

BALTIMORE CITY COMMUNITY COLLEGE

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2018 and 2017



S B & COMPANY, LLC
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JUNE 30, 2018 AND 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
Baltimore City Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Baltimore City Community College (the College), a component unit of the State of Maryland, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the component unit financial statements of Baltimore City Community College Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2018 and 2017. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of that auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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Opinion

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and Foundation, as of June 30, 2018 and 2017, and the respective changes in their financial position and, where applicable, the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Combining Schedules of Net Position and the Combining Schedules of Revenue, Expenses and Changes in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
October 15, 2018

SB & Company, LLC

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

In accordance with Governmental Accounting Standards Board (GASB), the management of Baltimore City Community College (the College or BCCC) presents this Management's Discussion and Analysis of the financial statements of the Baltimore City Community College, for the years ended June 30, 2018 and 2017, with comparative totals for 2016.

Overview of the Financial Statements and Financial Analysis

This discussion and analysis of the College's financial statements provides an overview of the College's financial activities for the years ended June 30, 2018 and 2017 with fiscal year 2016 data presented for comparative purposes. The emphasis of discussion about these statements is on the current-year activity. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

The College has included the financial information of the Baltimore City Community College Foundation, Inc. (Foundation) in its basic financial statements as a component unit. The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The financial data used in this section excludes the Foundation. Complete financial statements for the Foundation can be obtained from its Administrative Office at 2901 Liberty Heights Ave, Baltimore, MD 21215. The emphasis of this Management's Discussion and Analysis is on the College itself. Reference should be made to the separately audited financial statements of the Foundation for additional information.

Financial Highlights

The College's financial statements consist of three basic financial statements and the notes that provide information on the accounting alternatives used, and explanatory information and detail on certain financial statement elements. The three basic financial statements are the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The *Statement of Net Position* presents information on the College's assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position, all as of the end of the reporting period. Net position represents the difference between assets and liabilities, and is detailed into classifications that help readers understand the constraints that the College must consider in making decisions on expending assets. Over time, changes in net position can help in understanding whether the financial condition of the College is improving or deteriorating.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant and equipment owned by the College. The next category is expendable restricted net position which is available for expenditure by the College but which must be spent for purposes as determined by donors or external agencies that have placed time or use restrictions on the use of the assets. The final category is unrestricted net position, which is available at the discretion of the College.

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Financial Highlights (continued)

The *Statement of Revenue, Expenses and Changes in Net Position* presents information on the changes in net position during the fiscal year. All changes in net position are reported immediately, regardless of the timing of the related cash flows. Thus, revenues and expenses are recorded for some items that will result in cash flows in future fiscal years (for example tuition and fees owed by students, or employees' unused vacation time at year-end).

The *Statement of Cash Flows* presents information on sources and uses of cash during the year. This statement details the changes in cash and cash equivalents from the amounts reported at the end of the preceding year, to the amounts reported in the Statement of Net Position at the end of the current year. Sources and uses of cash are organized into operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Statement of Net Position

The *Statement of Net Position* presents the assets, liabilities, and net position of the College as a whole at fiscal year-end. The purpose of this point in time statement is to present a fiscal snapshot of the College. The Statement of Net Position includes year-end information concerning current and non-current assets, current and non-current liabilities, and net position (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net position.

The table below presents summary-level information of BCCC's assets, liabilities, and net position as of June 30, 2018, 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets	\$ 38,884,280	\$ 38,801,987	\$ 38,091,677
Non-current assets	51,720,372	52,233,210	53,844,452
Total Assets	<u>90,604,652</u>	<u>91,035,197</u>	<u>91,936,129</u>
Deferred Outflows of Resources- Pensions	<u>8,733,574</u>	<u>10,442,628</u>	<u>7,855,834</u>
Liabilities			
Current liabilities	6,261,426	6,688,149	5,577,870
Non-current liabilities	37,847,337	40,129,323	36,684,597
Total Liabilities	<u>44,108,763</u>	<u>46,817,472</u>	<u>42,262,467</u>
Deferred Inflows of Resources - Pensions	<u>4,339,324</u>	<u>3,126,896</u>	<u>2,524,435</u>
Net Position			
Net investment in capital assets	50,884,876	51,360,190	52,933,683
Unrestricted	5,263	173,267	2,071,378
Total Net Position	<u>\$ 50,890,139</u>	<u>\$ 51,533,457</u>	<u>\$ 55,005,061</u>

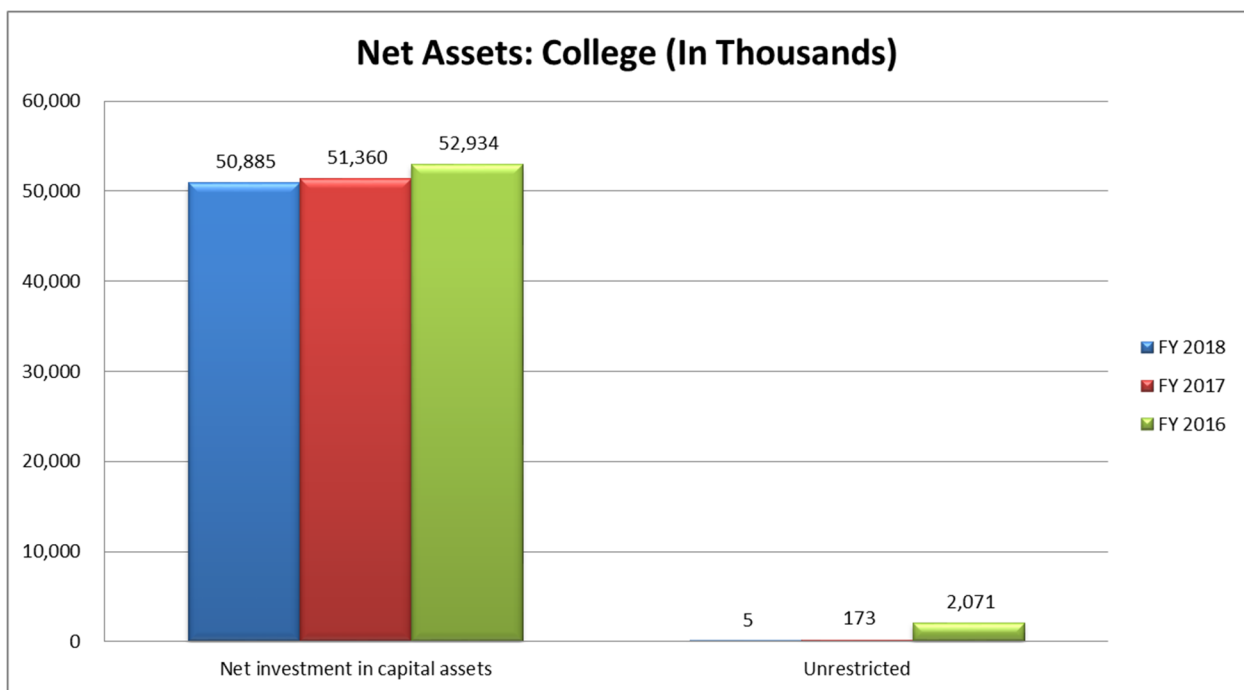
BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Net Position (continued)

As of June 30, 2018, the College's financial health remains strong, with assets exceeding liabilities by \$50,890,139. This compares with Total Net Position of \$51,533,457, as of June 30, 2017.

A review of the Statements of Net Position reveals that the total net position of the College decreased by \$643,318, for the year ended June 30, 2018. The decrease in net position is as a result of the increase in the pension expense as required by GASB Statement No. 68 and the decrease in operating and non-operating revenue mostly due from a decrease in Grants and Contracts.



Total liabilities decreased by \$2,708,709 for a total of \$44,108,763 for the year ended June 30, 2018 compared to June 30, 2017 at \$46,817,472. The decrease is primarily attributable to the decrease of the net pension liability of \$2,067,701.

Statement of Revenue, Expenses and Changes in Net Position

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenue, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenue received by the College, both operating and non-operating; the expenses paid by the College, operating and non-operating; and any other revenue, expenses, or gains and losses received or expended by the College.

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Revenue, Expenses, and Changes in Net Position (continued)

Generally speaking, operating revenue are received for providing services to students of the College. Operating expenses are expenses paid directly to or to produce the services that carry out the mission of the College. Non-operating revenue are revenue received for which goods and services are not provided. For example, the College's state appropriation is non-operating revenue because it is provided to the College by the Maryland State Legislature without providing services for that revenue.

The table below present's summary-level information on revenue, expenses, and other changes in the College's net positions for the years ended June 30, 2018, 2017, and 2016.

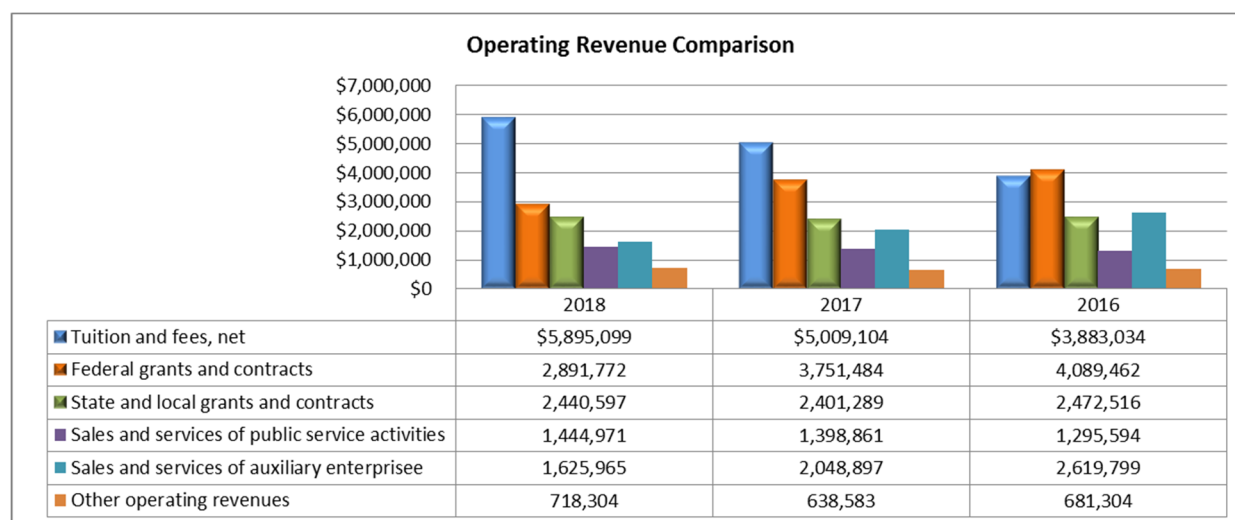
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenue	\$ 15,016,708	\$ 15,248,218	\$ 15,041,709
Operating expenses	<u>67,574,678</u>	<u>71,602,910</u>	<u>74,169,026</u>
Operating loss	<u>(52,557,970)</u>	<u>(56,354,692)</u>	<u>(59,127,317)</u>
State appropriations	40,602,171	40,064,442	40,775,643
Reduction in State appropriations	(1,170,947)	-	-
Local appropriations	588,359	598,494	550,311
Other non-operating revenue, net	<u>11,895,069</u>	<u>12,220,152</u>	<u>13,478,273</u>
Net non-operating revenue	<u>51,914,652</u>	<u>52,883,088</u>	<u>54,804,227</u>
Net decrease in net position	(643,318)	(3,471,604)	(4,323,090)
Net position, beginning of year	<u>51,533,457</u>	<u>55,005,061</u>	<u>59,328,151</u>
Net Position, End of Year	<u><u>\$ 50,890,139</u></u>	<u><u>\$ 51,533,457</u></u>	<u><u>\$ 55,005,061</u></u>

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Revenue, Expenses, and Changes in Net Position (continued)

For the years ended June 30, 2018 and 2017, operating revenue, which under the definitions used by Governmental Accounting Standards Board (GASB) excludes state appropriations, are detailed below:



Tuition and State appropriations are the primary sources of funding for the College's academic programs. Net tuition and fees have increased by \$885,995 or 18.0% for the year ended June 30, 2018 compared to June 30, 2017. The increase in net tuition and fees is due to a tuition rate increase.

Changes in operating revenue were due to the following factors:

- Overall enrollment for eligible full-time equivalents (FTE) students decreased by 619.3 FTEs or 13.5%, representing 3,973.6 and 4,592.9 in fiscal year 2018 and fiscal year 2017, respectively. In comparison, fiscal year 2017 experienced a .8% decrease from 4,592.9 to 4,631.0, full-time equivalent (FTE) eligible students from fiscal year 2016.
- Student tuition and fee revenue increased \$978,691 or 9.1% to \$11,734,431 for the year ended June 30, 2018 compared to a 2017 increase of \$359,061 or 3.5% to \$10,755,740 compared to 2016. The 2018 and 2017 increases are due to increase in tuition rates.

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Revenue, Expenses, and Changes in Net Position (continued)

GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities requires student aid such as scholarship allowances to be presented as a discount or allowance that reduces gross tuition and fee revenue in the financial statements. There were five new programs in 2018 that provided more scholarships to students to assist with their tuition.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Scholarship Allowances	\$ 5,839,332	\$ 5,746,636	\$ 6,513,645

Federal grants decreased by \$859,712 or 22.9% in fiscal year 2018 compared to fiscal year 2017. State and Local grants and contracts increased by \$39,308 or 1.6% in fiscal year 2018 compared to fiscal year 2017. In comparison, Federal grants decreased by \$337,978 in fiscal year 2017 compared to fiscal year 2016. State and Local grants and contracts decreased by \$71,227 in fiscal year 2017 compared to fiscal year 2016.

Auxiliary enterprises, primarily driven by the College's Bookstore, decreased by \$422,932 in fiscal year 2018 compared to fiscal year 2017. In comparison, auxiliary enterprises decreased by \$570,902 in fiscal year 2017 compared to fiscal year 2016.

The College continues to aggressively seek funding from all sources consistent with its mission in order to supplement student tuition revenue.

	<u>Years Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Non-Operating Revenue (Expenses)			
State appropriations	\$ 40,602,171	\$ 40,064,442	\$ 40,775,643
Reduction in State appropriations	(1,170,947)	-	-
Local appropriations	588,359	598,494	550,311
Investment income	617,272	577,535	397,447
Rental income	2,064,497	2,096,897	2,103,462
Community service grant from Corporation for Public Broadcasting	145,521	152,658	154,578
Public service other grants	81,506	89,371	75,789
Grants and contracts	8,988,757	9,305,876	10,752,316
Other	(2,484)	(2,185)	(5,319)
Net Non-Operating Revenue	\$ 51,914,652	\$ 52,883,088	\$ 54,804,227

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Revenue, Expenses, and Changes in Net Position (continued)

Changes in Non-Operating Revenue were due to the following factors:

- Grants and Contracts decreased in 2018 compared to 2017 primarily due to a decrease in Federal Pell grant awards. This decrease is due to the decrease in credit enrollment.
- The 2018 appropriation consisted of a net appropriation of \$39,431,224, a decrease of \$633,218 from the net appropriation from 2017. This includes a reversion of \$1,170,947 related to Board of Public Works reductions and reductions for Health Insurance. The appropriation of \$40,064,442 in fiscal year 2017 was reduced by \$711,201 as compared to fiscal year 2016. For the years ended June 30, 2018, 2017 and 2016, BCCC's State appropriations consisted of the following components:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
State appropriations	\$ 40,602,171	\$ 40,064,442	\$ 40,775,643
Reductions/reversions	(1,170,947)	-	-
Net State Appropriations	<u>\$ 39,431,224</u>	<u>\$ 40,064,442</u>	<u>\$ 40,775,643</u>

Operating Expenses

Expenses are categorized as operating or non-operating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB No. 35 gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification.

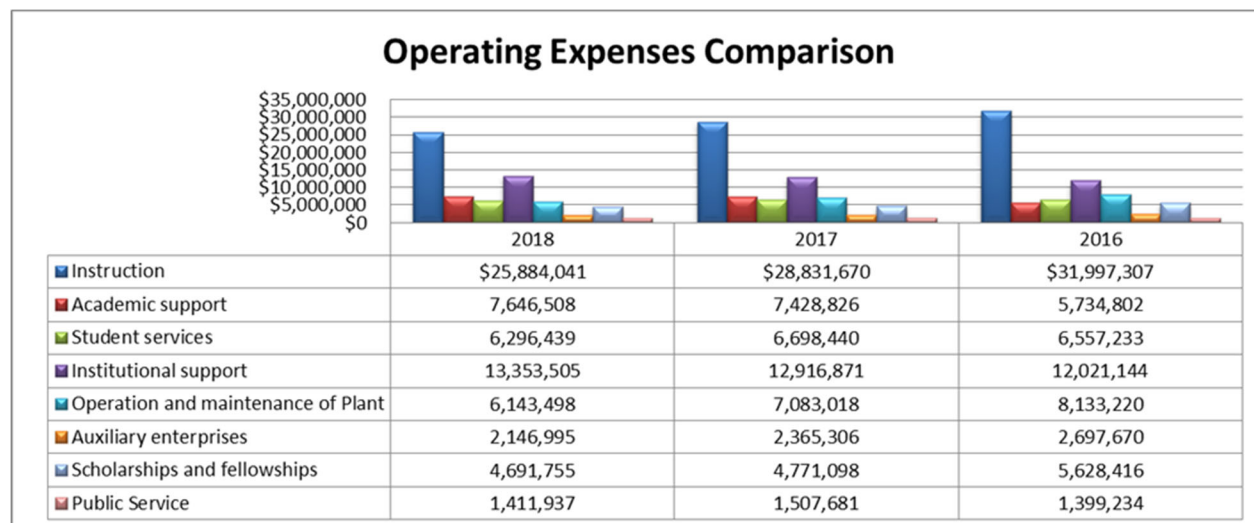
The College has chosen to report the expenses in their functional classification on the statement of revenues, expenses, and changes in net position and has displayed the natural classification in the notes to financial statements. Operating expenses are detailed by employee costs, other payments, and depreciation expense in the notes to the financial statements, in order to provide an alternative presentation of operating expenses.

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Revenue, Expenses, and Changes in Net Position (continued)

Operating Expenses (continued)



The following functional expenses are presented by classifications as recommended by the National Association of College and University Business Officers (NACUBO) for the years ended June 30, 2018 and 2017:

	2018		2017		2016	
Instruction	\$25,884,041	38.3 %	\$28,831,670	40.3 %	\$31,997,307	43.1 %
Academic support	7,646,508	11.3	7,428,826	10.4	5,734,802	7.7
Student services	6,296,439	9.3	6,698,440	9.3	6,557,233	8.8
Institutional support	13,353,505	19.8	12,916,871	18.0	12,021,144	16.3
Operations and maintenance of plant	6,143,498	9.1	7,083,018	9.9	8,133,220	11.0
Scholarships and fellowships	4,691,755	6.9	4,771,098	6.7	5,628,416	7.6
Auxiliary enterprises	2,146,995	3.2	2,365,306	3.3	2,697,670	3.6
Public service	1,411,937	2.1	1,507,681	2.1	1,399,234	1.9
Total	\$67,574,678	100.0 %	\$71,602,910	100.0 %	\$74,169,026	100.0 %

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Revenue, Expenses, and Changes in Net Position (continued)

Operating Expenses (continued)

Operating expenses in fiscal year 2018 amounted to \$67,574,678, a decrease of \$4,028,232 when compared to fiscal year 2017. Changes were the result of the following factors:

- Expenses were directed toward strategic initiatives and critical success factors in support of the College's strategic plan including funding for improvement in student recruitment, retention, enrollment, and performance; responsiveness to workforce and community needs; infrastructure enhancements; information technology and business process review; branding and marketing initiatives; and customer service.
- Instruction expenses decreased by \$2,947,629, in fiscal year 2018 as a result of savings in salaries due to vacancies and organization realignment reallocated expenditures to various programmatic areas.
- Student services expenses decreased by \$402,001 in fiscal year 2018 mostly due to salary savings due to vacancies and organization realignment reallocated expenditures to various programmatic areas.
- Academic support expenses increased by \$217,682 in fiscal year 2018 due to funding for new programs.
- Operations and maintenance of plant expenditures decreased by \$939,520 to \$6,143,498 in 2018 compared to \$7,083,018 in fiscal year 2017 due to reduced energy usage and reduction of salaries due to organization realignment reallocated expenditures.
- Institutional support increased by \$436,634 in fiscal year 2018 mostly due to ERP and infrastructure charges as well as deferred maintenance.
- In fiscal year 2018, scholarships and fellowship expenses decreased \$79,343 mostly due to student needs. During the same period, public service (WBJC) expenses decreased by \$95,744 due to the retirement of two employees.

Statement of Cash Flows

An additional method to assess the financial health of the 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 the College during a defined period. The Statement of Cash Flows also helps users access:

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

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Statement of Cash Flows (continued)

Cash received from operations primarily consists of student tuition, sponsored program grants and contracts, and other revenues. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include State appropriations and private gifts used to fund operating activities. Cash and cash equivalents increased \$279,594 in 2018, compared to an increase of \$1,414,159 in fiscal year 2017.

Summary Information

	Years Ended June 30,		
	2018	2017	2016
Cash (used in) provided by:			
Operating activities	\$ (48,584,918)	\$ (49,560,972)	\$ (53,519,341)
Noncapital financing activities	51,288,534	52,299,878	54,414,847
Capital and related financing activities	(3,041,294)	(1,902,282)	(2,364,058)
Investing activities	617,272	577,535	397,447
Net change in cash and cash equivalents	279,594	1,414,159	(1,071,105)
Cash and cash equivalents, beginning of year	35,017,557	33,603,398	34,674,503
Cash and Cash Equivalents, End of Year	\$ 35,297,151	\$ 35,017,557	\$ 33,603,398

During 2018, net cash used in operating activities decreased by \$976,054, due to decrease in payments to suppliers and contractors. Cash provided by noncapital financing activities decreased in 2018 by \$1,011,344, due to the decrease in net State Appropriations. This was offset by an increase in capital and related financing activities of \$1,139,012, due to a increase in purchases of capital assets and by an increase in cash provided by investing activities of \$39,737, for an overall increase in cash of \$279,594.

Capital Assets

As of June 30, 2018, the College had recorded \$138,076,665 in capital assets, \$86,411,264 in accumulated depreciation and \$51,665,401 in net capital assets. This represents a \$2,994,925 increase in capital assets over fiscal year 2017 and a \$1,858,856 increase over fiscal year 2016.

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Capital Assets (continued)

	As of June 30,		
	2018	2017	2016
Capital assets			
Land and improvements	\$ 14,957,632	\$ 12,803,588	\$ 11,476,930
Building and improvements	86,317,820	86,317,820	86,317,820
Furniture, fixtures and equipment	32,114,493	31,273,612	30,741,414
Library materials	4,686,720	4,686,720	4,686,720
Total	<u>138,076,665</u>	<u>135,081,740</u>	<u>133,222,884</u>
Less accumulated depreciation	<u>86,411,264</u>	<u>82,894,655</u>	<u>79,418,881</u>
Net Capital Assets	<u>\$ 51,665,401</u>	<u>\$ 52,187,085</u>	<u>\$ 53,804,003</u>

Enrollment Statistics and Analysis

For the year ended June 30, 2018, the College served approximately 6,054 credit and 8,015 noncredit students (unduplicated headcount). Student enrollment data is defined and reported annually to the Maryland Higher Educational Commission (MHEC) in terms of full-time equivalent (FTE), students which represent 30 hours of instruction. For the year ended June 30, 2018, the 6,054 credit and 8,015 noncredit headcount translated to 2,205.6 and 1,768.0 credit and noncredit audited eligible FTEs respectively. Total unduplicated headcount for fiscal year 2018 was 13,974.

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Credit	2,205.6	2,302.1	2,529.0	2,990.2	3,164.6	3,310.3	4,163.4	4,522.2	4,350.3
Noncredit	1,768.0	2,290.8	2,102.0	2,388.1	2,595.9	2,635.8	2,585.5	2,477.2	2,248.1
Total Eligible FTEs	<u>3,973.6</u>	<u>4,592.9</u>	<u>4,631.0</u>	<u>5,378.3</u>	<u>5,760.5</u>	<u>5,946.1</u>	<u>6,748.9</u>	<u>6,999.4</u>	<u>6,598.4</u>

Economic Outlook

BCCC provides outstanding educational, cultural, and social experiences to the citizens of Baltimore, the state of Maryland and surrounding areas. The College's accessible, affordable, comprehensive programs include college transfer and career preparation, technical training, and life skills training. The College provides a variety of student services that meet and support the learning needs of an increasingly diverse student population. BCCC is a dynamic higher education institution that is responsive to the changing needs of its stakeholders: individuals, businesses, government, and educational institutions of the community at large. BCCC strives to be the leader in providing quality education that responds to and meets the needs of a diverse population of learners, adding value to the community.

BALTIMORE CITY COMMUNITY COLLEGE

Management's Discussion and Analysis Years Ended June 30, 2018 and 2017

Economic Outlook (continued)

Executive management believes that the College is well positioned to maintain its strong financial condition and to continue providing excellent service to its students and the community. Enrollment demand, availability of funding for contracts and grants, and the State of Maryland support through operating and capital appropriations are the three most significant drivers of BCCC's revenue base.

The economy of the State of Maryland is experiencing many of the same effects that the rest of the nation is still experiencing as a result of the global state of the economy. The impact of the recession, and its impact on state government revenue, is expected to extend beyond fiscal year 2018. During two of the past three years, BCCC has held tuition rates constant, however, tuition rates increased in fiscal year 2018 and will increase in fiscal year 2019.

As executive management wrestles with today's uncertain economic factors, the College's prudent use of resources, cost-containment efforts, and development of other sources of revenue will strengthen the institution and will ensure that it is well positioned to take advantage of the next upturn in the business cycle.

Requests for Information

This financial report is intended to provide a general overview of Baltimore City Community College's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Vice President for Administration and Finance, 2901 Liberty Heights Avenue, Baltimore, Maryland 21215.

BALTIMORE CITY COMMUNITY COLLEGE

Statements of Net Position As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 35,297,151	\$ 35,017,557
Tuition receivable, net of allowance for doubtful accounts of \$3,407,176 and \$3,387,147, respectively	2,107,869	1,750,864
Grants receivable, net of allowance for doubtful accounts of \$508,194 and \$112,000, respectively	952,369	1,017,436
Accounts receivable - other	227,792	226,489
Inventories	245,395	436,341
Other assets	53,704	353,300
Total Current Assets	38,884,280	38,801,987
Non-Current Assets		
Investments	54,971	46,125
Capital assets, net	51,665,401	52,187,085
Total Non-Current Assets	51,720,372	52,233,210
Total Assets	90,604,652	91,035,197
Deferred Outflows of Resources- Pensions	8,733,574	10,442,628
Total Assets and Deferred Outflows	99,338,226	101,477,825
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities		
Accounts payable	3,262,951	2,575,899
Accrued salaries and other accrued expenses	2,264,698	2,810,856
Accrued workers' compensation, current portion	192,600	198,900
Accrued vacation costs, current portion	174,235	182,473
Obligations under capital lease agreements, current portion	49,512	46,369
Unearned revenue	317,430	873,652
Total Current Liabilities	6,261,426	6,688,149
Non-Current Liabilities		
Accrued workers' compensation	1,091,400	1,127,100
Accrued vacation costs	2,729,675	2,858,747
Capital lease obligations	731,013	780,526
Net Pension Liability	33,295,249	35,362,950
Total Non-Current Liabilities	37,847,337	40,129,323
Total Liabilities	44,108,763	46,817,472
Deferred Inflows of Resources - Pensions	4,339,324	3,126,896
Total Liabilities and Deferred Inflows	48,448,087	49,944,368
Net Position		
Net investment in capital assets	50,884,876	51,360,190
Unrestricted	5,263	173,267
Total Net Position	\$ 50,890,139	\$ 51,533,457

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

BALTIMORE CITY COMMUNITY COLLEGE

Statements of Revenue, Expenses and Changes in Net Position Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenue		
Tuition and fees	\$ 11,734,431	\$ 10,755,740
Less: Scholarship allowances	<u>(5,839,332)</u>	<u>(5,746,636)</u>
Tuition and fees, net	5,895,099	5,009,104
Federal grants and contracts	2,891,772	3,751,484
State and local grants and contracts	2,440,597	2,401,289
Sales and services of public service activities	1,444,971	1,398,861
Sales and services of auxiliary enterprise	1,625,965	2,048,897
Other	718,304	638,583
Total Operating Revenue	<u>15,016,708</u>	<u>15,248,218</u>
Operating Expenses		
Instruction	25,884,041	28,831,670
Academic support	7,646,508	7,428,826
Student services	6,296,439	6,698,440
Institutional support	13,353,505	12,916,871
Operation and maintenance of plant	6,143,498	7,083,018
Scholarships and fellowships	4,691,755	4,771,098
Auxiliary enterprises	2,146,995	2,365,306
Public service	1,411,937	1,507,681
Total Operating Expenses	<u>67,574,678</u>	<u>71,602,910</u>
Operating Loss	<u>(52,557,970)</u>	<u>(56,354,692)</u>
Non-Operating Revenue (Expenses)		
State appropriations	40,602,171	40,064,442
Reductions in State appropriations	<u>(1,170,947)</u>	-
Local appropriations	588,359	598,494
Investment income	617,272	577,535
Rental income	2,064,497	2,096,897
Community service grant from Corporation of Public Broadcasting	145,521	152,658
Public service other grants	81,506	89,371
Grants and contracts	8,988,757	9,305,876
Other non-operating expense, net	<u>(2,484)</u>	<u>(2,185)</u>
Net non-operating revenue	<u>51,914,652</u>	<u>52,883,088</u>
Net decrease in net position	<u>(643,318)</u>	<u>(3,471,604)</u>
Net position, beginning of year	<u>51,533,457</u>	<u>55,005,061</u>
Net Position, End of Year	<u>\$ 50,890,139</u>	<u>\$ 51,533,457</u>

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

BALTIMORE CITY COMMUNITY COLLEGE

Statements of Cash Flows Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Tuition and fees	\$ 4,981,873	\$ 5,122,860
Research contracts and grants	5,396,135	6,627,141
Sales and services of public services activities	1,444,971	1,398,861
Auxiliaries sales and services	1,625,965	2,048,897
Payments to employees	(47,182,206)	(48,207,825)
Payments to suppliers and contractors	(15,569,960)	(17,189,489)
Other	718,304	638,583
Net Cash From Operating Activities	<u>(48,584,918)</u>	<u>(49,560,972)</u>
Cash Flows From Noncapital Financing Activities		
State appropriations	39,431,224	40,064,442
Local appropriations	588,359	598,494
Community service grant from the Corporation of Public Broadcasting	145,521	152,658
Public service other grants	81,506	89,371
Grants and contracts	8,988,757	9,305,876
Loan fund, net	(2,484)	(2,182)
Other assets	(8,846)	(5,675)
Other	2,064,497	2,096,894
Net Cash From Noncapital Financing Activities	<u>51,288,534</u>	<u>52,299,878</u>
Cash Flows From Capital And Related Financing Activities		
Purchases of capital assets	(2,994,925)	(1,858,856)
Payments on capital leases	(46,369)	(43,426)
Net Cash From Capital and Related Financing Activities	<u>(3,041,294)</u>	<u>(1,902,282)</u>
Cash Flows From Investing Activities		
Investment income	617,272	577,535
Net Cash From Investing Activities	<u>617,272</u>	<u>577,535</u>
Net change in cash and cash equivalents	279,594	1,414,159
Cash and cash equivalents, beginning of year	35,017,557	33,603,398
Cash and Cash Equivalents, End of Year	<u>\$ 35,297,151</u>	<u>\$ 35,017,557</u>

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

BALTIMORE CITY COMMUNITY COLLEGE**Statements of Cash Flows (continued)
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	\$ (52,557,970)	\$ (56,354,692)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	3,516,609	3,475,774
Effective of Changes in Non-Cash Operating Assets and Liabilities		
Tuition receivables, net	(357,006)	156,308
Grantors and other receivables	63,766	474,369
Inventory	190,946	(33,534)
Other Assets	299,597	106,705
Accounts payable	687,052	451,561
Accrued salaries and other accrued expenses	(546,159)	650,442
Net Pension liability	853,780	1,161,555
Workers' compensation	(42,000)	270,000
Accrued vacation	(137,311)	123,092
Unearned revenue	(556,222)	(42,552)
Net Cash From Operating Activities	<u>\$ (48,584,918)</u>	<u>\$ (49,560,972)</u>

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

BALTIMORE CITY COMMUNITY COLLEGE

**Statements of Financial Position – BCCC Foundation
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 87,286	\$ 137,720
Investments	16,470	22,158
Prepaid expenses	2,375	2,982
Due from related party	128,711	130,189
Student loans receivable, net	1,682	1,361
Total Current Assets	<u>236,524</u>	<u>294,410</u>
Non-Current Assets		
Property and equipment		
Computer equipment and software	21,789	23,608
Less accumulated depreciation	21,323	22,209
Total property and equipment, net	<u>466</u>	<u>1,399</u>
Investments (endowments)	1,247,708	1,150,017
Total Non-Current Assets	<u>1,248,174</u>	<u>1,151,416</u>
Total Assets	<u>\$ 1,484,698</u>	<u>\$ 1,445,826</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,590	\$ 68
Deferred revenue	148,427	156,751
Total Liabilities	<u>150,017</u>	<u>156,819</u>
Net Assets		
Unrestricted		
Operations	60,201	20,109
Temporarily restricted	628,855	638,496
Permanently restricted	645,625	630,402
Total Net Assets	<u>1,334,681</u>	<u>1,289,007</u>
Total Liabilities and Net Assets	<u>\$ 1,484,698</u>	<u>\$ 1,445,826</u>

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

BALTIMORE CITY COMMUNITY COLLEGE**Statements of Activities – BCCC Foundation
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenue, Grants and Other Support		
Contributions and grants	\$ 231,366	\$ 397,608
Contributions and in-kind	237,894	262,107
Special events income	28,165	40,010
Investment income	82,070	103,358
Total Revenue, Grants and Other Support	<u>579,495</u>	<u>803,083</u>
Expenses		
Program services:		
Scholarships and fellowships	168,164	304,693
Supporting services:		
Management and general	360,292	331,307
Special events	5,365	3,957
Total Expenses	<u>533,821</u>	<u>639,957</u>
Change in Net Assets	<u>45,674</u>	<u>163,126</u>
Net Assets, beginning of year	<u>1,289,007</u>	<u>1,125,881</u>
Net Assets, End of Year	<u>\$ 1,334,681</u>	<u>\$ 1,289,007</u>

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

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

1. ORGANIZATION AND PURPOSE

Baltimore City Community College (BCCC or the College) is a component unit of the State of Maryland (the State) and is governed by its Board of Trustees (the Board); The Board is appointed by the governor of the State of Maryland, with the advice and consent of the Maryland State Senate.

BCCC's accessible, affordable, comprehensive programs include college transfer and career preparation, technical training, and life skills training. The College provides a variety of student services that meet and support the learning needs of an increasingly diverse student population. BCCC is a dynamic higher education institution that is responsive to the changing needs of its stakeholders: individuals, businesses, government, and educational institutions of the community at large.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the College are summarized below:

Reporting Entity - The accompanying financial statements of the College include all funds and organizations included in the legal entity encompassed by the College, and other legally separate entities for which the College is financially accountable. Amounts held in BCCC accounts on behalf of separately organized entities are included as assets, with a corresponding liability reflected.

The College has recognized, as an affiliated foundation, one organization created and operated in support of the interests of the College, Baltimore City Community College Foundation, Inc. (the Foundation). The affiliated Foundation is considered to (1) receive or hold economic resources that are to be used for the benefit of the College, (2) receive or hold economic resources which the College entitled to or otherwise have the ability to access, and (3) are significant to the financial statements of the College with which the foundation is affiliated. As a result, the affiliated foundation meets the criteria for inclusion in the financial reporting entity. The affiliated foundation is shown in a discrete presentation.

During the year ended June 30, 2018, the College managed the one-time distribution of \$37,571, from the Foundation, for restricted purposes for use as an Emergency Student Loan Program. Complete financial statements for the Foundation can be obtained from its Administrative Office at 2901 Liberty Heights Ave, Baltimore, MD 21215.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting - For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-college transactions have been eliminated.

Operating and Non-operating Revenue and Expenses - Operating revenue and expenses are generally associated with those activities that relate directly to the core activities of instruction, and public service that form the essence of the College's mission. Non-operating revenue, expenses, gains and losses represent amounts that recur regularly but are not included in operating revenue and expenses. State appropriations are considered non-operating revenue.

Cash and Cash Equivalents - Cash and cash equivalents include demand deposits with financial institutions, as well as highly liquid investments that are both readily convertible to known amounts of cash and are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates. Only investments with an original maturity of three months or less satisfy the criteria for cash equivalents. Funds invested with the Maryland State Treasurer are considered cash equivalents.

Investments - Investments with readily determinable fair market values are reportable at fair market value in the statement of net position. Gains and losses on investments for the year are reported in the statement of revenues, expenses and changes in net position as part of investment income.

Tuition and Accounts Receivable - Tuition receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable include amounts due from the Federal Government, State and local governments, or private sources, in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories - Inventories are valued at cost, determined under the first-in, first-out method, which is not in excess of net realizable value.

Other Assets - Other assets include prepaid postage, prepaid rents and other prepaid items to outside vendors.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$100 or more, and an estimated useful life of greater than one year. A renovation to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure is capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation expense is assigned to program expense based on the nature and use of the capital asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The range of useful lives used for the major categories of capital assets is:

Major Category	Estimated Life
Infrastructure and land improvements	20 - 25 years
Buildings and improvements	10 - 40 years
Library Books	10 years
Contents	5 - 15 years

Leasehold improvements are depreciated over the remaining life of the lease.

Unearned Revenue - Unearned revenues include amounts received from grants and contract sponsors that have not yet been earned.

Compensated Absences - Compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation costs in the statement of net position, and as a component of the appropriate functional category of expense in the statement of revenues, expenses, and changes in net position.

Noncurrent Liabilities - Noncurrent liabilities include principal amounts of capital lease obligations with contractual maturities greater than one year and estimated amounts for accrued vacation costs and workers' compensation that will not be paid within the next fiscal year.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

Certain employees of the College are members of the Maryland State Retirement and Pension System. Employees are members of either the Teacher's Pension System of the State of Maryland (TPS) or the Employees Retirement System of the State of Maryland (ERS). TPS and ERS are part of the State of Maryland Retirement and Pension System which is considered a single multiple employer cost sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TPS and ERS and additions to/deductions from TPS and ERS' fiduciary net position have been determined on the same basis as they are reported by TPS and ERS. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets

This represents the College's total investment in capital assets, net of related debt.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted Net Position

Unrestricted net position represents cumulative resources derived from student tuition and fees, state appropriations, and sales and services of public service activities and auxiliary enterprises in excess of expenses. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward unrestricted resources, and then toward restricted resources.

Classification of Revenue - The College has classified its revenue as either operating or non-operating revenue according to the following criteria.

- (a) *Operating revenue*: Operating revenue include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) funds derived from Federal grants and contracts, (3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (4) other revenues such as parking and administrative cost allowance.
- (b) *Non-operating revenue*: Non-operating revenue include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances - Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenue from governmental grants and other state and nongovernmental programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management - The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The College participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and antitrust liabilities and certain employee health benefits.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Tax Status - As a state institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Implementation of Accounting Pronouncements

The State of Maryland and its related agencies adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. The costs for postretirement benefits are for State and State agency retirees are primarily funded by the State. The State does not distinguish employees by employer/State agency. For the years ended June 30, 2018 and 2017, the State did not allocate postemployment health care costs to State agency participating employers and, as a result, did not require a contribution from the State. As such, the State has elected to maintain the entire Net OPEB liability as a liability of the general fund of the State and has not allocated any balances to State agencies, including the College.

The GASB issued statements No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, GASB No. 81, *Irrevocable Split-Interest Agreements*, GASB No. 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*, GASB 83, *Certain Asset Retirement Obligations*, GASB No. 84, *Fiduciary Activities*, GASB No. 85, *Omnibus 2017*, GASB No 86, *Certain Debt Extinguishment Issues*, GASB No. 87, *Leases*, and GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. These statements may have a material effect on the College's financial statements once implemented. The College will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective date.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification

Certain amounts have been reclassified from their prior year presentation in order to conform to current year. This reclassification did not affect the results of operations.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents - College

As of June 30, 2018 and 2017, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$35,251,511 and \$34,969,363, respectively. The State Treasurer has statutory responsibility for the State's cash management activities. The State Treasurer maintains State funds on a pooled basis in accordance with the Annotated Code of Maryland. The Annotated Code of Maryland requires the College to maintain its cash balances on deposit with the State Treasurer, except for demand and time deposit accounts established to satisfy urgent cash requirements or assets associated with the College.

As of June 30, 2018 and 2017, the College's amount due from the Treasurer was less than 1% of total deposits with the Treasurer. For additional information on cash risk, see the State of Maryland Comprehensive Annual Financial Report for the year ended June 30, 2018. The bank balance related to the cash in bank as of June 30, 2018 and 2017 was \$45,640 and \$48,194, respectively.

Cash as of June 30, consisted of:

	<u>2018</u>	<u>2017</u>
Cash in bank	\$ 45,640	\$ 48,194
Held by Treasurer	<u>35,251,511</u>	<u>34,969,363</u>
Total Cash	<u><u>\$ 35,297,151</u></u>	<u><u>\$ 35,017,557</u></u>

Fair Value

The accounting guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Fair Value (continued)

measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the accounting guidance are described as follows:

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market or actively traded over-the-counter markets. Investments in mutual funds and stocks, including money market fund assets held by brokers, are presented under Level 1.

- Level 2 Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

- Level 3 Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

For money market funds, cost approximates fair value. Equity securities and mutual funds are valued at fair value based on quoted market prices at year-end.

BALTIMORE CITY COMMUNITY COLLEGE

**Notes to Financial Statements
Years Ended June 30, 2018 and 2017**

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments – WBJC

Donated investments from listeners were bequeathed to WBJC. These investments are measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as following:

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual stock funds	\$ 10,950	\$ 10,950	\$ -	\$ -
Stock	43,701	43,701	-	-
Bonds	320	320	-	-
Total Investments	\$ 54,971	\$ 54,971	\$ -	\$ -

	2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual stock funds	\$ 11,762	\$ 11,762	\$ -	\$ -
Stock	34,048	34,048	-	-
Bonds	315	315	-	-
Total Investments	\$ 46,125	\$ 46,125	\$ -	\$ -

BALTIMORE CITY COMMUNITY COLLEGE

**Notes to Financial Statements
Years Ended June 30, 2018 and 2017**

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments – Foundation

Assets measured at fair value on a recurring basis are summarized by level within the fair value hierarchy as following:

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 16,470	\$ 16,470	\$ -	\$ -
Equity mutual funds	710,474	710,474	-	-
Stock	314,633	314,633	-	-
Exchange-traded funds	222,601	222,601	-	-
Total Investments	\$ 1,264,178	\$ 1,264,178	\$ -	\$ -

	2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 22,158	\$ 22,158	\$ -	\$ -
Equity mutual funds	601,519	601,519	-	-
Stock	338,096	338,096	-	-
Exchange-traded funds	210,402	210,402	-	-
Total Investments	\$ 1,172,175	\$ 1,172,175	\$ -	\$ -

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College adheres to the State Treasurer’s policy for managing its exposure to fair value loss arising from increasing interest rates.

The State Treasurer’s investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasurer will not directly invest in securities maturing more than five years from the date of purchase.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the State Treasurer's policy, which requires that the State Treasurer's investments in repurchase agreement be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

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 to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institutions' trust department or agent but not in the College's name. The College does not have a formal deposit policy for custodial credit risk but follow the State Treasurer's policy which states that the State Treasurer may deposit in a financial institution in the State, any unexpended or surplus money in which the State Treasurer has custody. As of June 30, 2018, and 2017, 99.9% of the College's cash was deposited with the State Treasury and this was not subject to custodial risk.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

4. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2018:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Capital Assets Not Being Depreciated				
Land	\$ 7,207,467	\$ -	\$ -	\$ 7,207,467
Constuction in-process	4,187,014	2,154,044	-	6,341,058
Total capital assets not being depreciated	<u>11,394,481</u>	<u>2,154,044</u>	<u>-</u>	<u>13,548,525</u>
Capital Assets Being Depreciated				
Infrastructure	858,509	-	-	858,509
Land improvements	550,598	-	-	550,598
Buildings	80,116,100	-	-	80,116,100
Leashold improvements	269,901	-	-	269,901
Building improvements	5,931,819	-	-	5,931,819
Furniture, fixtures and equipment	31,273,612	840,881	-	32,114,493
Library materials	4,686,720	-	-	4,686,720
Total capital assets being depreciated	<u>123,687,259</u>	<u>840,881</u>	<u>-</u>	<u>124,528,140</u>
Less accumulated depreciation:				
Infrastructure	858,510	-	-	858,510
Land improvements	388,583	-	-	388,583
Buildings	43,680,022	2,049,742	-	45,729,764
Leashold improvements	269,901	-	-	269,901
Building improvements	2,269,084	839,071	-	3,108,155
Furniture, fixtures and equipment	30,907,942	607,709	-	31,515,651
Library materials	4,520,613	20,087	-	4,540,700
Total accumulated depreciation	<u>82,894,655</u>	<u>3,516,609</u>	<u>-</u>	<u>86,411,264</u>
Total accumulated depreciation	<u>82,894,655</u>	<u>3,516,609</u>	<u>-</u>	<u>86,411,264</u>
Depreciable capital assets, net	<u>40,792,604</u>	<u>(2,675,728)</u>	<u>-</u>	<u>38,116,876</u>
Capital assets summary:				
Capital assets not being depreciated	11,394,481	2,154,044	-	13,548,525
Capital assets being depreciated, at cost	123,687,259	840,881	-	124,528,140
Total cost of capital assets	<u>135,081,740</u>	<u>2,994,925</u>	<u>-</u>	<u>138,076,665</u>
Less accumulated depreciation	82,894,655	3,516,609	-	86,411,264
Capital Assets, Net	<u>\$ 52,187,085</u>	<u>\$ (521,684)</u>	<u>\$ -</u>	<u>\$ 51,665,401</u>

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

4. CAPITAL ASSETS (continued)

Following are the changes in capital assets for the year ended June 30, 2017:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Capital Assets Not Being Depreciated				
Land	\$ 7,207,467	\$ -	\$ -	\$ 7,207,467
Constuction in-process	2,860,356	1,326,658	-	4,187,014
Total capital assets not being depreciated	<u>10,067,823</u>	<u>1,326,658</u>	<u>-</u>	<u>11,394,481</u>
Capital Assets Being Depreciated				
Infrastructure	858,509	-	-	858,509
Land improvements	550,598	-	-	550,598
Buildings	80,116,100	-	-	80,116,100
Leashold improvements	269,901	-	-	269,901
Building improvements	5,931,819	-	-	5,931,819
Furniture, fixtures and equipment	30,741,414	532,198	-	31,273,612
Library materials	4,686,720	-	-	4,686,720
Total capital assets being depreciated	<u>123,155,061</u>	<u>532,198</u>	<u>-</u>	<u>123,687,259</u>
Less accumulated depreciation:				
Infrastructure	759,807	98,703	-	858,510
Land improvements	388,583	-	-	388,583
Buildings	41,588,344	2,091,678	-	43,680,022
Leashold improvements	269,901	-	-	269,901
Building improvements	1,430,014	839,070	-	2,269,084
Furniture, fixtures and equipment	30,481,706	426,236	-	30,907,942
Library materials	4,500,526	20,087	-	4,520,613
Total accumulated depreciation	<u>79,418,881</u>	<u>3,475,774</u>	<u>-</u>	<u>82,894,655</u>
Total accumulated depreciation	79,418,881	3,475,774	-	82,894,655
Depreciable capital assets, net	<u>43,736,180</u>	<u>(2,943,576)</u>	<u>-</u>	<u>40,792,604</u>
Capital assets summary:				
Capital assets not being depreciated	10,067,823	1,326,658	-	11,394,481
Capital assets being depreciated, at cost	123,155,061	532,198	-	123,687,259
Total cost of capital assets	<u>133,222,884</u>	<u>1,858,856</u>	<u>-</u>	<u>135,081,740</u>
Less accumulated depreciation	79,418,881	3,475,774	-	82,894,655
Capital Assets, Net	<u>\$ 53,804,003</u>	<u>\$ (1,616,918)</u>	<u>\$ -</u>	<u>\$ 52,187,085</u>

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Amount Due Within One Year
Accrued workers' compensation	\$ 1,326,000	\$ -	\$ 42,000	\$ 1,284,000	\$ 192,600
Accrued vacation costs	3,041,220	1,800,088	1,937,398	2,903,910	174,235
Capital lease obligations	826,895	-	46,370	780,525	49,512
Net Pension Liability	35,362,950	-	2,067,701	33,295,249	-
Total long-term liabilities	<u>\$ 40,557,065</u>	<u>\$ 1,800,088</u>	<u>\$ 4,093,469</u>	<u>\$ 38,263,684</u>	<u>\$ 416,347</u>

Long-term liability activity for the year ended June 30, 2017, was as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Amount Due Within One Year
Accrued workers' compensation	\$ 1,056,000	\$ 447,298	\$ 177,298	\$ 1,326,000	\$ 198,900
Accrued vacation costs	2,918,128	1,700,419	1,577,327	3,041,220	182,473
Capital lease obligations	870,321	-	43,426	826,895	46,369
Net Pension Liability	32,217,062	3,145,888	-	35,362,950	-
Total long-term liabilities	<u>\$ 37,061,511</u>	<u>\$ 5,293,605</u>	<u>\$ 1,798,051</u>	<u>\$ 40,557,065</u>	<u>\$ 427,742</u>

6. PENSION PLANS

General Information about the Pension Plan

Plan description. Teachers employed by the College are provided with pensions through the Teacher's Pension System of the State of Maryland (TPS) - a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). Certain employees of the College are provided with pensions through the Employees Retirement System of the State of Maryland (ERS) - a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990 to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provision which are applicable to separate portion of this System's membership. The retirement plan provision are only applicable to those members who, on the date they elected to participate in LEOPS,

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

6. PENSION PLANS (continued)

General Information about the Pension Plan (continued)

were members of the Employees' Retirement System. This System's pension plan provision are applicable to all other participating law enforcement officers.

Benefits provided. A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

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

Exceptions to these benefit formulas apply to members of the Employees' Pension System who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

6. PENSION PLANS (continued)

General Information about the Pension Plan (continued)

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 year of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals $1/50$ (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus $1/100$ (1.0%) of the members AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provision, full service pension allowances equals 2.0% of AFC up to a maximum benefit of 60% (30 years of credit).

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Members of the Law Enforcement Officers and Police Systems are not eligible for early service benefits.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

6. PENSION PLANS (continued)

Death and Disability Benefits (continued)

Contributions. (ERS and TPS) The State Personnel and Pensions Article requires both active members and their respective employers to make contributions to the System. Rates for required contributions by active members are established by law. Members of the Teachers' and Employees' Retirement Systems are required to contribute 7% or 5% of earnable compensation depending upon the retirement option selected. Members of the State Police System are required to contribution 8% of earnable compensation.

The College's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The State of Maryland did not make contributions on behalf of the College for the years ended June 30, 2018 and 2017.

The College's contractually required contribution rate for the years ended June 30, 2018 and 2017, was \$3,629,680 and \$3,751,900, respectively, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

As of June 30, 2018 and 2017, the College reported a liability of \$33,295,249 and \$35,362,950, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2018 and 2017, the College's proportion was 0.163% and 0.160%, respectively.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

6. PENSION PLANS (continued)

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

For the year ended June 30, 2018, the College recognized a pension expense of approximately \$853,780. For the year ended June 30, 2017, the College recognized a pension benefit of approximately \$1,161,555. As of June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to the net pension liability from the following sources as follows:

	As of June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of actuarial assumptions	\$ 1,054,252	\$ -
Changes in allocation	-	(153,812)
Net difference between projected and actual earnings on pension plan investments	4,049,642	(1,951,779)
Difference between expected and actual experience	-	(2,233,733)
Contributions made subsequent to the measurement date	3,629,680	-
Total	\$ 8,733,574	\$ (4,339,324)

BALTIMORE CITY COMMUNITY COLLEGE

**Notes to Financial Statements
Years Ended June 30, 2018 and 2017**

6. PENSION PLANS (continued)

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

	<u>As of June 30, 2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of actuarial assumptions	\$ 1,373,827	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,001,501)
Difference between expected and actual experience	5,316,901	(1,243,104)
Contributions made subsequent to the measurement date	-	(882,291)
	<u>3,751,900</u>	
Total	<u>\$ 10,442,628</u>	<u>\$ (3,126,896)</u>

The College reported \$3,629,680 for 2018 as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The amounts reported as deferred outflows of resources and deferred inflows of resources related to the net pension liability will be recognized in pension expense as follows:

<u>Years Ending</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 5,742,792	\$ (1,690,053)
2020	2,030,967	(1,068,501)
2021	918,377	(903,556)
2022	41,438	(806,692)
2023	-	129,478
	<u>\$ 8,733,574</u>	<u>\$ (4,339,324)</u>

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

6. PENSION PLANS (continued)

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

Information included in the MSRPS financial statements

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate.

The College's proportionate share of the ERS net pension liability calculated using the discount rate of 7.50 percent is \$33,295,249. Additionally, the College's proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) is \$50,043,395 or 1-percentage-point higher (8.50 percent) is \$23,088,202.

In July, 2017, the Board of Trustees of the Maryland State Retirement and Pension System voted to reduce incrementally the System's actuarial assumed rate of return on its investments over the next two years from 7.55% to 7.45%. The Board also decided to reevaluate the rate in two years to determine if additional reductions will be necessary. The decision to reduce the assumed rate of return is part of the Board's overall strategy to increase the probability of achieving investment returns required to meet its obligations to its members. Recognizing that both the inflation experience and expectations for future inflation remain lower than the rate currently assumed, the Board felt it reasonable to reduce the expected return accordingly.

Optional Retirement Programs

Another option for employees if they choose not to participate in the State System is the optional retirement program, which is a defined contribution money purchase plan funded currently each year and invested in specific funds offered by TIAA-CREF and Fidelity. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings.

Qualified employees are eligible to participate from the date of employment. For fiscal year 2018, State legislation provides that the College contribute 7.25% of covered employees' annual salaries. The College's contribution is calculated by taking the employees' annual salary multiplied by 7.25% and paid out over 20 pay periods. The employee does not have to contribute to the plan in order to receive the College's contribution. The College's contribution along with that of the employee is immediately and fully vested.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

6. PENSION PLANS (continued)

Optional Retirement Programs (continued)

Payroll for employees covered in the TIAA-CREF and Fidelity retirement plans during 2018 was \$2,512,298 (related to 33 employees) and \$1,300,468 (related to 20 employees), respectively. Payroll for employees covered in the TIAA-CREF and Fidelity retirement plans during 2017 was \$2,856,111 (related to 33 employees) and \$1,252,378 (related to 20 employees), respectively.

The amount contributed by the College for both plans was \$276,426 and \$304,885, for 2018 and 2017, respectively.

Other Postemployment Benefits

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (the Plan).

The Plan is a cost sharing defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers.

Financial information for the Plan is included in the State of Maryland Comprehensive Annual Financial Report, which can be obtained from the Comptroller of Maryland, Louis L. Goldstein Treasury Building, Annapolis, MD 21404.

A separate actuarial valuation is not performed for the College. The College's only obligation to the Plan is its **required annual contribution**, which it has fully funded during the years ended June 30, **2018 and 2017**. The amounts contributed for the year ended June 30, 2018 and 2017 were \$1,904,071 and \$2,231,442, respectively.

7. LEASES

Capital Leases

The College leases facilities from the University of Maryland – Baltimore for the College's Life Science Institute. In August 2009, the College entered into a ten year (with 2 renewal options in five year increments) capital lease for the Life Science Institute @UMB Bio Park located at 801 W. Baltimore Street. The capital lease relates to equipment in the building of specialized labs including built-in cabinetry and lab equipment. The leased equipment original amount was \$1,103,972, and included in capital assets.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

7. LEASES (continued)

Capital Leases (continued)

Future minimum lease payments under the capital lease as of June 30, 2018, were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2019	\$ 49,512	\$ 49,845	\$ 99,357
2020	52,867	46,490	99,357
2021	56,450	42,907	99,357
2022	60,275	39,082	99,357
2023	64,360	34,997	99,357
Thereafter	497,061	107,361	604,422
Total	\$ 780,525	\$ 320,682	\$ 1,101,207

Operating Leases

The College has certain lease agreements in effect that are considered operating leases, primarily for leased building space. During the years ended June 30, 2018 and 2017, payments were \$2,470,793 and \$2,427,093, respectively.

Future minimum payments on operating leases in effect June 30, 2018, with an initial or remaining non-cancelable term in excess of one year as of June 30, 2018, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 2,167,424
2020	585,838
2021	356,450
2022	104,653
2023	101,381
Total	\$ 3,315,746

Ground Leases

Lockwood Development

Baltimore City Community College owns 2.83 acres of property in the Inner Harbor East neighborhood under a 50 year ground lease to Lockwood Associates, LLC commencing February 1, 2000, with two additional 20-year options. The lease is for a mixed use of garage, office and retail. The carrying value of the land is \$1,968,068.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

7. LEASES (continued)

Ground Leases (continued)

The base rent for this property is subject to cumulative annual Consumer Price Index (CPI) adjustment with an annual change ceiling of 3% plus percentage rent equal to 2% of gross income. The table below indicates the projected operating lease revenue for the Lockwood Development.

<u>Years Ending June 30,</u>	<u>Ground Lease Revenue</u>
2019	\$ 1,895,385
2020	1,929,210
2021	1,963,779
2022	1,999,111
2023	2,015,063
2024-2028	10,434,412
2029-2033	10,897,048
2034-2038	11,382,008
2039-2043	11,885,431
2044-2048	12,398,513
2049-2050	5,115,430
Total	<u>\$ 71,915,390</u>

This lease generated \$1,853,446 and \$1,824,042, of lease revenue in fiscal year 2018 and 2017, respectively.

Revenue Leases

3101 Towanda Avenue

In April 2011, the College purchased 18.929 acres of property formerly known as Bon Secours. The College leases the property to professional healthcare entities on a month to month basis. The building is recorded at \$1,500,000, less accumulated depreciation of \$268,750 as of June 30, 2018. The land is recorded at \$260,000.

This lease generated \$176,232 during fiscal year 2018 and \$161,252, of lease revenue during fiscal year 2017.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

7. LEASES (continued)

Revenue Leases (continued)

Antenna Tower Site

In 1978, while the College was owned by Baltimore City, WBJC-FM moved its tower location from the Liberty Campus to the City Reservoir site in Pikesville. This move was done with the assistance of a Federal grant so the Station, the College, and the City of Baltimore could extend their services to a broader community.

The College entered into an agreement with Baltimore City in April 1988, to lease property at the Pikesville Reservoir Watershed to operate and maintain the antenna tower communication for WBJC-FM (College radio station). The College extended the term through 2022. In 2010, WBJC-FM funded an upgrade of the Tower site and replaced the main and auxiliary antenna. The cost of the new structure was \$1,013,915, the accumulated depreciation was \$380,928 and the net carrying value was \$632,987 as of June 30, 2018. The cost of the antenna was \$206,100, accumulated depreciation was \$52,097 and the net carrying value was \$154,002 as of June 30, 2018.

The College subleases part of the antenna tower to various vendors and agencies. Lessees include AT&T, National Oceanic and Atmospheric Administration (NOAA), and IHeart Media. NOAA is under a five year lease commencing June 2013; other lessees are under a month to month lease under a holdover tenancy to be continued until execution of a new lease or written notification of termination. The College is currently pursuing long term leases. These subleases generated \$102,329 and \$107,500 of lease revenue for the years ended 2018 and 2017, respectively.

Holocaust Memorial Site

The Holocaust Memorial Park (Memorial) was established in 1979 when the 1.1 acres of land owned by Baltimore City Community College located at the intersection of Lombard and Gay Streets in Baltimore City was leased to Baltimore City as the site of the Memorial. This agreement dated May 9, 1979, is entitled as the Holocaust Memorial Park Agreement. The term of the \$1 per year agreement is 98 years and is renewable thereafter from term to term unless terminated by mutual consent. The carrying cost of the land is \$764,961 as of June 30, 2018.

BALTIMORE CITY COMMUNITY COLLEGE

Notes to Financial Statements Years Ended June 30, 2018 and 2017

8. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Encumbrances and Commitments

As of June 30, 2018 and 2017, there was \$3,125,248 and \$1,225,756 of encumbrances and funds designated for future use reported in unrestricted net position. The College does not separately identify the reserve for encumbrances in unrestricted net position.

Grants and Contract Costs

Most grants and cost-reimbursable contracts specify the types of expenses for which the grant or contract funds may be used. The expenses made by the College under some of these grants and contracts are subject to audit. The College does not believe that an audit will disclose any disallowances that will be material to the financial statements.

Litigation

In the normal course of operations, certain claims have been brought against the College, which are in various states of resolution. Management believes that the ultimate resolution of the claims will not have a material adverse effect on the College's financial position.

9. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenue, expenses, and changes in net position are presented by natural classifications.

The following are expenses presented in functional classifications for the years ended June 30, 2018 and 2017.

BALTIMORE CITY COMMUNITY COLLEGE

**Notes to Financial Statements
Years Ended June 30, 2018 and 2017**

**9. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS
(continued)**

Functional Classification	2018			
	Natural Classification			
	Payments to Employees	Payments to Suppliers, Contractors, and Other	Depreciation and Loss on Disposals	Total
Instruction	\$ 19,899,453	\$ 4,686,131	\$ 1,298,457	\$ 25,884,041
Academic support	6,052,051	906,920	687,537	7,646,508
Student services	5,389,178	497,267	409,994	6,296,439
Institutional support	7,839,709	5,035,778	478,018	13,353,505
Operation and maintenance	5,314,623	224,778	604,097	6,143,498
Scholarships and fellowships	439,408	4,252,347	-	4,691,755
Auxiliary enterprises	578,859	1,564,508	3,628	2,146,995
Public service	985,456	391,603	34,878	1,411,937
Total by Functional Classification	\$ 46,498,737	\$ 17,559,332	\$ 3,516,609	\$ 67,574,678

Functional Classification	2017			
	Natural Classification			
	Payments to Employees	Payments to Suppliers, Contractors, and Other	Depreciation and Loss on Disposals	Total
Instruction	\$ 22,303,791	\$ 5,258,444	\$ 1,269,435	\$ 28,831,670
Academic support	6,037,474	695,025	696,327	7,428,826
Student services	5,753,689	529,875	414,876	6,698,440
Institutional support	7,536,310	4,912,017	468,544	12,916,871
Operation and maintenance	5,256,606	1,236,367	590,045	7,083,018
Scholarships and fellowships	501,437	4,269,661	-	4,771,098
Auxiliary enterprises	508,178	1,855,367	1,761	2,365,306
Public service	1,083,876	389,019	34,786	1,507,681
Total by Functional Classification	\$ 48,981,361	\$ 19,145,775	\$ 3,475,774	\$ 71,602,910

REQUIRED SUPPLEMENTARY INFORMATION

BALTIMORE CITY COMMUNITY COLLEGE

**Required Supplemental Information
Schedules of Proportionate Share of Net Pension Liability**

	June 30,			
	2018	2017	2016	2015
The College's proportion of the net pension liability	0.163%	0.160%	0.165%	0.140%
The College's proportionate share of the net pension liability	\$ 33,295,164	\$ 35,362,950	\$ 32,217,062	\$ 23,913,603
State's proportionate share of the net pension liability	<u>20,390,203,712</u>	<u>22,173,456,403</u>	<u>19,504,115,618</u>	<u>16,759,165,445</u>
Total	<u>\$ 20,423,498,876</u>	<u>\$ 22,208,819,353</u>	<u>\$ 19,536,332,680</u>	<u>\$ 16,783,079,048</u>
The College's covered-employee payroll	\$ 22,326,195	\$ 20,600,799	\$ 19,693,630	\$ 20,703,577
The College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.13%	171.66%	163.59%	115.50%
Plan fiduciary net position as a percentage of the total pension	69.38%	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

BALTIMORE CITY COMMUNITY COLLEGE

**Required Supplemental Information
Schedules of Contributions**

	June 30,			
	2018	2017	2016	2015
Contractually required contribution	\$ 3,629,680	\$ 3,751,900	\$ 3,159,030	\$ 3,267,530
Contributions in relation to the contractually required contribution	<u>(3,629,680)</u>	<u>(3,751,900)</u>	<u>(3,159,030)</u>	<u>(3,267,530)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 22,326,195	\$ 20,600,799	\$ 19,693,630	\$ 20,703,577
Contributions as a percentage of covered-employee payroll	16.26%	18.21%	16.04%	15.78%

This schedule is presented to illustrate the requirement to show information for 10 years.
However, information prior to June 30, 2015 is not available.

SUPPLEMENTAL DATA

BALTIMORE CITY COMMUNITY COLLEGE

**Combining Schedule of Net Position
As of June 30, 2018**

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 35,297,151	\$ 87,286	\$ 35,384,437
Investments, current	-	16,470	16,470
Tuition receivable, net of allowance for doubtful accounts of \$3,407,176	2,107,869	-	2,107,869
Accounts receivable:			
Grantors	952,369	-	952,369
Other	227,792	-	227,792
Contributions receivable, net	-	130,393	130,393
Prepaid expenses	-	2,375	2,375
Inventory	245,395		245,395
Other assets	53,704	-	53,704
Total Current Assets	38,884,280	236,524	39,120,804
Non-current Assets			
Endowment investments	-	1,247,708	1,247,708
Other investments	54,971	-	54,971
Capital assets, net	51,665,401	466	51,665,867
Total Non-current Assets	51,720,372	1,248,174	52,968,546
Total Assets	90,604,652	1,484,698	92,089,350
Deferred Outflows of Resources -			
Pensions	8,733,574	-	8,733,574
Total Assets and Deferred Outflows	\$ 99,338,226	\$ 1,484,698	\$ 100,822,924

BALTIMORE CITY COMMUNITY COLLEGE

**Combining Schedule of Net Position (continued)
As of June 30, 2018**

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS, AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 3,262,951	\$ 1,590	\$ 3,264,541
Accrued salaries and other accrued expenses	2,264,698	-	2,264,698
Accrued workers' compensation, current portion	192,600	-	192,600
Accrued vacation costs, current portion	174,235	-	174,235
Obligations under capital lease agreements, current portion	49,512	-	49,512
Unearned revenue	317,430	148,427	465,857
Total Current Liabilities	6,261,426	150,017	6,411,443
Non-current Liabilities			
Accrued workers' compensation	1,091,400	-	1,091,400
Accrued vacation costs	2,729,675	-	2,729,675
Capital lease obligations	731,013	-	731,013
Net Pension Liability	33,295,249	-	33,295,249
Total Non-current Liabilities	37,847,337	-	37,847,337
Total Liabilities	44,108,763	150,017	44,258,780
Deferred Inflows of Resources - Pensions	4,339,324	-	4,339,324
Total Liabilities and Deferred Inflows	48,448,087	150,017	48,598,104
Net Position			
Unrestricted net assets	5,263	60,201	65,464
Net investment in capital assets	50,884,876	-	50,884,876
Restricted for:			
Foundation temporary	-	628,855	628,855
Foundation permanent	-	645,625	645,625
Total Net Position	\$ 50,890,139	\$ 1,334,681	\$ 52,224,820

BALTIMORE CITY COMMUNITY COLLEGE

Combining Schedule of Net Position As of June 30, 2017

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 35,017,557	\$ 137,720	\$ 35,155,277
Investments, current	-	22,158	22,158
Tuition receivable, net of allowance for doubtful accounts of \$3,116,994	1,750,864	-	1,750,864
Accounts receivable:			
Grantors	1,017,436	-	1,017,436
Other	226,489	-	226,489
Prepaid expenses	-	2,982	2,982
Inventory	436,341		436,341
Other assets	353,300	-	353,300
Total Current Assets	<u>38,801,987</u>	<u>162,860</u>	<u>38,964,847</u>
Non-current Assets			
Endowment investments	-	1,150,017	1,150,017
Other investments	46,125	-	46,125
Capital assets, net	52,187,085	1,399	52,188,484
Total Non-current Assets	<u>52,233,210</u>	<u>1,151,416</u>	<u>53,384,626</u>
Total Assets	<u>91,035,197</u>	<u>1,314,276</u>	<u>92,349,473</u>
Deferred Outflows of Resources -			
Pensions	10,442,628	-	10,442,628
Total Assets and Deferred Outflows	<u>\$ 101,477,825</u>	<u>\$ 1,314,276</u>	<u>\$ 102,792,101</u>

BALTIMORE CITY COMMUNITY COLLEGE

**Combining Schedule of Net Position (continued)
As of June 30, 2017**

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
LIABILITIES, DEFFERED INFLOWS, AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 2,575,899	\$ 68	\$ 2,575,967
Accrued salaries and other accrued expenses	2,810,856	-	2,810,856
Accrued workers' compensation, current portion	198,900	-	198,900
Accrued vacation costs, current portion	182,473	-	182,473
Obligations under capital lease agreements, current portion	46,369	-	46,369
Unearned revenue	873,652	156,751	1,030,403
Total Current Liabilities	<u>6,688,149</u>	<u>156,819</u>	<u>6,844,968</u>
Non-current Liabilities			
Accrued workers' compensation	1,127,100	-	1,127,100
Accrued vacation costs	2,858,747	-	2,858,747
Capital lease obligations	780,526	-	780,526
Net Pension Liability	35,362,950	-	35,362,950
Total Non-current Liabilities	<u>40,129,323</u>	<u>-</u>	<u>40,129,323</u>
Total Liabilities	<u>46,817,472</u>	<u>156,819</u>	<u>46,974,291</u>
Deferred Inflows of Resources - Pensions	<u>3,126,896</u>	<u>-</u>	<u>3,126,896</u>
Total Liabilities and Deferred Inflows	<u>49,944,368</u>	<u>156,819</u>	<u>50,101,187</u>
Net Position			
Unrestricted net assets	173,267	20,109	193,376
Net investment in capital assets	51,360,190	-	51,360,190
Restricted for:			
Foundation temporary	-	638,496	638,496
Foundation permanent	-	630,402	630,402
Total Net Position	<u>\$ 51,533,457</u>	<u>\$ 1,289,007</u>	<u>\$ 52,822,464</u>

BALTIMORE CITY COMMUNITY COLLEGE

Combining Schedule of Revenue, Expenses and Changes in Net Position Year Ended June 30, 2018

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Operating Revenue			
Tuition and fees	\$ 11,734,431	\$ -	\$ 11,734,431
Less: Scholarship allowances	(5,839,332)	-	(5,839,332)
Tuition and fees, net	5,895,099	-	5,895,099
Federal grants and contracts	2,891,772	-	2,891,772
State and local grants and contracts	2,440,597	-	2,440,597
Contributions and grants	-	231,366	231,366
Sales and services of public service activities	1,444,971	-	1,444,971
Sales and services of auxiliary enterprise	1,625,965	-	1,625,965
Other operating revenue	718,304	28,165	746,469
Total Operating Revenue	15,016,708	259,531	15,276,239
Operating Expenses			
Instruction	25,884,041	-	25,884,041
Academic support	7,646,508	-	7,646,508
Student services	6,296,439	-	6,296,439
Institutional support	13,353,505	127,763	13,481,268
Operation and maintenance of plant	6,143,498	-	6,143,498
Scholarships and fellowships	4,691,755	168,164	4,859,919
Auxiliary enterprises	2,146,995	-	2,146,995
Public service	1,411,937	-	1,411,937
Total Operating Expenses	67,574,678	295,927	67,870,605
Operating Loss	(52,557,970)	(36,396)	(52,594,366)
Non-Operating Revenue (Expenses)			
State appropriations	40,602,171	-	40,602,171
Reduction in State appropriations	(1,170,947)	-	(1,170,947)
Local appropriations	588,359	-	588,359
Pell Grants	8,988,757	-	8,988,757
Investment income	617,272	82,070	699,342
Rental income	2,064,497	-	2,064,497
Community Service grant from Corporation of Public Broadcasting	145,521	-	145,521
Public service other grants	81,506	-	81,506
Other non-operating revenue (expense)	(2,484)	-	(2,484)
Net non-operating revenue	51,914,652	82,070	51,996,722
Net (decrease) increase in net assets	(643,318)	45,674	(597,644)
Net position, beginning of year	51,533,457	1,289,007	52,822,464
Net position, End of Year	\$ 50,890,139	\$ 1,334,681	\$ 52,224,820

BALTIMORE CITY COMMUNITY COLLEGE

Combining Schedule of Revenue, Expenses and Changes in Net Position Year Ended June 30, 2017

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Operating Revenue			
Tuition and fees	\$ 10,755,740	\$ -	\$ 10,755,740
Less: Scholarship allowances	(5,746,636)	-	(5,746,636)
Tuition and fees, net	5,009,104	-	5,009,104
Federal grants and contracts	3,751,484	-	3,751,484
State and local grants and contracts	2,401,289	-	2,401,289
Contributions and grants	-	397,608	397,608
Sales and services of public service activities	1,398,861	-	1,398,861
Sales and services of auxiliary enterprise	2,048,897	-	2,048,897
Other operating revenue	638,583	40,010	678,593
Total Operating Revenue	15,248,218	437,618	15,685,836
Operating Expenses			
Instruction	28,831,670	-	28,831,670
Academic support	7,428,826	-	7,428,826
Student services	6,698,440	-	6,698,440
Institutional support	12,916,871	73,157	12,990,028
Operation and maintenance of plant	7,083,018	-	7,083,018
Scholarships and fellowships	4,771,098	304,693	5,075,791
Auxiliary enterprises	2,365,306	-	2,365,306
Public service	1,507,681	-	1,507,681
Total Operating Expenses	71,602,910	377,850	71,980,760
Operating Loss	(56,354,692)	59,768	(56,294,924)
Non-Operating Revenue (Expenses)			
State appropriations	40,064,442	-	40,064,442
Local appropriations	598,494	-	598,494
Pell Grants	9,305,876	-	9,305,876
Investment income	577,535	103,358	680,893
Rental income	2,096,897	-	2,096,897
Community Service grant from Corporation of Public Broadcasting	152,658	-	152,658
Public service other grants	89,371	-	89,371
Other non-operating revenue (expense)	(2,185)	-	(2,185)
Net non-operating revenue	52,883,088	103,358	52,986,446
Net (decrease) increase in net assets	(3,471,604)	163,126	(3,308,478)
Net position, beginning of year	55,005,061	1,125,881	56,130,942
Net position, End of Year	\$ 51,533,457	\$ 1,289,007	\$ 52,822,464