              |
| Current portion of subscription-based IT arrangement liabilities   | 202,334              | 144,367              |
| <b>Total current liabilities</b>   | <b>2,857,364</b>     | <b>3,382,326</b>     |
| <b>Noncurrent liabilities</b>  |                      |                      |
| Bonds payable, net of current portion  | 6,614,011            | 7,171,894            |
| Subscription-based IT arrangement liabilities, net of current portion                                      | 394,553              | 497,148              |
| Net pension liability  | 26,481,815           | 17,222,416           |
| Net OPEB liability   | 1,516,691            | 1,087,478            |
| Accrued vacation, net of current portion   | 85,348               | 93,891               |
| <b>Total noncurrent liabilities</b>  | <b>35,092,418</b>    | <b>26,072,827</b>    |
| <b>Total liabilities</b>   | <b>37,949,782</b>    | <b>29,455,153</b>    |
| <b>Deferred inflows of resources</b>   |                      |                      |
| Deferred pension amounts   | 2,531,025            | 6,731,793            |
| Deferred OPEB amounts  | 3,132,384            | 4,107,033            |
| <b>Total deferred inflows of resources</b>   | <b>5,663,409</b>     | <b>10,838,826</b>    |
| <b>Net position</b>  |                      |                      |
| Net investment in capital assets   | 10,333,135           | 11,217,396           |
| Restricted for   |                      |                      |
| Expendable scholarships and grants   | 17,198,418           | 14,428,537           |
| Nonexpendable endowments (Note 12)   | 313,864              | 313,114              |
| Unrestricted deficit (Note 8)  | (4,050,320)          | (7,263,102)          |
| <b>Total net position</b>  | <b>\$ 23,795,097</b> | <b>\$ 18,695,945</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   |                      |
|--|----------------------|----------------------|
|  | 2023                 | 2022                 |
| <b>Operating revenues</b>  |                      |                      |
| Tuition and fees, net of scholarship allowance of<br>\$1,384,960 (\$1,234,891 in 2022) | \$ 4,249,903         | \$ 4,320,135         |
| Federal grants and contracts   | 457,418              | 199,683              |
| State grants and contracts   | 347,200              | 131,004              |
| Auxiliary activities   | 68,698               | 58,319               |
| Other  | 137,665              | 126,384              |
| <b>Total operating revenues</b>  | <b>5,260,884</b>     | <b>4,835,525</b>     |
| <b>Operating expenses</b>  |                      |                      |
| Instruction  | 6,388,072            | 6,203,971            |
| Public services  | 415,299              | 333,006              |
| Instructional support  | 2,461,923            | 2,038,395            |
| Student services   | 2,964,551            | 4,028,943            |
| Institutional administration   | 2,038,100            | 1,881,595            |
| Information technology   | 1,106,524            | 828,150              |
| Operation and maintenance of plant   | 2,193,350            | 2,247,119            |
| Depreciation and amortization  | 1,308,884            | 1,164,438            |
| Other  | 1,062,188            | 900,642              |
| <b>Total operating expenses</b>  | <b>19,938,891</b>    | <b>19,626,259</b>    |
| <b>Operating loss</b>  | <b>(14,678,007)</b>  | <b>(14,790,734)</b>  |
| <b>Nonoperating revenues (expenses)</b>  |                      |                      |
| State appropriations   | 4,025,305            | 3,989,901            |
| Federal Pell grants  | 2,014,149            | 1,772,455            |
| Federal Higher Education Emergency Relief Fund grants                                  | 821,981              | 2,781,699            |
| Gain on sale of capital asset  | 20,140               | -                    |
| Property taxes   | 7,746,204            | 7,433,709            |
| Interest and dividend income   | 695,094              | 955,387              |
| Net realized and unrealized gain (loss) on investments                                 | 1,910,317            | (4,992,735)          |
| Interest on capital asset-related debt   | (164,305)            | (164,727)            |
| Gifts  | 2,708,274            | 1,126,264            |
| <b>Net nonoperating revenues</b>   | <b>19,777,159</b>    | <b>12,901,953</b>    |
| <b>Increase (decrease) in net position</b>   | <b>5,099,152</b>     | <b>(1,888,781)</b>   |
| Net position - beginning of year   | 18,695,945           | 20,584,726           |
| <b>Net position - end of year</b>  | <b>\$ 23,795,097</b> | <b>\$ 18,695,945</b> |

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

# MONTCALM COMMUNITY COLLEGE

## Statements of Cash Flows

|   | Year Ended June 30   |                      |
|---|----------------------|----------------------|
|   | 2023                 | 2022                 |
| <b>Cash flows from operating activities</b>                                     |                      |                      |
| Tuition and fees, net   | \$ 4,331,648         | \$ 4,393,072         |
| Grants and contracts  | 722,596              | 1,126,099            |
| Payments to suppliers   | (5,544,515)          | (5,735,628)          |
| Payments to employees   | (13,843,635)         | (13,140,522)         |
| Auxiliary activities  | 68,698               | 58,319               |
| Other   | 137,665              | 59,793               |
| <b>Net cash used in operating activities</b>                                    | <b>(14,127,543)</b>  | <b>(13,238,867)</b>  |
| <b>Cash flows from noncapital financing activities</b>                          |                      |                      |
| Property taxes  | 7,727,228            | 7,454,102            |
| Federal Pell grants   | 2,014,149            | 1,772,455            |
| State appropriations  | 3,978,480            | 3,954,285            |
| Federal Higher Education Emergency Relief Fund grant                            | 821,981              | 2,781,699            |
| Direct loans/FFEL receipts  | 1,011,373            | 1,039,839            |
| Direct loans/FFEL disbursements   | (1,011,373)          | (1,039,839)          |
| Gifts   | 1,273,250            | 290,133              |
| <b>Net cash provided by noncapital financing activities</b>                     | <b>15,815,088</b>    | <b>16,252,674</b>    |
| <b>Cash flows from capital and related financing activities</b>                 |                      |                      |
| Purchases of capital assets   | (2,271,775)          | (3,393,512)          |
| Proceeds from sale of capital asset   | 73,000               | -                    |
| Principal paid on bonds and note payable  | (510,000)            | (638,918)            |
| Principal paid on subscription-based IT arrangement liabilities                 | (193,249)            | (163,100)            |
| Proceeds from issuance of bonds   | -                    | 5,957,660            |
| Interest paid on capital asset - related debt                                   | (166,845)            | (142,352)            |
| <b>Net cash (used in) provided by capital and related financing activities</b>  | <b>(3,068,869)</b>   | <b>1,619,778</b>     |
| <b>Cash flows from investing activities</b>                                     |                      |                      |
| Proceeds from sales and maturities of investments                               | 731,091              | 26,773,017           |
| Interest and dividends on investments   | 695,094              | 955,387              |
| Purchase of investments   | (1,074,097)          | (27,258,130)         |
| <b>Net cash provided by investing activities</b>                                | <b>352,088</b>       | <b>470,274</b>       |
| <b>Net (decrease) increase in cash and cash equivalents and restricted cash</b> | <b>(1,029,236)</b>   | <b>5,103,859</b>     |
| <b>Cash and cash equivalents and restricted cash</b>                            |                      |                      |
| Beginning of year   | 14,368,532           | 9,264,673            |
| <b>End of year</b>  | <b>\$ 13,339,296</b> | <b>\$ 14,368,532</b> |

continued...

# MONTCALM COMMUNITY COLLEGE

## Statements of Cash Flows

|   | Year Ended June 30            |                               |
|---|-------------------------------|-------------------------------|
|   | 2023                          | 2022                          |
| <b>Reconciliation to Statements of Net Position</b>                               |                               |                               |
| Cash and cash equivalents   | \$ 12,483,821                 | \$ 10,997,632                 |
| Restricted cash   | 855,475                       | 3,370,900                     |
| <b>Cash, end of year</b>  | <b><u>\$ 13,339,296</u></b>   | <b><u>\$ 14,368,532</u></b>   |
| <b>Reconciliation of operating loss to net cash used in operating activities</b>  |                               |                               |
| Operating loss  | \$ (14,678,007)               | \$ (14,790,734)               |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                               |                               |
| Depreciation and amortization   | 1,308,884                     | 1,164,438                     |
| Amortization of bond premium  | (17,883)                      | (17,883)                      |
| Change in operating assets and liabilities which provided (used) cash:            |                               |                               |
| Accounts receivable   | 95,052                        | 88,255                        |
| Federal and state grants receivable   | (82,022)                      | 728,821                       |
| Prepays and other assets  | 27,699                        | 73,021                        |
| Accounts payable  | (704,235)                     | 597,072                       |
| Accrued payroll, vacation and other compensation                                  | 52,703                        | 62,775                        |
| Deposits  | 45,907                        | 21,290                        |
| Unearned revenue  | (13,307)                      | (15,318)                      |
| Net pension liability   | 9,259,399                     | (7,642,468)                   |
| Pension deferred outflows   | (4,151,928)                   | 1,902,860                     |
| Pension deferred inflows  | (4,200,768)                   | 5,678,536                     |
| Net OPEB liability  | 429,213                       | (2,750,552)                   |
| OPEB deferred outflows  | (523,601)                     | 441,971                       |
| OPEB deferred inflows   | (974,649)                     | 1,219,049                     |
| <b>Net cash used in operating activities</b>                                      | <b><u>\$ (14,127,543)</u></b> | <b><u>\$ (13,238,867)</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 accounting principles generally accepted in the United States of America ("GAAP") as applicable to public colleges and universities outlined in Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, 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:

|   | 2023                        | 2022                        |
|---|-----------------------------|-----------------------------|
| Condensed statement of net position                                   |                             |                             |
| Total assets  | \$ 25,793,495               | \$ 22,367,101               |
| Total liabilities   | <u>(5,393)</u>              | <u>(55,969)</u>             |
| <b>Total net position</b>   | <b><u>\$ 25,788,102</u></b> | <b><u>\$ 22,311,132</u></b> |
| Condensed statement of revenues, expenses and changes in net position |                             |                             |
| Revenues and net investment gains                                     | \$ 4,740,969                | \$ 2,077,865                |
| Expenses and net investment losses                                    | <u>(1,263,999)</u>          | <u>(6,177,535)</u>          |
| Change in net position  | 3,476,970                   | (4,099,670)                 |
| Beginning net position  | <u>22,311,132</u>           | <u>26,410,802</u>           |
| <b>Ending net position</b>  | <b><u>\$ 25,788,102</u></b> | <b><u>\$ 22,311,132</u></b> |
| Condensed statement of cash flows                                     |                             |                             |
| Net cash (used in) provided by  |                             |                             |
| Operating activities  | \$ (492,343)                | \$ (367,722)                |
| Non-capital financing activities                                      | 1,034,837                   | 810,911                     |
| Investing activities  | <u>(489,735)</u>            | <u>(1,005,891)</u>          |
| Net change in cash and cash equivalents                               | 52,759                      | (562,702)                   |
| Beginning cash and cash equivalents                                   | <u>483,717</u>              | <u>1,046,419</u>            |
| <b>Ending cash and cash equivalents</b>                               | <b><u>\$ 536,476</u></b>    | <b><u>\$ 483,717</u></b>    |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### ***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, significantly impacted the College's operations, and continues to impact the overall economy including challenges with the supply chain and inflation. The extent of the ultimate impact on the College's operational and financial performance continues to depend on various developments, including its impact on students, employees, and vendors, all of which cannot be reasonably predicted at this time. In response to the pandemic, the College was awarded Federal Higher Education Emergency Relief Fund grants totaling \$5,783,086 cumulatively through 2023 from the Coronavirus Aid, Relief and Economic Security Act, the Coronavirus Response and Relief and Supplemental Appropriations Act, and American Rescue Plan Act. The College recognized revenue from these awards of \$821,981 and \$2,781,699 during the years ended June 30, 2023 and 2022, respectively. While management reasonably expects the COVID-19 outbreak to impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

### ***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.

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

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

### ***Restricted Cash***

Restricted cash includes unspent bond proceeds to be used to pay the costs of constructing and renovating several campus facilities.

### ***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.



# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *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.

The College does not recognize as revenue sources held for others, such as Federal Direct Loans, where the institution serves only as a conduit.

Operating revenues of the College consist of tuition and fees, grants and contracts other than Federal Pell, 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, Federal Pell and Federal Higher Education Emergency Relief Fund ("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 and management has concluded the present value of estimated future cashflows is insignificant.

Pledges receivable are summarized as follows at:

| <b>Due Dates</b>                 | <b>June 30,<br/>2023</b> | <b>June 30,<br/>2022</b> |
|----------------------------------|--------------------------|--------------------------|
| Receivable in less than one year | \$ 166,293               | \$ 91,897                |
| Receivable in one to five years  | 1,556,157                | 342,258                  |
| <b>Subtotal</b>                  | <b>\$ 1,722,450</b>      | <b>\$ 434,155</b>        |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *Investments*

The Foundation carries investments 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.

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

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. A description of each category in the fair value hierarchy is as follows:

- 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 the estimates of assumptions that market participants would use in pricing the asset or liability. The Foundation holds no securities classified as Level 3.

For a further discussion of Fair Value Measurements, refer to Note 4 to the financial statements.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### ***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 estimated acquisition cost 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                             |

### ***Subscription-Based Information Technology Arrangements ("SBITA") (Including Recently Adopted Accounting Pronouncement)***

For 2023, the College implemented Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA")*. The standard requires recognition of certain subscription based assets and liabilities for contracts that convey control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. It establishes a single model for subscription-based accounting based on the foundational principle that SBITAs are financings of the right to use an underlying asset. Under GASB 96, a subscriber is required to recognize a subscription liability and an intangible right-to-use SBITA asset.

The College has noncancellable subscription-based information technology arrangements. The College recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The College recognizes subscription assets and liabilities with an initial, individual value of \$10,000 or more.

The College was not entered into any such arrangements at July 1, 2021 which would require recognition under GASB 96, as such the adoption of GASB 96 had no impact to the College's financial statements at July 1, 2021. The College entered into an arrangement during fiscal year 2022 which required the College to restate its statement of net position as of June 30, 2022 by increasing both subscription assets, net of accumulated amortization, and liabilities by \$716,554 and \$641,515, respectively. The net impact to fiscal 2022 expenses related to the implementation of GASB No. 96 was a nominal amount, and therefore, the College only reclassified the presentation of operating expenses by function in the statement of revenues, expenses and changes in net position for the year ended June 30, 2022. Additional disclosure is found in Notes 5 and 6.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

At the commencement of a subscription, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life (which range from two to five years).

Key estimates and judgments related to subscriptions include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The College uses a risk-free discount rate determined based on information available at subscription commencement, as rates implicit in its subscription-based information technology arrangements are not readily determinable. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

### ***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 \$236,367 and \$240,238 and long-term accrued liabilities of \$85,348 and \$93,891 at June 30, 2023 and 2022, respectively.

### ***Unearned Revenue***

Unearned revenue at June 30, 2023 and 2022, 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 6 and concluded on August 1 in 2023 and 2022.

### ***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.

# MONTCALM COMMUNITY COLLEGE

## Notes to 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 the years ended June 30, 2023 and 2022, the College levied 2.652 mills and 2.685 mills, respectively, 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 and other postemployment benefits ("OPEB") liabilities, and deferred outflows and inflows related to pension and OPEB amounts, and the measurement of the SBITDA liability. The estimates for the net pension and OPEB liabilities and deferred outflows and inflows related to the pension and OPEB amounts were independently developed by the Michigan Public Schools Employees Retirement System, and are not under control of the College.

### *Income Taxes*

The Internal Revenue Service ("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 ended June 30, 2020 through 2023, the years which remain subject to examination by major tax jurisdictions as of June 30, 2023. 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, 2023 or 2022, and it is not aware of any claims for such amounts by federal or state income tax authorities.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *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 assets 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 OPEB related amounts, such as differences in expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension and OPEB plans investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 9.

### *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 assets 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 expense, changes in assumptions, net difference between projected and actual earnings on pension and OPEB plans investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and state appropriations for pension received subsequent to the measurement dates. More detailed information can be found in Note 9.

### *Net Pension Liability*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension 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 OPEB Liability*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### ***Net Position***

Net position is classified into the following categories:

*Net investment in capital assets:* Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets, and restricted cash from the unspent bond proceeds to be used to pay the costs of constructing and renovating certain campus facilities.

*Restricted expendable:* Net position whose use by the College and 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 College and 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.

### ***Reclassification***

Certain amounts as reported in the year ended June 30, 2022 financial statements have been reclassified to conform with the year ended June 30, 2023 presentation.

### ***Recent Accounting Pronouncement***

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), by issuing Accounting Standards Update ("ASU") No. 2016-02 ("ASU 2016-02"). The standard, as amended, establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets. The Foundation adopted ASU 2016-02, as amended, effective July 1, 2022. Financial information has not been updated and the disclosures required under the new standard have not been provided for dates and periods before July 1, 2022. There was no significant impact to the financial statements due to the adoption of this standard.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *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, 2023, the most recent statement of net position presented herein, through November 8, 2023, 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 primarily in exchange traded funds.

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

| 2023                      | College              | Foundation           | Total                |
|---------------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 11,947,345        | \$ 536,476           | \$ 12,483,821        |
| Restricted cash           | 855,475              | -                    | 855,475              |
| Investments               | -                    | 23,857,760           | 23,857,760           |
| <b>Total</b>              | <b>\$ 12,802,820</b> | <b>\$ 24,394,236</b> | <b>\$ 37,197,056</b> |

| 2022                      | College              | Foundation           | Total                |
|---------------------------|----------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 10,513,915        | \$ 483,717           | \$ 10,997,632        |
| Restricted cash           | 3,370,900            | -                    | 3,370,900            |
| Investments               | -                    | 21,457,708           | 21,457,708           |
| <b>Total</b>              | <b>\$ 13,884,815</b> | <b>\$ 21,941,425</b> | <b>\$ 35,826,240</b> |



# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The above amounts are categorized as follows at June 30:

| 2023  | College              | Foundation           | Total                |
|---|----------------------|----------------------|----------------------|
| Bank deposits (checking, savings and cash sweep accounts) | \$ 12,799,420        | \$ 536,476           | \$ 13,335,896        |
| Petty cash  | 3,400                | -                    | 3,400                |
| Exchange traded funds                                     | -                    | 23,857,760           | 23,857,760           |
| <b>Total</b>  | <b>\$ 12,802,820</b> | <b>\$ 24,394,236</b> | <b>\$ 37,197,056</b> |

| 2022  | College              | Foundation           | Total                |
|---|----------------------|----------------------|----------------------|
| Bank deposits (checking, savings and cash sweep accounts) | \$ 13,881,415        | \$ 483,717           | \$ 14,365,132        |
| Petty cash  | 3,400                | -                    | 3,400                |
| Exchange traded funds                                     | -                    | 21,457,708           | 21,457,708           |
| <b>Total</b>  | <b>\$ 13,884,815</b> | <b>\$ 21,941,425</b> | <b>\$ 35,826,240</b> |

As of June 30, 2023 and 2022, 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 company securities to 12% of its total investment portfolio as measured at market value or 5% as measured at cost.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *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, 2023 and 2022, \$11,779,657 and \$14,459,320, respectively, of the College and \$287,777 and \$239,617, respectively, of the Foundation's bank deposits balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

### *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 exchange traded 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.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2023 or 2022.

*Exchange traded funds:* Shares held in exchange traded 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 method 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 method is appropriate and consistent with other market participants, the use of a different methodology or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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

| 2023                                   | Level 1              | Level 2     | Level 3     | Total                |
|--|----------------------|-------------|-------------|----------------------|
| Exchange traded funds                  |                      |             |             |                      |
| Large blend                            | \$ 10,043,757        | \$ -        | \$ -        | \$ 10,043,757        |
| Intermediate-term bond                 | 5,535,629            | -           | -           | 5,535,629            |
| Foreign equity large cap               | 3,461,816            | -           | -           | 3,461,816            |
| Foreign large blend                    | 2,893,083            | -           | -           | 2,893,083            |
| World blend                            | 875,621              | -           | -           | 875,621              |
| Money market                           | 1,047,854            | -           | -           | 1,047,854            |
| <b>Total investments at fair value</b> | <b>\$ 23,857,760</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 23,857,760</b> |
| 2022                                   | Level 1              | Level 2     | Level 3     | Total                |
| Exchange traded funds                  |                      |             |             |                      |
| Large blend                            | \$ 9,053,841         | \$ -        | \$ -        | \$ 9,053,841         |
| Intermediate-term bond                 | 5,716,143            | -           | -           | 5,716,143            |
| Foreign equity large cap               | 3,054,158            | -           | -           | 3,054,158            |
| Foreign large blend                    | 2,487,837            | -           | -           | 2,487,837            |
| World blend                            | 886,557              | -           | -           | 886,557              |
| Money market                           | 259,172              | -           | -           | 259,172              |
| <b>Total investments at fair value</b> | <b>\$ 21,457,708</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 21,457,708</b> |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, was as follows:

|   | Balance<br>July 1,<br>2022 | Additions           | Transfers/<br>Deletions | Balance<br>June 30,<br>2023 |
|---|----------------------------|---------------------|-------------------------|-----------------------------|
| <b>Nondepreciable/nonamortizable capital assets</b>               |                            |                     |                         |                             |
| Land  | \$ 808,786                 | \$ -                | \$ (52,860)             | \$ 755,926                  |
| Construction in progress  | 3,276,648                  | -                   | (3,276,648)             | -                           |
| <b>Subtotal nondepreciable/<br/>nonamortizable capital assets</b> | <b>4,085,434</b>           | <b>-</b>            | <b>(3,329,508)</b>      | <b>755,926</b>              |
| <b>Depreciable/amortizable capital assets</b>                     |                            |                     |                         |                             |
| Land improvements   | 1,317,590                  | -                   | -                       | 1,317,590                   |
| Buildings and improvements  | 32,897,872                 | 5,337,804           | (34,950)                | 38,200,726                  |
| Infrastructure  | 1,465,140                  | -                   | -                       | 1,465,140                   |
| Subscription assets   | 804,615                    | 148,621             | -                       | 953,236                     |
| Furniture, fixtures and<br>equipment, including<br>vehicles       | 4,922,620                  | 210,619             | (960,270)               | 4,172,969                   |
| Library materials   | 446,856                    | -                   | -                       | 446,856                     |
| <b>Subtotal depreciable/<br/>amortizable capital assets</b>       | <b>41,854,693</b>          | <b>5,697,044</b>    | <b>(995,220)</b>        | <b>46,556,517</b>           |
| <b>Less accumulated depreciation<br/>and amortization</b>         |                            |                     |                         |                             |
| Land improvements   | 1,212,904                  | 96,633              | -                       | 1,309,537                   |
| Buildings and improvements  | 23,146,746                 | 715,240             | (34,950)                | 23,827,036                  |
| Infrastructure  | 1,231,718                  | 31,677              | -                       | 1,263,395                   |
| Subscription assets   | 88,061                     | 167,391             | -                       | 255,452                     |
| Furniture, fixtures and<br>equipment, including<br>vehicles       | 3,632,238                  | 294,497             | (960,270)               | 2,966,465                   |
| Library materials   | 440,671                    | 3,446               | -                       | 444,117                     |
| <b>Total accumulated depreciation<br/>and amortization</b>        | <b>29,752,338</b>          | <b>1,308,884</b>    | <b>(995,220)</b>        | <b>30,066,002</b>           |
| <b>Total depreciable/amortizable<br/>capital assets, net</b>      | <b>12,102,355</b>          | <b>4,388,160</b>    | <b>-</b>                | <b>16,490,515</b>           |
| <b>Total capital assets, net</b>                                  | <b>\$ 16,187,789</b>       | <b>\$ 4,388,160</b> | <b>\$ (3,329,508)</b>   | <b>\$ 17,246,441</b>        |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Capital asset activity for the year ended June 30, 2022 was as follows:

|   | Balance<br>July 1,<br>2021 | Additions           | Deletions       | Balance<br>June 30,<br>2022 |
|---|----------------------------|---------------------|-----------------|-----------------------------|
| <b>Nondepreciable/nonamortizable capital assets</b>               |                            |                     |                 |                             |
| Land  | \$ 808,786                 | \$ -                | \$ -            | \$ 808,786                  |
| Construction in progress  | 288,775                    | 2,987,873           | -               | 3,276,648                   |
| <b>Subtotal nondepreciable/<br/>nonamortizable capital assets</b> | <b>1,097,561</b>           | <b>2,987,873</b>    | <b>-</b>        | <b>4,085,434</b>            |
| <b>Depreciable/amortizable capital assets</b>                     |                            |                     |                 |                             |
| Land improvements   | 1,317,590                  | -                   | -               | 1,317,590                   |
| Buildings and improvements  | 32,820,368                 | 77,504              | -               | 32,897,872                  |
| Infrastructure  | 1,465,140                  | -                   | -               | 1,465,140                   |
| Subscription assets   | -                          | 804,615             | -               | 804,615                     |
| Furniture, fixtures and<br>equipment, including<br>vehicles       | 4,636,893                  | 328,135             | (42,408)        | 4,922,620                   |
| Library materials   | 446,856                    | -                   | -               | 446,856                     |
| <b>Subtotal depreciable/amortizable<br/>capital assets</b>        | <b>40,686,847</b>          | <b>1,210,254</b>    | <b>(42,408)</b> | <b>41,854,693</b>           |
| <b>Less accumulated depreciation<br/>and amortization</b>         |                            |                     |                 |                             |
| Land improvements   | 1,116,271                  | 96,633              | -               | 1,212,904                   |
| Buildings and improvements  | 22,477,351                 | 669,395             | -               | 23,146,746                  |
| Infrastructure  | 1,199,837                  | 31,881              | -               | 1,231,718                   |
| Subscription assets   | -                          | 88,061              | -               | 88,061                      |
| Furniture, fixtures and<br>equipment, including<br>vehicles       | 3,400,445                  | 274,201             | (42,408)        | 3,632,238                   |
| Library materials   | 436,404                    | 4,267               | -               | 440,671                     |
| <b>Total accumulated depreciation<br/>and amortization</b>        | <b>28,630,308</b>          | <b>1,164,438</b>    | <b>(42,408)</b> | <b>29,752,338</b>           |
| <b>Total depreciable/amortizable<br/>capital assets, net</b>      | <b>12,056,539</b>          | <b>45,816</b>       | <b>-</b>        | <b>12,102,355</b>           |
| <b>Total capital assets, net</b>                                  | <b>\$ 13,154,100</b>       | <b>\$ 3,033,689</b> | <b>\$ -</b>     | <b>\$ 16,187,789</b>        |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 6. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in two arrangements that qualify as long-term subscription-based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the College has the control of the right to use another party's IT software and the noncancelable term of the agreement surpasses one year. The present values are discounted using a risk-free discount rate determined based on information available at subscription commencement, as rates implicit in its subscription-based IT arrangements are not readily determinable.

#### Remaining Term of Agreements

##### Asset Type

Subscription assets 2 to 3 years

The assets acquired through subscription-based information technology agreements are summarized as follows at June 30:

|                               | 2023                     | 2022                     |
|-------------------------------|--------------------------|--------------------------|
| Subscription assets           | \$ 953,236               | \$ 804,615               |
| Less accumulated amortization | <u>(255,452)</u>         | <u>(88,061)</u>          |
| <b>Net book value</b>         | <b><u>\$ 697,784</u></b> | <b><u>\$ 716,554</u></b> |

Subscription liability activity for the year ended June 30, 2023, was as follows:

|   | Beginning<br>Balance | Additions         | Deductions          | Ending<br>Balance | Due Within<br>One Year |
|---|----------------------|-------------------|---------------------|-------------------|------------------------|
| Subscription-based IT<br>arrangement<br>liabilities | <u>\$ 641,515</u>    | <u>\$ 148,621</u> | <u>\$ (193,249)</u> | <u>\$ 596,887</u> | <u>\$ 202,334</u>      |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The net present value of future minimum payments as of June 30, 2023, were as follows:

| Year Ending<br>June 30, | Principal         | Interest         |
|-------------------------|-------------------|------------------|
| 2024                    | \$ 202,334        | \$ 21,989        |
| 2025                    | 217,573           | 14,535           |
| 2026                    | 176,980           | 6,520            |
| <b>Total</b>            | <b>\$ 596,887</b> | <b>\$ 43,044</b> |

Subscription liability activity for the year ended June 30, 2022, was as follows:

|   | Beginning<br>Balance | Additions  | Deductions   | Ending<br>Balance | Due Within<br>One Year |
|---|----------------------|------------|--------------|-------------------|------------------------|
| Subscription-based IT<br>arrangement<br>liabilities | \$ -                 | \$ 804,615 | \$ (163,100) | \$ 641,515        | \$ 144,367             |

## 7. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2023, was as follows:

|                                | Balance<br>July 1,<br>2022 | Additions         | Reductions        | Balance<br>June 30,<br>2023 | Due Within<br>One Year |
|--------------------------------|----------------------------|-------------------|-------------------|-----------------------------|------------------------|
| 2017 bonds payable             | \$ 2,015,000               | \$ -              | \$ 285,000        | \$ 1,730,000                | \$ 310,000             |
| 2021 bonds payable             | 5,345,000                  | -                 | 225,000           | 5,120,000                   | 230,000                |
| Bond premium<br>bonds payable  | 339,777                    | -                 | 17,883            | 321,894                     | 17,883                 |
| <b>Total bonds<br/>payable</b> | <b>7,699,777</b>           | <b>-</b>          | <b>527,883</b>    | <b>7,171,894</b>            | <b>557,883</b>         |
| Accrued vacation<br>pay        | 334,129                    | 353,609           | 366,023           | 321,715                     | 236,367                |
| <b>Total</b>                   | <b>\$ 8,033,906</b>        | <b>\$ 353,609</b> | <b>\$ 893,906</b> | <b>\$ 7,493,609</b>         | <b>\$ 794,250</b>      |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

Long-term obligation activity for the year ended June 30, 2022, was as follows:

|   | Balance<br>July 1,<br>2021 | Additions           | Reductions          | Balance<br>June 30,<br>2022 | Due Within<br>One Year |
|---|----------------------------|---------------------|---------------------|-----------------------------|------------------------|
| 2017 bonds payable                          | \$ 2,305,000               | \$ -                | \$ 290,000          | \$ 2,015,000                | \$ 285,000             |
| 2021 bonds payable                          | -                          | 5,600,000           | 255,000             | 5,345,000                   | 225,000                |
| Bond premium                                |                            |                     |                     |                             |                        |
| bonds payable                               | -                          | 357,660             | 17,883              | 339,777                     | 17,883                 |
| Note payable -<br>direct borrowing          | 93,918                     | -                   | 93,918              | -                           | -                      |
| <b>Total bonds and<br/>    note payable</b> | <b>2,398,918</b>           | <b>5,957,660</b>    | <b>656,801</b>      | <b>7,699,777</b>            | <b>527,883</b>         |
| Accrued vacation<br>pay                     | 352,592                    | 349,521             | 367,984             | 334,129                     | 240,238                |
| <b>Total</b>                                | <b>\$ 2,751,510</b>        | <b>\$ 6,307,181</b> | <b>\$ 1,024,785</b> | <b>\$ 8,033,906</b>         | <b>\$ 768,121</b>      |

The note payable was unsecured and required payments of \$11,845 per month through February 2022 at a rate of 2.39%. The note payable was repaid during the year ended June 30, 2022.

2017 Bonds payable include general obligation limited tax obligations 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%.

2021 Bonds payable include general obligation limited tax obligations to be repaid from the General Fund of the College, require principal payments ranging from \$225,000 to \$350,000 and are due annually through 2041. Interest is payable semiannually in May and November at a rate of 4.00% through May 2029 and 2.00% from May 2030 through May 2041. The bond premium associated with this issue is being amortized using the straight line method over the term of the bond.



# 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<br>June 30 | Principal<br>Bonds<br>Payable | Interest            | Total               |
|------------------------|-------------------------------|---------------------|---------------------|
| 2024                   | \$ 540,000                    | \$ 166,822          | \$ 706,822          |
| 2025                   | 540,000                       | 150,818             | 690,818             |
| 2026                   | 540,000                       | 134,724             | 674,724             |
| 2027                   | 540,000                       | 118,538             | 658,538             |
| 2028                   | 375,000                       | 102,865             | 477,865             |
| 2029-2033              | 1,755,000                     | 354,997             | 2,109,997           |
| 2034-2038              | 1,540,000                     | 190,767             | 1,730,767           |
| 2039-2041              | 1,020,000                     | 37,800              | 1,057,800           |
| <b>Total</b>           | <b>\$ 6,850,000</b>           | <b>\$ 1,257,331</b> | <b>\$ 8,107,331</b> |

## 8. UNRESTRICTED NET DEFICIT

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

|   | 2023                  | 2022                  |
|---|-----------------------|-----------------------|
| Foundation board-designated endowment   | \$ 8,675,994          | \$ 8,089,497          |
| Pension and OPEB liability fund deficit | (23,855,634)          | (24,017,968)          |
| Undesignated                            | 11,129,320            | 8,665,369             |
| <b>Total unrestricted net deficit</b>   | <b>\$ (4,050,320)</b> | <b>\$ (7,263,102)</b> |

## 9. RETIREMENT PLANS

### Defined Benefit Plan

#### *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 member 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.

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.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *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.

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.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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 (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2023, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 15.05% - 16.65% on prior year covered payroll:

| Benefit Structure            | Member Rates  | Employer Rates  |
|------------------------------|---------------|-----------------|
| Basic                        | 0.00% - 4.00% | 20.14% - 20.16% |
| Member Investment Plan (MIP) | 3.00% - 7.00% | 20.14% - 20.16% |
| Pension Plus                 | 3.00% - 6.40% | 17.22% - 17.24% |
| Pension Plus 2               | 6.20%         | 19.93% - 19.95% |
| Defined Contribution         | 0.00%         | 13.73% - 13.75% |

Required contributions to the pension plan from the College were \$3,219,903, \$2,325,021 and \$2,172,521 for the years ended June 30, 2023, 2022 and 2021, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2023:

| Benefit Structure              | Member Rates | Employer Rates |
|--------------------------------|--------------|----------------|
| Premium Subsidy                | 3.00%        | 8.07% - 8.09%  |
| Personal Healthcare Fund (PHF) | 0.00%        | 7.21% - 7.23%  |

Required contributions to the OPEB plan from the College were \$543,565, \$523,365 and \$520,527 for the years ended June 30, 2023, 2022 and 2021, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2023:

| 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%  |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

For the years ended June 30, 2023, 2022 and 2021, required and actual contributions from the College for those members with a defined contribution benefit were \$79,521, \$73,678 and \$81,655, respectively.

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

At June 30, 2023 and 2022, the College reported a liability of \$26,481,815 and \$17,222,416, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020. 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, 2022, the College's proportion was 0.07041%, which was a decrease of -0.00233% from its proportion measured as of September 30, 2021 of 0.07274%.

For the year ended June 30, 2023, the College recognized pension expense of \$3,254,930. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2023  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Net<br>Deferred<br>Outflows<br>(Inflows) of<br>Resources |
|---|--------------------------------------|-------------------------------------|--|
| Differences between expected and actual experience  | \$ 264,911                           | \$ 59,211                           | \$ 205,700   |
| Changes in assumptions  | 4,550,525                            | -                                   | 4,550,525  |
| Net difference between projected and actual earnings on pension plan investments                              | 62,100                               | -                                   | 62,100   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 123,134                              | 579,723                             | (456,589)  |
|   | <u>5,000,670</u>                     | <u>638,934</u>                      | <u>4,361,736</u>   |
| College contributions subsequent to the measurement date  | 2,872,607                            | -                                   | 2,872,607  |
| Pension portion of Sec 147c state aid award subsequent to the measurement date                                | -                                    | 1,892,091                           | (1,892,091)  |
| <b>Total</b>  | <b><u>\$ 7,873,277</u></b>           | <b><u>\$ 2,531,025</u></b>          | <b><u>\$ 5,342,252</u></b>                               |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The amount 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 appropriations revenue for the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amount                     |
|------------------------|----------------------------|
| 2024                   | \$ 1,301,015               |
| 2025                   | 885,256                    |
| 2026                   | 720,517                    |
| 2027                   | <u>1,454,948</u>           |
| <b>Total</b>           | <b><u>\$ 4,361,736</u></b> |

For the year ended June 30, 2022, the College recognized pension expense of \$2,173,300. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Net<br>Deferred<br>Outflows<br>(Inflows) of<br>Resources |
|---|--------------------------------------|-------------------------------------|--|
| <b>2022</b>   |                                      |                                     |  |
| Differences between expected and actual experience  | \$ 266,783                           | \$ 101,420                          | \$ 165,363   |
| Changes in assumptions  | 1,085,640                            | -                                   | 1,085,640  |
| Net difference between projected and actual earnings on pension plan investments                              | -                                    | 5,536,951                           | (5,536,951)  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>318,314</u>                       | <u>20,739</u>                       | <u>297,575</u>   |
|   | 1,670,737                            | 5,659,110                           | (3,988,373)  |
| College contributions subsequent to the measurement date  | 2,050,612                            | -                                   | 2,050,612  |
| Pension portion of Sec 147c state aid award subsequent to the measurement date                                | <u>-</u>                             | <u>1,072,683</u>                    | <u>(1,072,683)</u>                                       |
| <b>Total</b>  | <b><u>\$ 3,721,349</u></b>           | <b><u>\$ 6,731,793</u></b>          | <b><u>\$ (3,010,444)</u></b>                             |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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

At June 30, 2023 and 2022, the College reported a liability of \$1,516,691 and \$1,087,478, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021 and 2020. 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, 2022, the College's proportion was 0.07161%, which was an increase of 0.00036% points from its proportion measured as of September 30, 2021 of 0.07125%.

For the year ended June 30, 2023, the College recognized a reduction in OPEB expense of \$546,425. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| 2023  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Net Deferred<br>Outflows<br>(Inflows) of<br>Resources |
|---|--------------------------------------|-------------------------------------|---|
| Differences between expected and actual experience  | \$ -                                 | \$ 2,970,617                        | \$ (2,970,617)  |
| Changes in assumptions  | 1,351,875                            | 110,077                             | 1,241,798   |
| Net difference between projected and actual earnings on OPEB plan investments                                 | 118,541                              | -                                   | 118,541   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 61,606                               | 51,690                              | 9,916   |
|   | <u>1,532,022</u>                     | <u>3,132,384</u>                    | <u>(1,600,362)</u>                                    |
| College contributions subsequent to the measurement date  | 400,982                              | -                                   | 400,982   |
| <b>Total</b>  | <b><u>\$ 1,933,004</u></b>           | <b><u>\$ 3,132,384</u></b>          | <b><u>\$ (1,199,380)</u></b>                          |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. 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<br>June 30 | Amount                       |
|-----------------------|------------------------------|
| 2024                  | \$ (546,455)                 |
| 2025                  | (513,522)                    |
| 2026                  | (468,660)                    |
| 2027                  | (43,520)                     |
| 2028                  | (28,492)                     |
| Thereafter            | <u>287</u>                   |
| <b>Total</b>          | <b><u>\$ (1,600,362)</u></b> |

For the year ended June 30, 2022, the College recognized a reduction in OPEB expense of \$564,624. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| 2022  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Net Deferred<br>Outflows<br>(Inflows) of<br>Resources |
|---|--------------------------------------|-------------------------------------|---|
| Differences between expected and actual experience  | \$ -                                 | \$ 3,104,128                        | \$ (3,104,128)  |
| Changes in assumptions  | 909,078                              | 136,032                             | 773,046   |
| Net difference between projected and actual earnings on OPEB plan investments                                 | -                                    | 819,652                             | (819,652)   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>97,475</u>                        | <u>47,221</u>                       | <u>50,254</u>   |
|   | 1,006,553                            | 4,107,033                           | (3,100,480)   |
| College contributions subsequent to the measurement date  | <u>402,850</u>                       | -                                   | <u>402,850</u>  |
| <b>Total</b>  | <b><u>\$ 1,409,403</u></b>           | <b><u>\$ 4,107,033</u></b>          | <b><u>\$ (2,697,630)</u></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, 2021 and 2020 actuarial valuations (for the fiscal years ended June 30, 2023 and 2022) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                  |   |
|----------------------------------|---|
| Actuarial cost method            | Entry age, normal   |
| Wage inflation rate              | 2.75%   |
| Investment rate of return:       |   |
| MIP and Basic plans (non-hybrid) | 6.00% (6.80% in 2020)   |
| Pension Plus plan (hybrid)       | 6.00% (6.80% in 2020)   |
| Pension Plus 2 plan (hybrid)     | 6.00%   |
| OPEB plans                       | 6.00% (6.95% in 2020)   |
| Projected salary increases       | 2.75% - 11.55%, including wage inflation at 2.75%   |
| Cost of living adjustments       | 3% annual non-compounded for MIP members  |
| Healthcare cost trend rate       | Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120<br>Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120   |
| Mortality                        | RP-2014 Male and Female Employee 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.  |
| 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.   |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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 and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 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 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2021, are based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4367 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.1312 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

*Changes in Assumptions - September 30, 2021 Valuation.* The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

*Changes in Assumptions - September 30, 2020 Valuation.* The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 and 2021, are summarized in the following tables:

| <b>2022</b>                          |                              |   |  |
|--------------------------------------|------------------------------|---|--|
|                                      | <b>Target<br/>Allocation</b> | <b>Long-term<br/>Expected Real<br/>Rate of Return</b> | <b>Expected<br/>Money-<br/>Weighted Rate<br/>of Return</b> |
| Asset Class                          |                              |   |  |
| Domestic equity pools                | 25.00%                       | 4.77%   | 1.19%  |
| Private equity pools                 | 16.00%                       | 8.13%   | 1.30%  |
| International equity pools           | 15.00%                       | 6.26%   | 0.94%  |
| Fixed income pools                   | 13.00%                       | -0.19%  | -0.02%   |
| Real estate and infrastructure pools | 10.00%                       | 4.95%   | 0.50%  |
| Absolute return pools                | 9.00%                        | 2.52%   | 0.23%  |
| Real return/opportunistic pools      | 10.00%                       | 5.42%   | 0.54%  |
| Short-term investment pools          | 2.00%                        | -0.47%  | -0.01%   |
|                                      | <u>100.00%</u>               |   | 4.67%  |
| Inflation                            |                              |   | 2.20%  |
| Risk adjustment                      |                              |   | -0.87%   |
| <b>Investment rate of return</b>     |                              |   | <b>6.00%</b>   |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

| 2021                                 |                   |  |  |
|--------------------------------------|-------------------|--|--|
| Asset Class                          | Target Allocation | Long-term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
| Domestic equity pools                | 25.00%            | 5.09%                                  | 1.27%                                  |
| Private equity pools                 | 16.00%            | 8.58%                                  | 1.37%                                  |
| International equity pools           | 15.00%            | 7.08%                                  | 1.06%                                  |
| Fixed income pools                   | 10.50%            | -0.73%                                 | -0.08%                                 |
| Real estate and infrastructure pools | 10.00%            | 5.12%                                  | 0.51%                                  |
| Absolute return pools                | 9.00%             | 2.42%                                  | 0.22%                                  |
| Real return/opportunistic pools      | 12.50%            | 5.73%                                  | 0.72%                                  |
| Short-term investment pools          | 2.00%             | -1.29%                                 | -0.03%                                 |
|                                      | <u>100.00%</u>    |  | 5.04%                                  |
| Inflation                            |                   |  | 2.00%                                  |
| Risk adjustment                      |                   |  | <u>-0.24%</u>                          |
| <b>Investment rate of return</b>     |                   |  | <b><u>6.80%</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, 2022 and 2021, are summarized in the following tables:

| <b>2022</b>                          |                   |  |  |
|--------------------------------------|-------------------|--|--|
| Asset Class                          | Target Allocation | Long-term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
| Domestic equity pools                | 25.00%            | 4.77%                                  | 1.19%                                  |
| Private equity pools                 | 16.00%            | 8.13%                                  | 1.30%                                  |
| International equity pools           | 15.00%            | 6.26%                                  | 0.94%                                  |
| Fixed income pools                   | 13.00%            | -0.19%                                 | -0.02%                                 |
| Real estate and infrastructure pools | 10.00%            | 4.95%                                  | 0.50%                                  |
| Absolute return pools                | 9.00%             | 2.52%                                  | 0.23%                                  |
| Real return/opportunistic pools      | 10.00%            | 5.42%                                  | 0.54%                                  |
| Short-term investment pools          | 2.00%             | -0.47%                                 | -0.01%                                 |
|                                      | <u>100.00%</u>    |  | 4.67%                                  |
| Inflation                            |                   |  | 2.20%                                  |
| Risk adjustment                      |                   |  | <u>-0.87%</u>                          |
| <b>Investment rate of return</b>     |                   |  | <u><u>6.00%</u></u>                    |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

| 2021                                 |                   |  |  |
|--------------------------------------|-------------------|--|--|
| Asset Class                          | Target Allocation | Long-term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
| Domestic equity pools                | 25.00%            | 5.09%                                  | 1.27%                                  |
| Private equity pools                 | 16.00%            | 8.58%                                  | 1.37%                                  |
| International equity                 | 15.00%            | 7.08%                                  | 1.06%                                  |
| Fixed income pools                   | 10.50%            | -0.73%                                 | -0.08%                                 |
| Real estate and infrastructure pools | 10.00%            | 5.12%                                  | 0.51%                                  |
| Absolute return pools                | 9.00%             | 2.42%                                  | 0.22%                                  |
| Real return/opportunistic pools      | 12.50%            | 5.73%                                  | 0.72%                                  |
| Short-term investment pools          | 2.00%             | -1.29%                                 | -0.03%                                 |
|                                      | <u>100.00%</u>    |  | 5.04%                                  |
| Inflation                            |                   |  | 2.00%                                  |
| Risk adjustment                      |                   |  | <u>-0.09%</u>                          |
| <b>Investment rate of return</b>     |                   |  | <u><u>6.95%</u></u>                    |

### ***Rate of Return***

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, respectively. For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 27.30% and 27.14%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Discount Rate***

For the fiscal year ended September 30, 2022, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. 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

For the fiscal year ended September 30, 2021, a discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 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% 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% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 6.95%, 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.

### ***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 6.00%, 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, 2023:

|  | <b>1% Decrease<br/>(5.00%)</b> | <b>Current<br/>Discount Rate<br/>(6.00%)</b> | <b>1% Increase<br/>(7.00%)</b> |
|--|--------------------------------|--|--------------------------------|
|--|--------------------------------|--|--------------------------------|

|   |               |               |               |
|---|---------------|---------------|---------------|
| College's proportionate share of<br>the net pension liability | \$ 34,946,158 | \$ 26,481,815 | \$ 19,506,815 |
|---|---------------|---------------|---------------|

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, 2022:

|  | <b>1% Decrease<br/>(5.80% / 5.80%<br/>/ 5.00%)</b> | <b>Current<br/>Discount Rate<br/>(6.80% / 6.80%<br/>/ 6.00%)</b> | <b>1% Increase<br/>(7.80% / 7.80%<br/>/ 7.00%)</b> |
|--|--|--|--|
|--|--|--|--|

|   |               |               |               |
|---|---------------|---------------|---------------|
| College's proportionate share of<br>the net pension liability | \$ 24,623,384 | \$ 17,222,416 | \$ 11,086,528 |
|---|---------------|---------------|---------------|

# 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 6.00%, 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 higher as of June 30, 2023:

|   | <b>1% Decrease<br/>(5.00%)</b> | <b>Current<br/>Discount Rate<br/>(6.00%)</b> | <b>1% Increase<br/>(7.00%)</b> |
|---|--------------------------------|--|--------------------------------|
| College's proportionate share of the net OPEB liability | \$ 2,544,103                   | \$ 1,516,691                                 | \$ 651,482                     |

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 higher as of June 30, 2022:

|   | <b>1% Decrease<br/>(5.95%)</b> | <b>Current<br/>Discount Rate<br/>(6.95%)</b> | <b>1% Increase<br/>(7.95%)</b> |
|---|--------------------------------|--|--------------------------------|
| College's proportionate share of the net OPEB liability | \$ 2,020,730                   | \$ 1,087,478                                 | \$ 295,480                     |

### *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 higher as of June 30, 2023:

|   | <b>1% Decrease</b> | <b>Current<br/>Healthcare<br/>Cost Trend</b> | <b>1% Increase</b> |
|---|--------------------|--|--------------------|
| College's proportionate share of the net OPEB liability | \$ 635,118         | \$ 1,516,691                                 | \$ 2,506,275       |



# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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 higher as of June 30, 2022:

|   | 1% Decrease | Current<br>Healthcare<br>Cost Trend | 1% Increase  |
|---|-------------|-------------------------------------|--------------|
| College's proportionate share of the net OPEB liability | \$ 264,683  | \$ 1,087,478                        | \$ 2,013,221 |

### ***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, 2023, the College reported a payable of \$212,600 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of \$195,034 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2022.

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

There were no required outstanding OPEB contributions to the Plan for the years ended June 30, 2023 and 2022.

### **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, 2023 and 2022 the College had 5 participants. Total covered payroll and College contributions were approximately \$548,000 and \$66,000, respectively, for 2023 and \$527,000 and \$63,000, respectively, for 2022. Total employee contributions were approximately \$22,000 and \$21,000, respectively, for 2023 and 2022.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### 10. 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, 2023 and 2022, the Foundation made grants and distributions, from restricted net position, to and on behalf of the College to be used for scholarships totaling \$486,778 and \$452,739, respectively. The components of the Foundation's restricted net position are both for programs and scholarships as of June 30, 2023 and 2022.

Restricted net position consists of the following at June 30:

|  | 2023                 | 2022                 |
|--|----------------------|----------------------|
| Donor restricted endowments subject to expenditures for specified purpose, spending policy, and appropriation for scholarships | <u>\$ 17,112,108</u> | <u>\$ 14,221,635</u> |

### 11. 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:

|  | 2023                     | 2022                     |
|--|--------------------------|--------------------------|
| Cash and investments   | \$ 24,394,236            | \$ 21,941,425            |
| Current portion of pledge receivables  | 166,293                  | 91,897                   |
| Due to other funds   | <u>(323,191)</u>         | <u>(8,479)</u>           |
| <b>Subtotal</b>  | <b><u>24,237,338</u></b> | <b><u>22,024,843</u></b> |
| <b>Less amounts unavailable for general expenditures within one year due to:</b> |                          |                          |
| Board-designated endowment funds   | (8,675,994)              | (8,089,497)              |
| Restricted net position  | (17,112,108)             | (14,221,635)             |
| Restricted net position attributable to long-term pledge receivables             | <u>1,556,157</u>         | <u>342,258</u>           |
| <b>Total financial assets available for general use within one year</b>          | <b><u>\$ 5,393</u></b>   | <b><u>\$ 55,969</u></b>  |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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 12.

## 12. FOUNDATION ENDOWMENTS

The Foundation's endowment consists of seven 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, 2023 and 2022, are for scholarships. The restricted nonexpendable endowments of the Foundation as of June 30, 2023 and 2022, consist of permanent endowment funds.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

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, 2023 and 2022, the Foundation did not have any underwater endowments.

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, 2023</b>   |                     |                      |                      |
| Board-designated endowment funds   | \$ 8,675,994        | \$ -                 | \$ 8,675,994         |
| Donor-restricted endowment funds   |                     |                      |                      |
| Restricted for specific purpose -<br>scholarships and grants   | -                   | 2,815,076            | 2,815,076            |
| Original donor-restricted gift amount and<br>amounts required to be maintained<br>in perpetuity by donor | -                   | 313,864              | 313,864              |
| Original donor-restricted term endowment<br>gift amount  | -                   | 7,324,896            | 7,324,896            |
| Accumulated investment gains   | -                   | 6,658,272            | 6,658,272            |
| <b>Total endowment funds</b>   | <b>\$ 8,675,994</b> | <b>\$ 17,112,108</b> | <b>\$ 25,788,102</b> |
| <b>Endowment net position</b>  |                     |                      |                      |
| <b>Comparison by type of fund as of</b>  |                     |                      |                      |
| <b>June 30, 2022</b>   |                     |                      |                      |
| Board-designated endowment funds   | \$ 8,089,497        | \$ -                 | \$ 8,089,497         |
| Donor-restricted endowment funds   |                     |                      |                      |
| Restricted for specific purpose -<br>scholarships and grants   | -                   | 1,548,606            | 1,548,606            |
| Original donor-restricted gift amount and<br>amounts required to be maintained<br>in perpetuity by donor | -                   | 313,114              | 313,114              |
| Original donor-restricted term endowment<br>gift amount  | -                   | 7,324,896            | 7,324,896            |
| Accumulated investment gains   | -                   | 5,035,019            | 5,035,019            |
| <b>Total endowment funds</b>   | <b>\$ 8,089,497</b> | <b>\$ 14,221,635</b> | <b>\$ 22,311,132</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, 2023</b>                |                            |                             |                             |
| Interest and dividend income                           | \$ 235,718                 | \$ 390,552                  | \$ 626,270                  |
| Net realized and unrealized gains on investments       | 677,616                    | 1,232,701                   | 1,910,317                   |
| Contributions  | 159,181                    | 2,163,951                   | 2,204,382                   |
| Appropriation of endowment position<br>for expenditure | (486,018)                  | (896,731)                   | (1,263,999)                 |
|  | <u>586,497</u>             | <u>2,890,473</u>            | <u>3,476,970</u>            |
| <b>Changes in endowment net position</b>               |                            |                             |                             |
| Endowment net position                                 |                            |                             |                             |
| Beginning of year                                      | <u>8,089,497</u>           | <u>14,221,635</u>           | <u>22,311,132</u>           |
| <b>End of year</b>                                     | <u><b>\$ 8,675,994</b></u> | <u><b>\$ 17,112,108</b></u> | <u><b>\$ 25,788,102</b></u> |
| <b>Changes in endowment net position</b>               |                            |                             |                             |
| <b>For the year ended June 30, 2022</b>                |                            |                             |                             |
| Interest and dividend income                           | \$ 333,566                 | \$ 618,035                  | \$ 951,601                  |
| Net realized and unrealized losses on investments      | (1,742,469)                | (3,250,266)                 | (4,992,735)                 |
| Contributions  | 133,179                    | 993,085                     | 1,126,264                   |
| Appropriation of endowment position<br>for expenditure | (196,752)                  | (988,048)                   | (1,184,800)                 |
|  | <u>(1,472,476)</u>         | <u>(2,627,194)</u>          | <u>(4,099,670)</u>          |
| <b>Changes in endowment net position</b>               |                            |                             |                             |
| Endowment net position                                 |                            |                             |                             |
| Beginning of year                                      | <u>9,561,973</u>           | <u>16,848,829</u>           | <u>26,410,802</u>           |
| <b>End of year</b>                                     | <u><b>\$ 8,089,497</b></u> | <u><b>\$ 14,221,635</b></u> | <u><b>\$ 22,311,132</b></u> |

### ***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.

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

### *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.

## 13. 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, 2023 |                   |                   |                  |                     |
|-------------------------|--------------------------|-------------------|-------------------|------------------|---------------------|
|                         | Student Services         | Other             |                   |                  | Total               |
|                         |                          | Program Services  | Administrative    | Fundraising      |                     |
| Scholarships and grants | \$ 486,778               | \$ -              | \$ -              | \$ -             | \$ 486,778          |
| Salaries and wages      | -                        | 96,429            | 68,270            | 35,952           | 200,651             |
| Benefits                | -                        | 24,959            | 31,126            | 18,518           | 74,603              |
| Payroll taxes           | -                        | 3,519             | 5,215             | 2,720            | 11,454              |
| Fundraising             | -                        | -                 | -                 | 21,828           | 21,828              |
| Software                | -                        | 7,000             | 11,614            | -                | 18,614              |
| Professional fees       | -                        | -                 | 71,068            | -                | 71,068              |
| Other                   | -                        | 372,795           | 6,208             | -                | 379,003             |
| <b>Total expenses</b>   | <b>\$ 486,778</b>        | <b>\$ 504,702</b> | <b>\$ 193,501</b> | <b>\$ 79,018</b> | <b>\$ 1,263,999</b> |

# MONTCALM COMMUNITY COLLEGE

## Notes to Financial Statements

|                         | Year Ended June 30, 2022 |                   |                   |                  |                     |
|-------------------------|--------------------------|-------------------|-------------------|------------------|---------------------|
|                         | Student Services         | Other             |                   |                  | Total               |
|                         |                          | Program Services  | Administrative    | Fundraising      |                     |
| Scholarships and grants | \$ 452,739               | \$ -              | \$ -              | \$ -             | \$ 452,739          |
| Salaries and wages      | -                        | 123,962           | 37,114            | 32,395           | 193,471             |
| Benefits                | -                        | 34,145            | 17,917            | 15,623           | 67,685              |
| Payroll taxes           | -                        | 5,775             | 2,804             | 3,038            | 11,617              |
| Fundraising             | -                        | -                 | -                 | 2,364            | 2,364               |
| Software                | -                        | 7,000             | 10,754            | -                | 17,754              |
| Professional fees       | -                        | -                 | 145,456           | -                | 145,456             |
| Other                   | -                        | 269,881           | 23,833            | -                | 293,714             |
| <b>Total expenses</b>   | <b>\$ 452,739</b>        | <b>\$ 440,763</b> | <b>\$ 237,878</b> | <b>\$ 53,420</b> | <b>\$ 1,184,800</b> |

### 14. RELATED PARTY TRANSACTIONS

The College did not have any transactions with related parties other than with the Foundation as presented and disclosed throughout the accompanying basic financial statements and notes to the financial statements.

### 15. SUPPLEMENTAL CASH FLOWS INFORMATION

#### *Non-Cash Noncapital Financing and Investing Activities*

In fiscal 2023 and 2022, the Foundation received gifts in the form of investment securities in the amount of \$146,729 and \$520,777, respectively.

#### *Non-Cash Capital and Related Financing Activities*

The College placed into service subscription assets in the amount of \$148,621 and \$804,615 with the recognition of subscription-based IT arrangement liabilities in the same amount during fiscal 2023 and 2022, respectively.



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

**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, |               |               |               |               |               |               |               |               |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2023                | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
| College's proportionate share of the net pension liability                                     | \$ 26,481,815       | \$ 17,222,416 | \$ 24,864,884 | \$ 23,929,364 | \$ 21,157,952 | \$ 17,710,136 | \$ 16,904,228 | \$ 16,617,926 | \$ 14,974,153 |
| College's proportion of the net pension liability  | 0.07041%            | 0.07274%      | 0.07238%      | 0.07226%      | 0.07038%      | 0.06834%      | 0.06775%      | 0.06804%      | 0.06907%      |
| College's covered payroll  | \$ 7,006,921        | \$ 6,481,412  | \$ 6,385,119  | \$ 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 a percentage of its covered payroll | 377.94%             | 265.71%       | 389.42%       | 379.00%       | 345.51%       | 302.48%       | 299.29%       | 285.12%       | 252.30%       |
| Plan fiduciary net position as a percentage of the total pension liability                     | 60.77%              | 72.60%        | 59.72%        | 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, |                    |                    |                    |                    |                    |                    |                    |                    |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | 2023                | 2022               | 2021               | 2020               | 2019               | 2018               | 2017               | 2016               | 2015               |
| Statutorily required contributions                                  | \$ 3,219,903        | \$ 2,325,021       | \$ 2,172,521       | \$ 1,975,475       | \$ 1,917,870       | \$ 1,919,043       | \$ 1,623,914       | \$ 1,576,914       | \$ 1,828,741       |
| Contributions in relation to the statutorily required contributions | <u>(3,219,903)</u>  | <u>(2,325,021)</u> | <u>(2,172,521)</u> | <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>         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| College's covered payroll   | \$ 7,015,391        | \$ 6,688,428       | \$ 6,410,104       | \$ 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                    | 45.90%              | 34.76%             | 33.89%             | 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 Liability (Unaudited)

|   | Year Ended June 30, |              |              |              |              |              |
|---|---------------------|--------------|--------------|--------------|--------------|--------------|
|   | 2023                | 2022         | 2021         | 2020         | 2019         | 2018         |
| College's proportionate share of the net OPEB liability   | \$ 1,516,691        | \$ 1,087,478 | \$ 3,838,030 | \$ 5,166,831 | \$ 5,699,199 | \$ 6,092,951 |
| College's proportion of the net OPEB liability  | 0.07161%            | 0.07125%     | 0.07164%     | 0.07198%     | 0.07170%     | 0.06880%     |
| College's covered payroll   | \$ 7,006,921        | \$ 6,481,712 | \$ 6,385,119 | \$ 6,313,771 | \$ 6,123,733 | \$ 5,854,993 |
| College's proportionate share of the net OPEB liability<br>as a percentage of its covered payroll | 21.65%              | 16.78%       | 60.11%       | 81.83%       | 93.07%       | 104.06%      |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                        | 83.09%              | 87.33%       | 59.44%       | 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 Contributions (Unaudited)

|   | Year Ended June 30, |                  |                  |                  |                  |                  |
|---|---------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2023                | 2022             | 2021             | 2020             | 2019             | 2018             |
| Statutorily required contributions                                  | \$ 543,565          | \$ 523,365       | \$ 520,527       | \$ 503,817       | \$ 490,770       | \$ 435,766       |
| Contributions in relation to the statutorily required contributions | <u>(543,565)</u>    | <u>(523,365)</u> | <u>(520,527)</u> | <u>(503,817)</u> | <u>(490,770)</u> | <u>(435,766)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>         | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| College's covered payroll   | \$ 7,015,391        | \$ 6,688,428     | \$ 6,410,104     | \$ 6,412,530     | \$ 6,330,881     | \$ 6,088,670     |
| Contributions as a percentage of covered payroll                    | 7.75%               | 7.82%            | 8.12%            | 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 data 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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 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 data 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:

- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 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 (Unaudited)**

June 30, 2023

|   | <b>Combined<br/>Total</b> | <b>General<br/>Fund</b> | <b>Expendable<br/>Restricted<br/>Fund</b> | <b>Plant<br/>Fund</b> | <b>Agency<br/>Fund</b> | <b>Pension<br/>and OPEB<br/>Fund</b> | <b>Foundation</b> |
|---|---------------------------|-------------------------|---|-----------------------|------------------------|--------------------------------------|-------------------|
| <b>Assets</b>   |                           |                         |   |                       |                        |                                      |                   |
| <b>Current assets</b>   |                           |                         |   |                       |                        |                                      |                   |
| Cash and cash equivalents   | \$ 12,483,821             | \$ 10,114,929           | \$ 297,002                                | \$ 1,005,954          | \$ 529,460             | \$ -                                 | \$ 536,476        |
| Restricted cash   | 855,475                   | -                       | -   | 855,475               | -                      | -                                    | -                 |
| Accounts receivable less allowance of<br>\$600,090                          | 193,220                   | 193,220                 | -   | -                     | -                      | -                                    | -                 |
| Property taxes receivable   | 31,711                    | 31,711                  | -   | -                     | -                      | -                                    | -                 |
| State appropriation receivable  | 944,903                   | 944,903                 | -   | -                     | -                      | -                                    | -                 |
| Federal and state grants receivable   | 234,937                   | -                       | 234,937                                   | -                     | -                      | -                                    | -                 |
| Current portion of pledges receivable                                       | 166,293                   | -                       | -   | -                     | -                      | -                                    | 166,293           |
| Prepays and other assets  | 31,289                    | 31,289                  | -   | -                     | -                      | -                                    | -                 |
| Due from (to) other funds   | -                         | 291,208                 | (128,744)                                 | 136,261               | 24,466                 | -                                    | (323,191)         |
| <b>Total current assets</b>   | <b>14,941,649</b>         | <b>11,607,260</b>       | <b>403,195</b>                            | <b>1,997,690</b>      | <b>553,926</b>         | <b>-</b>                             | <b>379,578</b>    |
| <b>Noncurrent assets</b>  |                           |                         |   |                       |                        |                                      |                   |
| Pledges receivable, net of current<br>portion                               | 1,556,157                 | -                       | -   | -                     | -                      | -                                    | 1,556,157         |
| Investments   | 23,857,760                | -                       | -   | -                     | -                      | -                                    | 23,857,760        |
| <b>Capital assets, nondepreciable/nonamortizable</b>                        |                           |                         |   |                       |                        |                                      |                   |
| Land  | 755,926                   | -                       | -   | 755,926               | -                      | -                                    | -                 |
| <b>Capital assets, depreciable/amortizable</b>                              |                           |                         |   |                       |                        |                                      |                   |
| Land improvements   | 1,317,590                 | -                       | -   | 1,317,590             | -                      | -                                    | -                 |
| Accumulated depreciation  | (1,309,537)               | -                       | -   | (1,309,537)           | -                      | -                                    | -                 |
| Infrastructure  | 1,465,140                 | -                       | -   | 1,465,140             | -                      | -                                    | -                 |
| Accumulated depreciation  | (1,263,395)               | -                       | -   | (1,263,395)           | -                      | -                                    | -                 |
| Buildings and improvements  | 38,200,726                | -                       | -   | 38,200,726            | -                      | -                                    | -                 |
| Accumulated depreciation  | (23,827,036)              | -                       | -   | (23,827,036)          | -                      | -                                    | -                 |
| Subscription assets   | 953,236                   | -                       | -   | 953,236               | -                      | -                                    | -                 |
| Accumulated amortization  | (255,452)                 | -                       | -   | (255,452)             | -                      | -                                    | -                 |
| Furniture, fixtures, and equipment, including vehicles and<br>library books | 4,619,825                 | -                       | -   | 4,619,825             | -                      | -                                    | -                 |
| Accumulated depreciation  | (3,410,582)               | -                       | -   | (3,410,582)           | -                      | -                                    | -                 |
| <b>Total capital assets, depreciable/amortizable, net</b>                   | <b>16,490,515</b>         | <b>-</b>                | <b>-</b>                                  | <b>16,490,515</b>     | <b>-</b>               | <b>-</b>                             | <b>-</b>          |
| <b>Total noncurrent assets</b>  | <b>42,660,358</b>         | <b>-</b>                | <b>-</b>                                  | <b>17,246,441</b>     | <b>-</b>               | <b>-</b>                             | <b>25,413,917</b> |
| <b>Total assets</b>   | <b>57,602,007</b>         | <b>11,607,260</b>       | <b>403,195</b>                            | <b>19,244,131</b>     | <b>553,926</b>         | <b>-</b>                             | <b>25,793,495</b> |
| <b>Deferred outflows of resources</b>                                       |                           |                         |   |                       |                        |                                      |                   |
| Deferred pension amounts  | 7,873,277                 | -                       | -   | -                     | -                      | 7,873,277                            | -                 |
| Deferred OPEB amounts   | 1,933,004                 | -                       | -   | -                     | -                      | 1,933,004                            | -                 |
| <b>Total deferred outflows of resources</b>                                 | <b>9,806,281</b>          | <b>-</b>                | <b>-</b>                                  | <b>-</b>              | <b>-</b>               | <b>9,806,281</b>                     | <b>-</b>          |

continued...



**MONTCALM COMMUNITY COLLEGE**

**Combining Statement of Net Position (Unaudited)**

June 30, 2023

|  | Combined<br>Total    | General<br>Fund      | Expendable<br>Restricted<br>Fund | Plant<br>Fund        | Agency<br>Fund | Pension<br>and OPEB<br>Fund | Foundation           |
|--|----------------------|----------------------|----------------------------------|----------------------|----------------|-----------------------------|----------------------|
| <b>Liabilities</b>   |                      |                      |                                  |                      |                |                             |                      |
| <b>Current liabilities</b>   |                      |                      |                                  |                      |                |                             |                      |
| Accounts payable   | \$ 134,570           | \$ 126,156           | \$ 3,021                         | \$ -                 | \$ -           | \$ -                        | \$ 5,393             |
| Accrued interest   | 28,248               | -                    | -                                | 28,248               | -              | -                           | -                    |
| Accrued payroll, current portion of accrued<br>vacation and other compensation | 1,159,004            | 1,159,004            | -                                | -                    | -              | -                           | -                    |
| Deposits   | 596,698              | 6,703                | -                                | 36,069               | 553,926        | -                           | -                    |
| Unearned revenue   | 178,627              | 178,627              | -                                | -                    | -              | -                           | -                    |
| Current portion of bonds payable   | 557,883              | -                    | -                                | 557,883              | -              | -                           | -                    |
| Current portion of subscription-based IT arrangement liabilities               | 202,334              | -                    | -                                | 202,334              | -              | -                           | -                    |
| <b>Total current liabilities</b>   | <b>2,857,364</b>     | <b>1,470,490</b>     | <b>3,021</b>                     | <b>824,534</b>       | <b>553,926</b> | <b>-</b>                    | <b>5,393</b>         |
| <b>Noncurrent liabilities</b>  |                      |                      |                                  |                      |                |                             |                      |
| Bonds payable, net of current portion  | 6,614,011            | -                    | -                                | 6,614,011            | -              | -                           | -                    |
| Subscription-based IT arrangement liabilities, net of current portion          | 394,553              | -                    | -                                | 394,553              | -              | -                           | -                    |
| Net pension liability  | 26,481,815           | -                    | -                                | -                    | -              | 26,481,815                  | -                    |
| Net OPEB liability   | 1,516,691            | -                    | -                                | -                    | -              | 1,516,691                   | -                    |
| Accrued vacation, net of current portion                                       | 85,348               | 85,348               | -                                | -                    | -              | -                           | -                    |
| <b>Total noncurrent liabilities</b>  | <b>35,092,418</b>    | <b>85,348</b>        | <b>-</b>                         | <b>7,008,564</b>     | <b>-</b>       | <b>27,998,506</b>           | <b>-</b>             |
| <b>Total liabilities</b>   | <b>37,949,782</b>    | <b>1,555,838</b>     | <b>3,021</b>                     | <b>7,833,098</b>     | <b>553,926</b> | <b>27,998,506</b>           | <b>5,393</b>         |
| <b>Deferred inflows of resources</b>   |                      |                      |                                  |                      |                |                             |                      |
| Deferred pension amounts   | 2,531,025            | -                    | -                                | -                    | -              | 2,531,025                   | -                    |
| Deferred OPEB amounts  | 3,132,384            | -                    | -                                | -                    | -              | 3,132,384                   | -                    |
| <b>Total deferred inflows of resources</b>                                     | <b>5,663,409</b>     | <b>-</b>             | <b>-</b>                         | <b>-</b>             | <b>-</b>       | <b>5,663,409</b>            | <b>-</b>             |
| <b>Net position (deficit)</b>  |                      |                      |                                  |                      |                |                             |                      |
| Net investment in capital assets   | 10,333,135           | -                    | -                                | 10,333,135           | -              | -                           | -                    |
| Restricted for   |                      |                      |                                  |                      |                |                             |                      |
| Expendable scholarships and grants   | 17,198,418           | -                    | 400,174                          | -                    | -              | -                           | 16,798,244           |
| Nonexpendable endowments (Note 12)   | 313,864              | -                    | -                                | -                    | -              | -                           | 313,864              |
| Unrestricted (deficit) (Note 8)  | (4,050,320)          | 10,051,422           | -                                | 1,077,898            | -              | (23,855,634)                | 8,675,994            |
| <b>Total net position (deficit)</b>  | <b>\$ 23,795,097</b> | <b>\$ 10,051,422</b> | <b>\$ 400,174</b>                | <b>\$ 11,411,033</b> | <b>\$ -</b>    | <b>\$ (23,855,634)</b>      | <b>\$ 25,788,102</b> |

concluded

# MONTCALM COMMUNITY COLLEGE

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

Year Ended June 30, 2023

|  | Combined<br>Total   | Elimination        | General<br>Fund     | Expendable<br>Restricted<br>Fund | Plant<br>Fund    | Pension<br>and OPEB<br>Fund | Foundation         |
|--|---------------------|--------------------|---------------------|----------------------------------|------------------|-----------------------------|--------------------|
| <b>Revenues</b>  |                     |                    |                     |                                  |                  |                             |                    |
| <b>Operating revenues</b>                                      |                     |                    |                     |                                  |                  |                             |                    |
| Tuition and fees (net of scholarship allowance of \$1,384,960) | \$ 4,249,903        | \$ (1,384,960)     | \$ 5,634,863        | \$ -                             | \$ -             | \$ -                        | \$ -               |
| Federal grants and contracts                                   | 457,418             | -                  | -                   | 457,418                          | -                | -                           | -                  |
| State grants and contracts                                     | 347,200             | -                  | -                   | 347,200                          | -                | -                           | -                  |
| Auxiliary activities   | 68,698              | -                  | 68,698              | -                                | -                | -                           | -                  |
| Current funds expensed for capital improvements                | -                   | (2,465,025)        | -                   | -                                | 2,465,025        | -                           | -                  |
| Other  | 137,665             | -                  | 121,665             | 16,000                           | -                | -                           | -                  |
| <b>Total operating revenues</b>                                | <b>5,260,884</b>    | <b>(3,849,985)</b> | <b>5,825,226</b>    | <b>820,618</b>                   | <b>2,465,025</b> | <b>-</b>                    | <b>-</b>           |
| <b>Operating expenses</b>                                      |                     |                    |                     |                                  |                  |                             |                    |
| Instruction  | 6,388,072           | -                  | 7,018,779           | 276,937                          | -                | (907,644)                   | -                  |
| Public services  | 415,299             | -                  | 462,551             | -                                | -                | (47,252)                    | -                  |
| Instructional support  | 2,461,923           | -                  | 2,538,170           | 237,053                          | -                | (313,300)                   | -                  |
| Student services   | 2,964,551           | (1,498,858)        | 1,758,713           | 2,463,216                        | -                | (245,298)                   | 486,778            |
| Institutional administration                                   | 2,038,100           | -                  | 2,283,861           | 14,946                           | -                | (260,707)                   | -                  |
| Information technology   | 1,106,524           | (9,200)            | 1,140,453           | 74,089                           | -                | (98,818)                    | -                  |
| Operation and maintenance of plant                             | 2,193,350           | (325,846)          | 2,293,933           | 406,669                          | -                | (181,406)                   | -                  |
| Depreciation and amortization                                  | 1,308,884           | -                  | -                   | -                                | 1,308,884        | -                           | -                  |
| Other  | 1,062,188           | (2,016,081)        | -                   | 303,679                          | 1,997,369        | -                           | 777,221            |
| <b>Total operating expenses</b>                                | <b>19,938,891</b>   | <b>(3,849,985)</b> | <b>17,496,460</b>   | <b>3,776,589</b>                 | <b>3,306,253</b> | <b>(2,054,425)</b>          | <b>1,263,999</b>   |
| <b>Operating (loss) income</b>                                 | <b>(14,678,007)</b> | <b>-</b>           | <b>(11,671,234)</b> | <b>(2,955,971)</b>               | <b>(841,228)</b> | <b>2,054,425</b>            | <b>(1,263,999)</b> |

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## MONTCALM COMMUNITY COLLEGE

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

Year Ended June 30, 2023

|  | Combined<br>Total    | Elimination | General<br>Fund      | Expendable<br>Restricted<br>Fund | Plant<br>Fund        | Pension<br>and OPEB<br>Fund | Foundation           |
|--|----------------------|-------------|----------------------|----------------------------------|----------------------|-----------------------------|----------------------|
| <b>Nonoperating revenues (expenses)</b>                  |                      |             |                      |                                  |                      |                             |                      |
| State appropriations                                     | \$ 4,025,305         | \$ -        | \$ 5,917,396         | \$ -                             | \$ -                 | \$ (1,892,091)              | \$ -                 |
| Federal Pell grants                                      | 2,014,149            | -           | -                    | 2,014,149                        | -                    | -                           | -                    |
| Federal Higher Education Emergency Relief<br>Fund grants | 821,981              | -           | -                    | 821,981                          | -                    | -                           | -                    |
| Gain on sale of asset                                    | 20,140               | -           | -                    | -                                | 20,140               | -                           | -                    |
| Property taxes   | 7,746,204            | -           | 7,746,204            | -                                | -                    | -                           | -                    |
| Interest and dividend income                             | 695,094              | -           | 59,141               | -                                | 9,683                | -                           | 626,270              |
| Net realized and unrealized gain on<br>investments       | 1,910,317            | -           | -                    | -                                | -                    | -                           | 1,910,317            |
| Interest on capital asset - related debt                 | (164,305)            | -           | -                    | -                                | (164,305)            | -                           | -                    |
| Gifts  | 2,708,274            | -           | 503,892              | -                                | -                    | -                           | 2,204,382            |
| <b>Net nonoperating revenues (expenses)</b>              | <b>19,777,159</b>    | <b>-</b>    | <b>14,226,633</b>    | <b>2,836,130</b>                 | <b>(134,482)</b>     | <b>(1,892,091)</b>          | <b>4,740,969</b>     |
| Transfers (out) in                                       | -                    | -           | (1,277,000)          | -                                | 1,277,000            | -                           | -                    |
| <b>Net increase (decrease) in net position</b>           | <b>5,099,152</b>     | <b>-</b>    | <b>1,278,399</b>     | <b>(119,841)</b>                 | <b>301,290</b>       | <b>162,334</b>              | <b>3,476,970</b>     |
| Net position (deficit) - beginning of year               | 18,695,945           | -           | 8,773,023            | 520,015                          | 11,109,743           | (24,017,968)                | 22,311,132           |
| <b>Net position (deficit) - end of year</b>              | <b>\$ 23,795,097</b> | <b>\$ -</b> | <b>\$ 10,051,422</b> | <b>\$ 400,174</b>                | <b>\$ 11,411,033</b> | <b>\$ (23,855,634)</b>      | <b>\$ 25,788,102</b> |

concluded