Electronic versions of this report are provided for information only and for the convenience of the reader. While reasonable efforts have been made to ensure the integrity of electronic statements, they should not be relied on. A copy of the printed single audit will be provided upon written request made to: Howard Community College, 10901 Little Patuxent Parkway, Columbia, Maryland 21044: Attention: The office of the Vice-President of Administration and Finance.

Howard Community College

Financial Statements, Schedule of Expenditures of Federal Awards and Independent Auditor's Reports Required by *Government Auditing Standards* and OMB Circular A-133

For the Year Ended June 30, 2015

Howard Community College

Financial Statements, Schedule of Expenditures of Federal Awards and Independent Auditor’s Reports Required by *Government Auditing Standards* and OMB Circular A-133

For the Year Ended June 30, 2015

Howard Community College

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Independent Auditor's Report

To the Board of Trustees
Howard Community College
Columbia, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of **Howard Community College** (the "College"), a component unit of Howard County, Maryland, and its discretely presented component unit, the Howard Community College Educational Foundation, Inc., as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Howard Community College** and its discretely presented component unit as of June 30, 2015, and the respective changes in its net position and cash flows for the year 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 on pages 4 to 32 and Schedule of Howard Community College Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems on page 67 and the Schedule of Howard Community College's Contributions -Maryland State Retirement and Pension Systems on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and 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 the 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 audit was conducted for the purpose of forming opinion on the financial statement that collectively comprise of the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the College's internal control over financial reporting and compliance.

BDO USA, LLP

September 30, 2015

Management's Discussion and Analysis

HOWARD COMMUNITY COLLEGE

Management's Discussion and Analysis
June 30, 2015

Overview and Basis of Presentation

The following discussion and analysis provides an overview of Howard Community College's (referred to throughout as the "college" or "HCC") planning, enrollment, and financial activities. The intent of this section of the annual financial report is to provide an objective analysis of the college's financial activities based on currently known facts, decisions, or conditions that impacted the operations of the college during fiscal year (FY) 2015. In addition, this section should assist in assessing the financial position of the college and provide information about significant changes that have occurred. Finally, it presents an outlook on known conditions that may affect the college's financial position or operations in the coming years.

The college has presented the statements in compliance with the Governmental Accounting Standards Board (GASB) statement no. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and statement no. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*

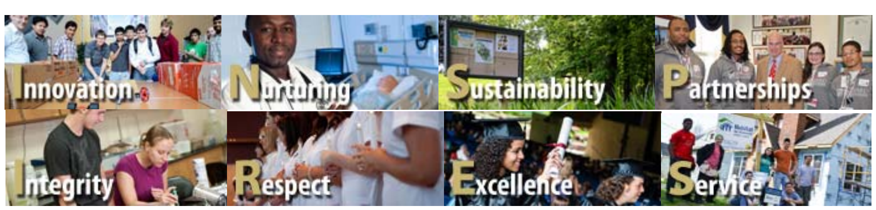
In compliance with GASB statement no. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements of the Howard Community College Educational Foundation, Inc. (referred to throughout as the "foundation" or "HCCEF") are presented discretely in the college's financial statements.

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

College Planning and Strategic Goals

The financial statements for the year ended June 30, 2015, reflect the financial results of the activities of the college, which are guided by the college's strategic planning and budget process. The strategic plan and the college's core work set the stage for the operational and financial goals the college expects to achieve. Long and short term goals guide the staff throughout the year and into the future. The college's mission, vision, and values follow.

Mission: Providing pathways to success
Vision: A place to discover greatness in yourself and others
Values: INSPIRES



College Planning and Strategic Goals (continued**)**

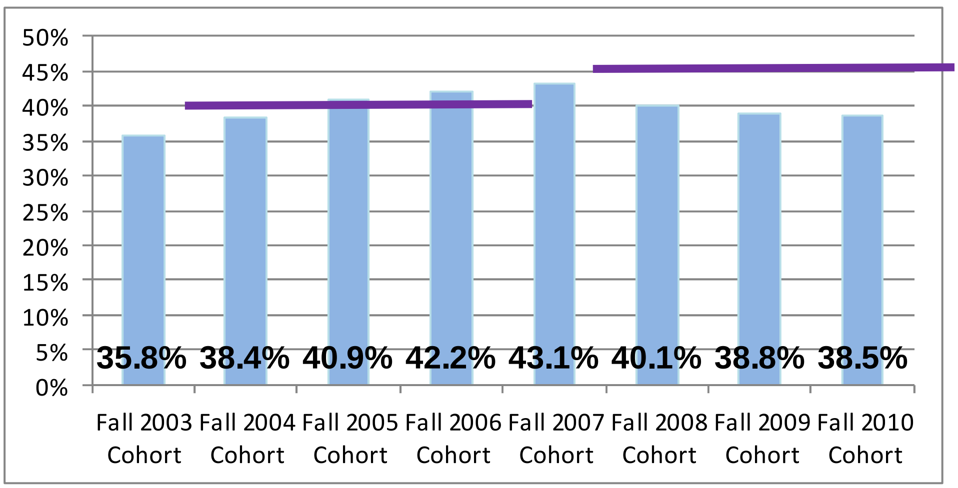
The strategic goals implemented for a five-year period, 2010-2015, with 2010 being the base year, are listed on the next set of pages. Each year during the budget process, funds are allocated to achieve these initiatives. The report includes the action plans in place for FY15 and the fiscal year accomplishments related to these action plans that impacted the college's financial operations.

Howard Community College

Strategic Plan Fiscal Years 2010–2015

Fiscal Year 2015 Report

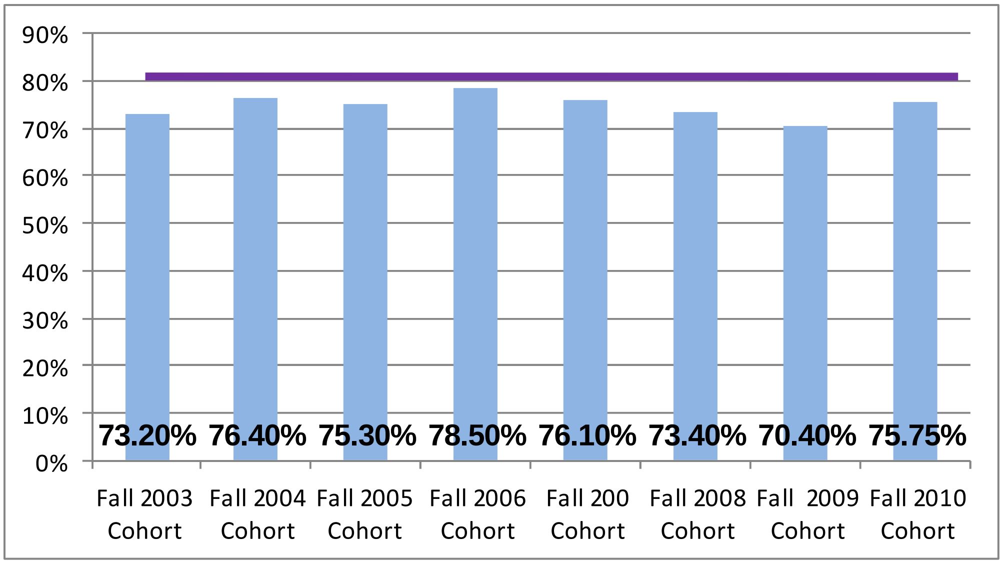
Strategic Goal #1. Student Success and Lifelong Learning	
1.1	***Increase percentage of developmental completers, four years after entry to HCC, from 35.8 percent (fall 2003 cohort) to 45 percent (fall 2011 cohort).*** *This is a Maryland Higher Education Commission (MHEC) Indicator.*
As of the fall 2010 cohort – 38.5% This arrow indicates change over FY14 performance: ↓	



	Lead	Action Plans for 2010–2015	Results by June 30, 2015
1.1A	VPSS VPAA	Continue College Readiness Program by testing 11th grade "regular" English students enrolled at all (12) HCPSS high schools and assisting students who fall short of being college ready. Continue to test math students to support alignment projects; evaluate impact of advising.	**Partially Accomplished and ongoing** The percentage of recent HCPSS graduates placing into developmental reading and writing decreased year over year; but there has been a very slight increase in the percentage of developmental mathematics placements. Fall 2014 placements into developmental mathematics are well below the fall 2008 level. In fall 2014, 30 percent of recent HCPSS graduates placed into developmental reading as compared to 33 percent in fall 2013 and to 32 percent in fall 2008. In fall 2014, 35 percent of recent HCPSS graduates placed into developmental writing as compared to 36 percent in fall 2013 and to 37 percent in fall 2008. In fall 2014, 61 percent of recent HCPSS graduates placed into developmental mathematics as compared to 60 percent in fall 2013 and to 67 percent in fall 2008.

	Lead	Action Plans for 2010–2015	Results by June 30, 2015
1.1B	VPAA	Investigate best practice peers and formulate a plan to increase the number of development completers. Evaluate impact of math course sequence. Identify and implement needed work to comply with College and Career Readiness and College Completion Act of 2013 (HCPSS-HCC transition course, developmental education course taking policy, etc.)	**Accomplished and ongoing** Beginning fall 2015, HCC will decrease the developmental MATH sequence from four to three courses. Policies were determined for placement and advising for current and new students into MATH-061 or adult basic education courses. All aspects of this change will be evaluated over the next two years. In fall 2014, implemented a new grading policy in MATH-070 that lowers the percent impact of the final exam to more closely match college-level classes; there was a 5.3 percent increase in ABC percentage. However, there was also a 1.7 percent increase in withdrawal rates. A new grading policy in MATH-061-067, based on the number of units mastered, was also implemented supporting the mastery learning model, with the goal of motivating students to complete. The change in the grading policy increased success rates in MATH-061 and MATH 067. Data on module completion levels is still being gathered. FYEX-100 was approved as a co-requisite for MATH-067 students. ENGL-121 ALP sections are offered in all areas of writing, reading, and ESL so that students who are near-college ready in either reading or writing and college ready in one of the areas may enroll in designated sections of ENGL-121, serving approximately 300 students each academic year. The success rate for ALP is comparable to that of standard sections. With the upper range of developmental students moving into ALP sections, the current developmental curriculum needs to be modified to meet the needs reflected by the lower skills level. Success rates are being collected and grades from the final exams will be examined. Instructors are considering types of changes that might facilitate increased student learning.

1.2	***Increase student successful-persistence rate after four years for all students from 73.2 percent (fall 2003 cohort) to 80 percent (fall 2011 cohort).*** *MHEC Indicator*
As of the fall 2010 cohort – 75.75% ↑	

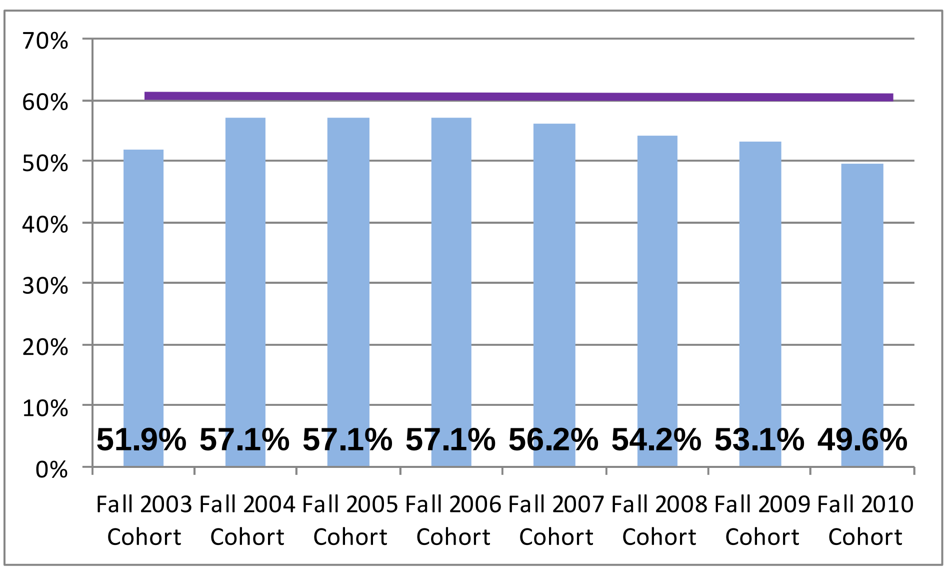


	Lead	Action Plans for 2010–2015	Results by June 30, 2015
1.2A	VPSS	Complete three-year study of the impact of the academic standing policy and evaluate interventions. Design and implement a black male success program.	**Accomplished and ongoing** **Black Male Success Initiative** In fall 2014, 129 students were served by the Howard P.R.I.D.E. (HP) program (compared to 65 in fall 2013). During that same time period, 83 percent achieved good academic standing, with an average GPA of 2.07, as compared to all Black males at Howard Community College (comparison group) performing at 82 percent good standing with an average GPA of 1.95. Fifty percent of the HP students completed their developmental courses compared to 43 percent of the comparison group; and 55 percent successfully completed their college-level math courses compared to 45 percent of the comparison group. Eighty-four percent of the group was retained from fall 2014 to spring 2015, compared to 66 percent retention of all Black males. A total of nine Howard P.R.I.D.E. students graduated in FY15.

	Lead	Action Plans for 2010–2015	Results by June 30, 2015
			Accomplished and ongoing **Hispanic Student Success Initiative** In fall 2014, a part-time completion specialist was hired to support Hispanic/Latino students. Students named the program Ambiciones (translates to Ambitions in English). Preliminary contacts have been made with Howard County Hispanic/Latino organizations and public school Hispanic liaisons. The program had an introductory launch event for the college community in spring 2015 in celebration of Cinco de Mayo. To date, the program has worked with approximately twenty students and will be marketing services for fall 2015 implementation.
1.2B	VPSS	Continue implementation of an early warning tracking system to include analysis of data and strategies for expansion and roll out.	**Accomplished and ongoing** The HCC Early Alert Program has grown from two percent to five percent participation of all credit course sections since implementation in spring 2012. In fall 2014, the program included 41 percent of all developmental math and 16 percent of all developmental English credit courses, 52 instructors, 84 course sections, and 1,476 students. Unfortunately, to date, there is no consistent evidence that students in early alert sections perform better than students in non-early alert sections. To improve the program, the college plans to engage faculty and students more effectively with the early alert processes; grow the program to involve a critical mass of students and faculty; and integrate the HCC Early Alert program with the college's learning management system, Canvas. For example, results from the fall 2014 assessment showed that faculty are raising alerts earlier and more regularly throughout the semester, and they are also notifying students about academic performance issues before the withdrawal deadline; these are improvements to faculty engagement that will continue to be improved. To grow the program, the college plans to include early alert in online courses. The integration of the Early Alert Program with Canvas is in the beginning stages.

	Lead	Action Plans for 2010–2015	Results by June 30, 2015
1.2C	VPAA	Study outcomes for First Year Experience (FYE) courses and track improved student learning using selected metrics. Study effect of the use of peer leaders in those courses.	**Accomplished and ongoing** Of the 2,539 new students entering HCC in fall 2014, 539 took FYEX-100 (21 percent). The majority (75 percent) of these students completed the course successfully. The Community College Survey of Student Engagement (CCSSE) is administered to a random sample of the entire HCC credit student population every other year. Questions relating to general FYE objectives were identified and spring 2014 results were analyzed in context with previous CCSSE results from HCC and other Maryland/national community colleges. The results show that HCC students continue to display a high level of engagement and that the results of the benchmark, *HCC's Contribution to Student Knowledge, Skills, and Personal Development* are similar to or better than those of other colleges in the same national cohort size. In each of the fall 2014 and spring 2015 semesters, 35 FYE peer leaders were recruited, hired, and trained. Although there is not a large enough sample to show significant results related to course success, surveys administered to both faculty and students with peer leaders indicate a high level of satisfaction with the assistance in supporting student success.

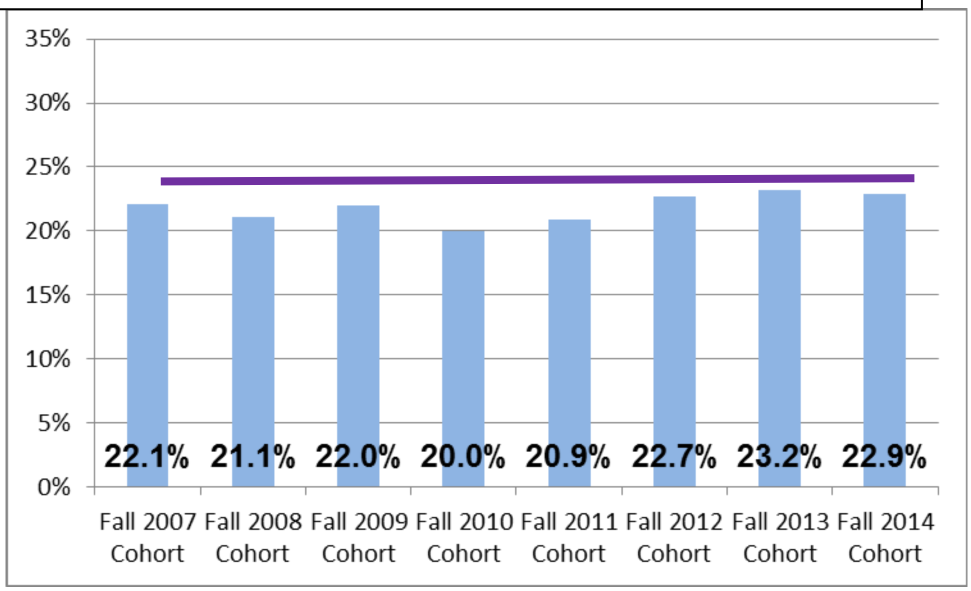
1.3	***Increase student graduation and transfer rate after four years for all students from 51.9 percent (fall 2003 cohort) to 60 percent (fall 2011 cohort).*** *MHEC Indicator*
	As of the fall 2009 cohort – 49.6% ↓

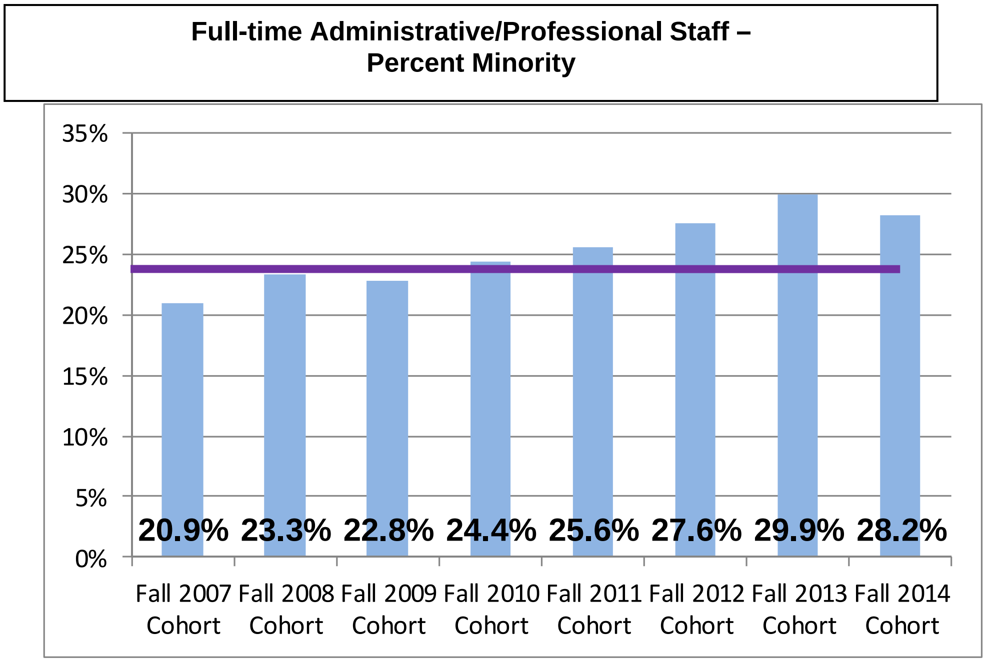


	Lead	Action Plans for 2010–2015	Results by June 30, 2015
1.3A	VPAA	Continue to track and analyze results of key completion projects identified as national best practices and use results to refine and improve offerings.	**Accomplished and ongoing** Step UP program participants have higher fall mean term GPAs, re-enrollment rates, and a higher ratio of credits earned to credits attempted than matched control groups of non-participants. In course sections where service learning is required, student success and retention rates are routinely higher than the course average. In course sections where service learning is offered as an optional assignment, students who complete the service learning assignment consistently exhibit a higher rate of academic success than the overall average for the course. Silas Craft Collegians' retention rates exceed benchmarks: Two Years After Entry=46.1 percent (exceeded benchmark of 30.7 percent); Three Years After Entry=11.5 percent (Did not exceed benchmark. This retention would have been 46.1 percent; however, nine students graduated/transferred prior to their third year, which lowered this rate.) Fall to Spring Retention= 95.6 percent (exceeded benchmark of 70.3 percent). Graduation and Transfer Rates = 34.6 percent (exceeded benchmark of 30.2 percent).
1.3B	VPAA	Revamping of the general education core is complete and will now track the impact on degree completion.	**Accomplished and ongoing** In response to Middle State standards, HCC designed a new curriculum map and framework that aligns general education core outcomes and course objectives to identify, assess, and evaluate program outcomes that define the knowledge, skills, and competencies that students are expected to achieve upon completion of their general education core studies. All programs of study have been redesigned to reflect the new core and meet requirements of the College Completion and Career Readiness Act.

Strategic Goal #2. Organizational Excellence	
2.1	***Increase percent of minority employees to reflect county demographics from fall 2007 rates of 22.1 percent faculty and 20.9 percent staff (administrators and professional/technical) to 24 percent for both by fall 2015.*** *MHEC Indicator*
Full-time Faculty Fall 2014 - 22.9% ↓ ***Full-time Administrative and Professional Staff 28.2%*** ↓	

Full-time Faculty – Percent Minority

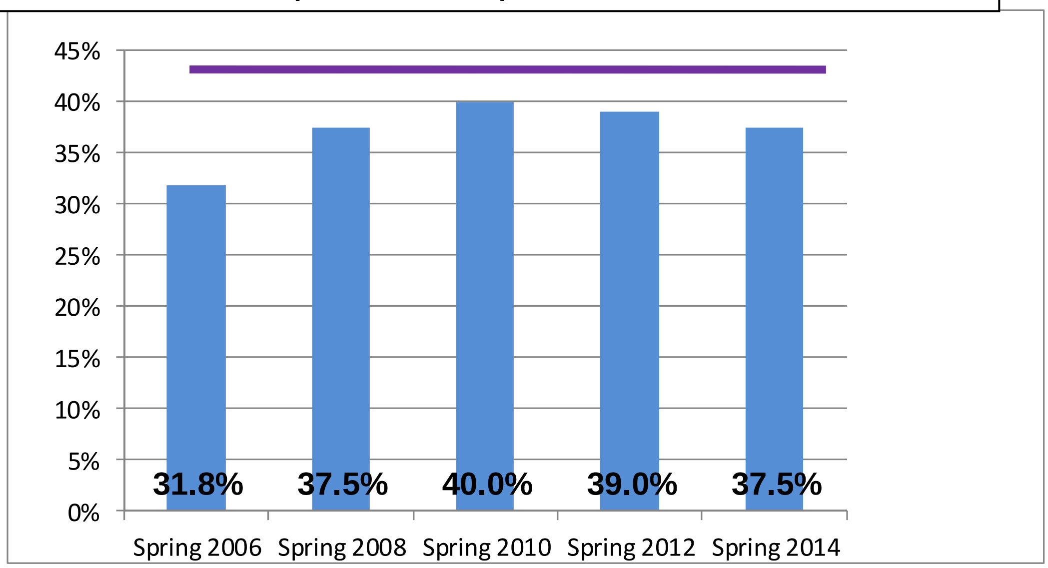




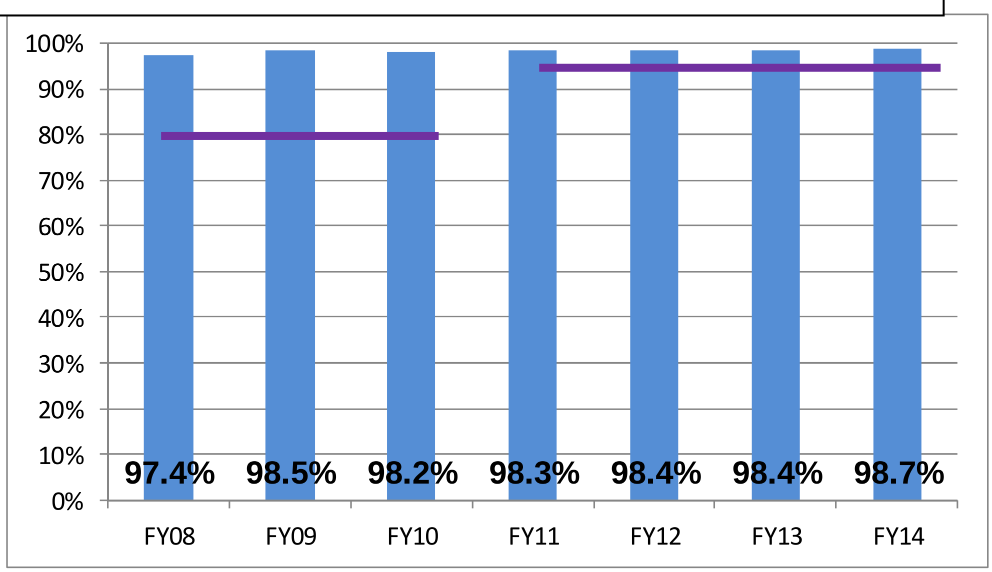
	Lead	Action Plans for 2010–2015	Results by June 30, 2015
2.1A	VPAF	Improve faculty and staff recruitment efforts, outcomes, and retention.	**Accomplished for staff and Ongoing for faculty** Both the staff and faculty percentages declined slightly in fall 2014 after increasing for several straight years. The staff percentage is still above the 24 percent goal and the faculty percentage is still just below the 24 percent goal. Efforts undertaken by the human resources office included attending job fairs at colleges/universities with high minority populations and continued efforts to advertise with minority websites and professional associations.

2.2	***Increase stakeholder satisfaction for students from spring 2008 rates of: 37.5 percent credit students; to spring 2014, rate of 43 percent and for employees from fall 2007 rate of 4.29 to fall 2012 rate of 4.35. Continuing Education students will report 95 percent satisfaction. Make progress toward achieving a 50/50 FT/PT faculty ratio and appropriate (based on strategic plan requirements) staff ratio.***
As of spring 2014 for credit students (37.5 percent) ↓, FY14 noncredit students (98.7 percent) ↑, and fall 2014 employees (4.28 out of 5) ↓. Fall 2014 ratio was 37:63. ↓	

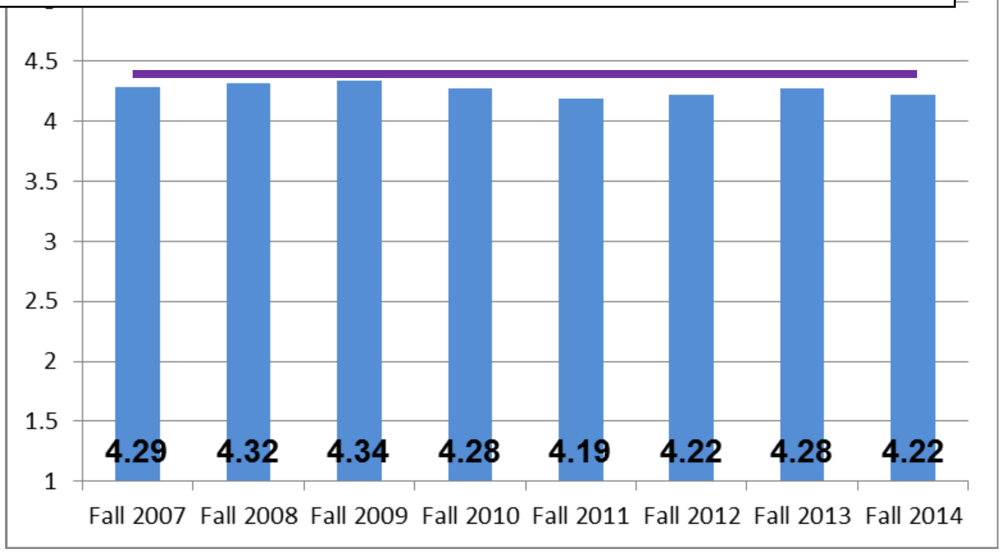
CCSSE (Credit Students) Satisfaction Results



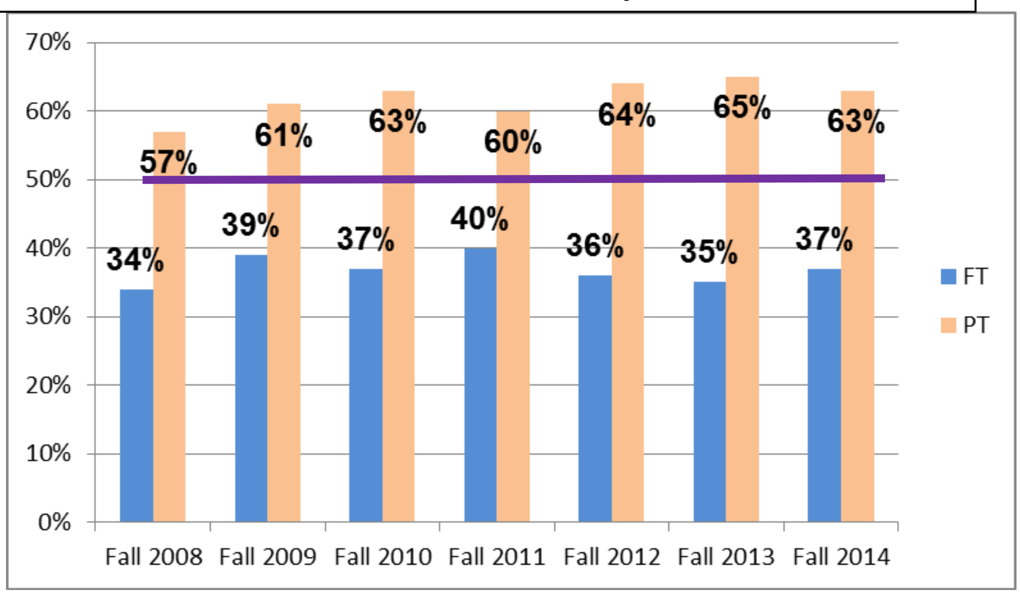
Continuing Education Workforce Development (Noncredit) Students Satisfaction Results



Employee Job Satisfaction



Percentage of Fall Student Credit Hours taught by Full-time/Part-time Faculty

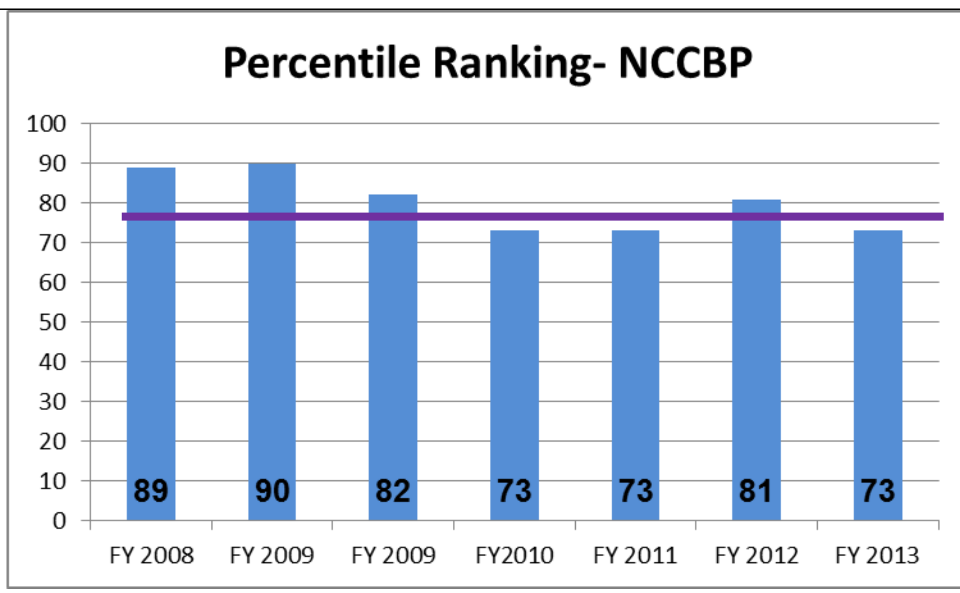


	Lead	Action Plans for 2010–2015	Results by June 30, 2015
2.2A	**ALL**	**Examine workload, redistribute responsibilities, and create efficiencies to ensure continued quality service to students and one another given projected stationary staffing levels. One "Plan-Do-Check-Act" program for each VP/President area.**	**Accomplished and Ongoing** **President's Area** – The president's office reviewed and improved, when needed, each of the office's operating procedures. The development office implemented an enhanced event evaluation process. The public relations and marketing office developed and implemented a tool to measure social media engagement across platforms, and crafted a social media strategy, shaped messaging, and launched a new platform in response to the results. **Academic Affairs** – Developed a plan for reorganizing elements of the division of continuing education and workforce development, including reclassification of eight positions to meet the goals of the reorganization. Reorganization will enable the division to sustain the mission and better utilize human and fiscal resources. It provides new leadership opportunities and the opportunity to provide clearly recognizable data for the division's contributions to Completion. **Administration and Finance –** Reorganized roles and responsibilities to enhance capital project completion. Early inclusion of the capital projects administrator and interior designer provides a collaborative approach and clear definition of roles for project participants. Early involvement promotes inclusion and buy-in with faculty and end-users, provides flexibility in handling changes, eliminates ambiguity, minimizes risk to the owner, accelerates project delivery, and helps reduce potential for cost overruns. This collaborative approach fosters teamwork while meeting the owner's performance expectations and delivering a best value finished product. **Information Technology** – Initiated and completed the web redesign project to improve navigation, mobility optimization, marketing efforts, self-service features, streamlining content. The new site provides a robust search engine that allows students to explore programs and courses based on career or personal interests, and includes automated news and social media feeds. The new website was launched on July 17, 2015. **Student Services** – In financial aid services, with support from Ellucian, the college has enhanced its use of Colleague to enable auto-packaging of financial aid that reduces the time from application to award of aid for students. This efficiency supports enrollment.

	Lead	Action Plans for 2010–2015	Results by June 30, 2015
2.2B	**ALL**	***New in FY15:*** **Continue to implement HCC's response to the Affordable Care ACT.**	**Accomplished and ongoing** **Academic Affairs –** The academic offices implemented a consistent process for calculating and data entry of adjunct faculty loads using formulas that address variations in methodologies, such as applied music courses, team teaching, and independent study, which meet IRS standards. Tracking reports generated by administration information services (**information technology**) and human resources have been used to ensure compliance. **Administration and Finance** – The human resources office continues to publish provisions of the Affordable Care Act, as well as the college's limits for employee hours and credits. A quarterly report of hours/credits is produced and distributed throughout campus for status updates. Questions from employees are answered on an ongoing basis. In addition, changes were made midyear in FY15 to allow hourly employees to work two jobs on campus and to increase the adjunct faculty credit allowance from 22 credits to 25 credits. **Student Services –** Reports were monitored on a large number of hourly workers needed to ensure compliance. **President's Areas** – Reports were monitored on hourly workers to ensure compliance.

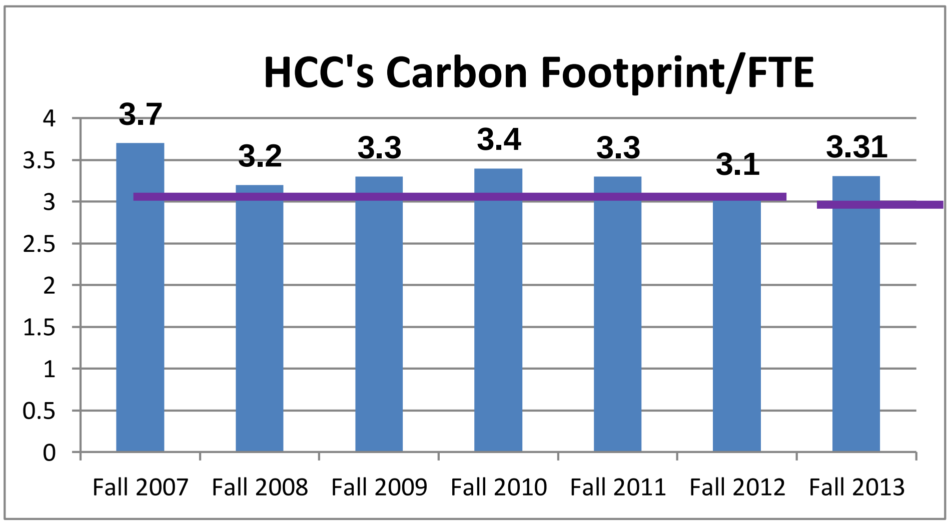
2.3	***Increase development/training expenditure per FTE employee to stay in top quartile.***

As of FY13 – 73rd percentile. ↓



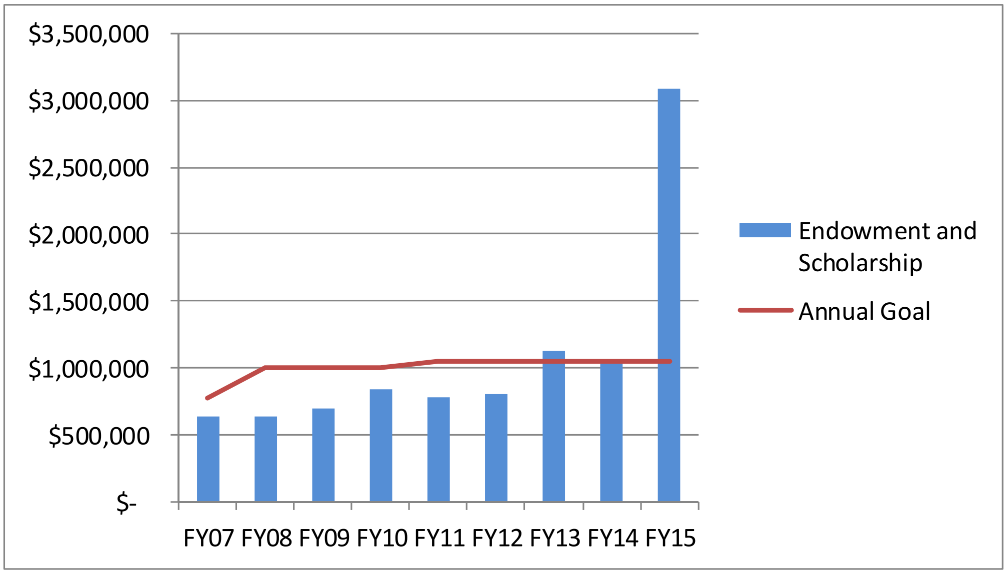
	Lead	Action Plans for 2010–2015	Results by June 30, 2015
2.3A	VPAF	Explore opportunities for faculty and staff to design, lead, and share professional development opportunities in-house.	**Partially Accomplished and ongoing** Data are obtained from the National Community College Benchmarking Project (NCCBP) each fall. Data are two years in arrears. In fall 2013, the 75th percentile was $515 per FTE and HCC's expenditures totaled $483 per employee. Budgetary issues prevented the college from meeting its goal, but HCC departments continue to value professional development for employees and dedicate financial resources to this effort when possible.

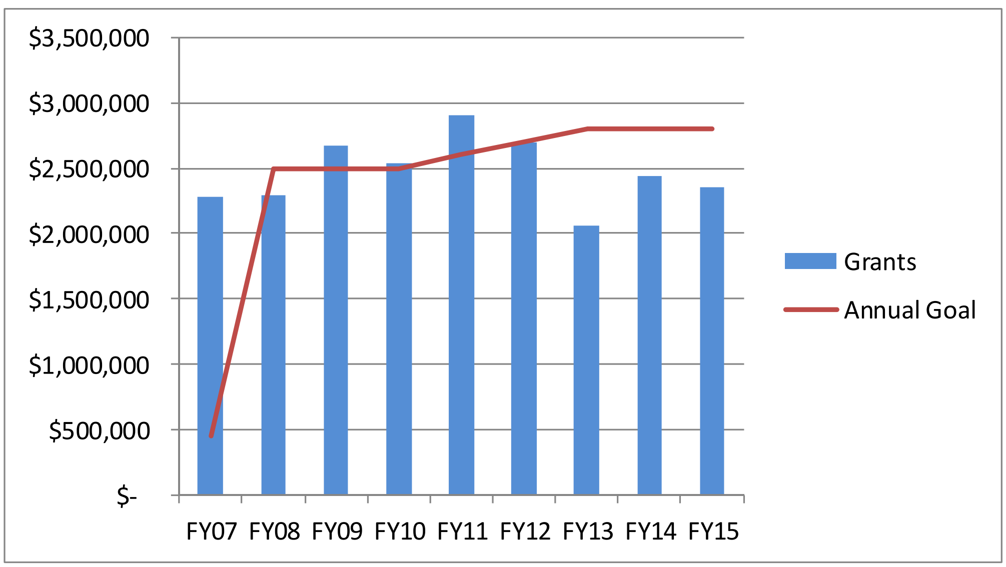
2.4	***Reduce HCC's carbon footprint from 3.7 MMBTUs*/FTE (fall 2007) to 3.1 MMBTUs*/FTE (fall 2012).*** *For 2013-15: Reduce HCC's carbon footprint another one percent each year.* ***(*metric tons of carbon dioxide emissions)***



	Lead	Action Plans for 2010–2015	Results by June 30, 2015
2.4A	VPAF	The Facilities and Sustainability Team (FAST) will work to achieve five percent emissions reduction over five years relative to baseline emissions in 2009; investigate best practices for potential implementation; and examine and refine existing metrics.	**Accomplished and ongoing** In an effort to refine metrics and implement best practices, the college now calculates its average gross emissions per square foot of built space (per 1,000 SF), as opposed to per student enrollment (per FTE). This is consistent with reporting statistics from other American College and University Presidents Climate Commitment (ACUPCC) signatories and aligns with the college's facilities master plan. The college's current footprint is 61.5 kg/SF, which is down 14.6 percent from the 2009 baseline emissions of 72kg/SF. This exceeds the college's goal for one percent reduction per year or a five percent reduction by 2018, and keeps us on track for an 80 percent reduction over 2009 levels by 2050

Strategic Goal #3. Building Partnerships	
3.1	***Increase resources provided to provide scholarships and facilities to students.***
	Endowments and scholarships ↑ ***Grants*** ↓





	Lead	Action Plans for 2010–2015	Results
3.1A	VPIT	Goal set annually. Raise $1,300,000 by the end of FY15 for scholarships and endowments.	**Accomplished** Raised $3,092,736 in FY15, surpassing the goal of $1,300,000.
3.1B	VPIT	Goal set annually. Maintain the annual competitive grant income at $2,800,000 in FY15.	**Not Accomplished** Raised $2,353,985 in FY15.
3.2	***Increase opportunities to serve the regional needs.*** **(See below)**		
3.2A	VPSS	Review and make recommendations for implementing strategies to increase and retain adult learners using data from the community survey, the Adult Learner Inventory and the Institutional Self-Assessment Survey.	**Accomplished and ongoing** Continued adult learner outreach and recruitment, and identified opportunities to improve service to adult learners. • Admissions and advising developed a military and veterans recruitment plan aligned with the enrollment management plan. • Reverse transfer implemented Parchment Receive, a software package, to facilitate the sharing of documents for students participating in reverse transfer. • Spring/Summer 2015: 43 reverse transfer grads as of 7/1 (data still being gathered for summer) Spring/Summer 2014: 48 RT grads Spring/Summer 2013: 36 RT grads
3.2B	ALL	Continue to implement the Mount Airy Project	**Accomplished and ongoing** Representatives from the three partner institutions collaborated to develop a strategic plan and marketing timeline with priorities. The plan was approved by the partner presidents. The marketing timeline was reviewed by the marketing consortium, revised, and is ready for implementation.
3.2C	VPSS	Increase the draw rate of HCPSS recent high school graduates to 26 percent by continuing to promote the honors brand while also providing outreach to at-promise high school students and students in the middle.	**Ongoing** The college completed the first year of the Early College Program with the Howard County Public School System in network security. There was an expansion of the Early College Grant at Oakland Mills High School to include STEM programs, general studies - science and teacher education-science. Dual Enrollment of HCPSS students: Fall 2014, 99; Fall 2013, 82; Fall 2012, 97

			Spring 2015,90; Spring 2014, 75; Spring 2012, 84 Market Share of HCPSS 2014 Fall 23.8 percent 2013 Fall 24.1 percent 2012 Fall 24.3 percent
3.2D	ALL	Continue to implement high priority recommendations from the Commission on the Future; first activity-explore partnerships to expand HCC internships programs to complement the STEM curriculum.	Consistent with recommendations set forth by the *Commission on the Future*, counseling and career services (CCS) has focused on increasing employer outreach efforts with particular emphasis on increasing internship opportunities. For FY15, the total reported number of students who participated in an internship was 110 as compared to 61 in FY14. This past year, a STEM Career Information Series and Internship Fair took place that generated record attendance (105 students), and the Business Internship Fair boasted the largest number of company registrations (46 organizations). Specific to STEM, CCS participated in a "Science vs. Engineering" program and also collaborated with STEM Division Chair, Patti Turner, to discuss centralization of internships. New data collection methods proved successful for identifying completed internships, which revealed that HCC students secured internships with various organizations including, but not limited to: Johns Hopkins Hospital, the Baltimore Sun, the Washington Wizards, National Institutes of Health, United States Marshals Service, Impact Research, Inc., and Howard Tech Advisors. Future efforts aim to continue to promote internships to HCC students.

The following are some core work accomplishments that occurred during the fiscal year that impacted FY15 revenue and spending:

- Advocated successfully for the college's legislative agenda with federal, state, and local governments
- Provided $2,875,879 in support for scholarships and programs from the foundation to the college
- Collaborated on the implementation of a new interactive, searchable online catalog, which resulted in a 70 percent reduction in printed catalogs
- Initiated the college's first-ever radio advertising campaign and continued to enhance social media advertising efforts
- Received $597,088 National Science Foundation (NSF) Scholarships in Science, Technology, Engineering, and Mathematics (S-STEM) grant to provide scholarships to qualified STEM students with financial need and to develop a new program for undergraduate research at HCC
- Completed the year-long facilities master planning process and produced the 2015-2025 Facilities Master Plan and the Transportation Demand Management Plan
- Completed design and started construction of the science, engineering, and technology building
- Completed design of the east garage expansion
- Completed schematic design documents for the nursing/science and technology buildings renovation
- Participated in Baltimore Gas and Electric Empower MD program and received $150,000 in qualifying rebates
- Participated in demand curtailment program and received almost $10,000 in rewards
- Selected and implemented a new life/long-term-disability insurance vendor resulting in cost savings $34,400 over the three-year contract
- Received additional $202,000 grant from the state to expand design and restoration of the campus central stream
- Continued collaboration with the Restoring the Environment and Developing Youth (READY) program for 30 youth during the summer, designing and building rain gardens on campus
- Installed a point of sale system for Café on the Quad, Simply To Go Café, and Starbucks, to improve customer service with faster purchasing transactions and improved data collection
- Reorganized the work in the accounts receivable department to improve customer service and enhance collections efforts. This work resulted in a six percent decline in the bad debt expense
- Increased efforts to reduce paper/mailing costs by increasing electronic processes for W-2s, 1098-Ts and E-checks
- Created Title IX policies, procedures and documents. Trained public safety staff on Title IX provisions and drafted online training for all employees

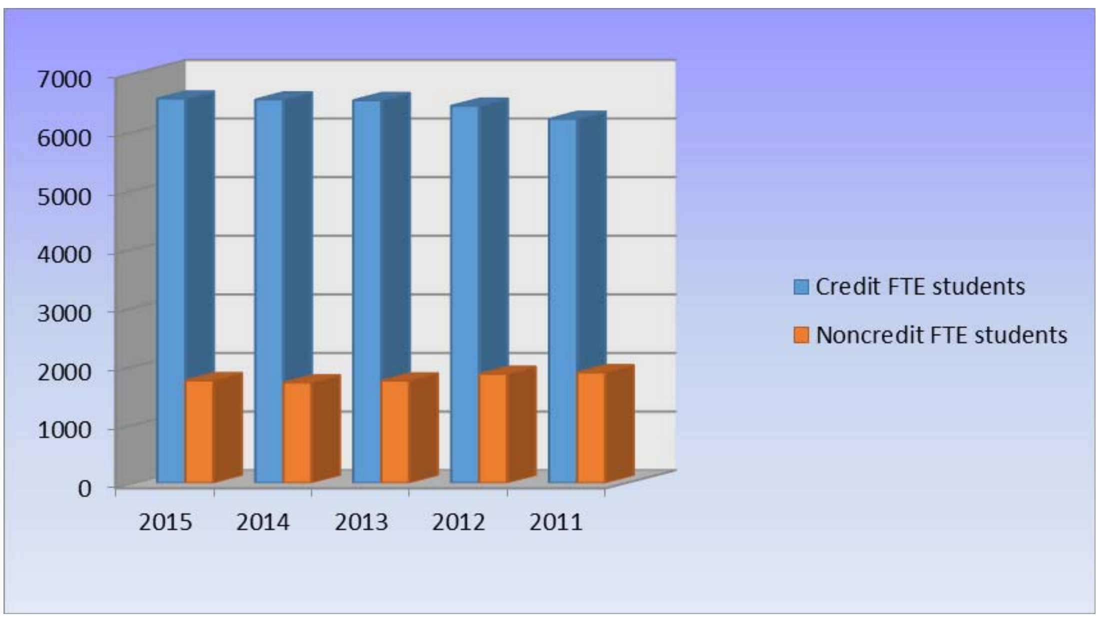
- Upgraded the college's email system to improve the capacity of student and staff mailboxes and incorporated better security measures for email encryption and spam prevention
- Re-configured the college's wireless network environment, which resulted in an "open" network for continuing education students and all visitors to the college
- Completed an upgrade to the technology and applications used in the college's cyber security lab to improve learning and mirror the future work environments for students
- Purchased and implemented a new simulation software application that manages the Sim manikins, student recordings interactivities in the lab and debrief sessions with faculty
- Implemented new security measures such as the upgrade to the firewall, piloting an application to assist with the prevention of data loss of personal identifiable information, and greater monitoring of desktop systems downloading capabilities
- Completed the installation requirements and implementation of the student planner project that will allow advisors and students to visually plan, update, and register for courses with guidance and degree audit toward their educational goals
- Successfully implemented the Pathway Scholarship, which awarded an additional $1,486,817 in need-based scholarships to 1,909 students
- Was awarded two competitive Maryland State Department of Education (MSDE) grants for the Children's Learning Center totaling $166,000 to offset child care tuition costs for low and moderate income HCC students, for classroom supplies, playground renovations, and parent educational workshops
- Was awarded a 5th round of competitive MHEC funding for Career Links, which included a $3,648 increase from last year for a total of $79,045
- Received grant funding of $1,710,865 ($342,173 annually for the next five years) for the student support services program, which provides intensive support services to 225 qualified students who are low income, first- generation college students and/or students with disabilities
- Completed the learning assistance center (LAC) renovation project, which resulted in additional space in both the open lab and private rooms

Enrollment Statistics and Analysis

For the year ended June 30, 2015, the college served approximately 14,604 credit and 15,366 noncredit students. Student enrollment data is defined and reported annually to the Maryland Higher Education Commission in terms of full-time equivalent students (FTEs); FTE represents 30 hours of instruction. FTE is an important statistic of the college as it is the basis for comparison among the various state colleges and is, in part, what determines the college's state funding.

During FY15, the state approved credit and noncredit enrollments of 6,367.73 and 1,368.34 FTEs, for a total increase of 56.68 FTE, or .74 percent. State-funded FTEs do not include out-of-state students, employees who took classes, and other ineligible students determined by the state. Overall, credit FTEs of 6,557.53 and noncredit FTEs of 1,751.30 increased 16.57 and 36.68, respectively. Together this number created a total increase in FTEs of 53.25 or .65 percent from the prior fiscal year. No enrollment increase was anticipated for this fiscal year.

The chart below shows total FTEs as opposed to state-funded FTEs for fiscal years 2011 through 2015.



	2015	2014	2013	2012	2011
Credit	**6,557.53**	6,540.96	6,528.33	6,433.73	6,210.46
Noncredit	**1,751.30**	1,714.62	1,746.89	1,860.64	1,886.74
Total FTES	**8,308.83**	8,255.58	8,275.22	8,294.37	8,097.20

As seen in the data above, FTE growth was 2.6 percent for this five-year period. No growth in credit or noncredit enrollment is anticipated in the FY16 budget.

Economic Impact

The college's economic stability comes primarily from three revenue sources: tuition and fees from students and funding appropriations from Howard County Government and the State of Maryland. The original intent was that one-third of the college's operating funds would come from each of these sources; however, in FY15, the actual unrestricted revenue was 43 percent (students), 34 percent (county), and 16 percent (state), respectively, with the final seven percent coming from auxiliary and miscellaneous revenue. Due to the improving economy, the state, and the county were able to increase their shares of support by two and one percent, respectively, over the prior year. The student share also increased two percent as the auxiliary and miscellaneous revenues declined five percent.

In FY15, the college received a six percent increase in the operating appropriation from the county over what was received the prior year. The state operating support originally increased ten percent; however, half of that increase was cut from the budget. State funds are distributed through the Cade funding formula, with the community colleges receiving a percentage of what the four-year institutions receive in funding from the state. In addition, the college implemented a $2 per credit hour tuition increase. These increases funded critically needed full-time faculty and staff positions, merit increases for all staff, higher health care costs, and various fixed costs.

Financial Statement Highlights and Analyses

The financial statements, as prepared in accordance with GASB Statement nos. 34 and 35, are designed to present the college as a whole unit, consolidating the various funds (operating, continuing education, special, auxiliary, and plant) and emulating corporate financial statements. The purpose of the statement of net position is to identify the college's financial and capital resources in one consolidated statement. The statement of revenue, expenses, and changes in net position identifies the college's operating revenue and expenses for its various programs, and also shows the support the college receives from Howard County Government, the State of Maryland, and various federal, state, and local grant programs. This statement also highlights spending in the various functional areas. Finally, the statement of cash flows identifies sources and uses of cash, and the change in the cash balance from the previous fiscal year.

The college's financial position remains positive. The net position of the college increased five percent over the prior year. Enrollment growth, which generates tuition and fee revenue, is leveling as shown on page 24. Funding from state and local government combined increased six percent, enabling the college to meet its spending needs.

Spending increased three percent over the prior year. Efforts are being made college-wide to determine cost savings within departments and divisions. The college also works to create new opportunities for cost savings by partnering with other colleges on shared goals and objectives.

Financial Statement Highlights and Analyses (continued)

A major financial challenge facing the college today is the need to build facilities to serve students and provide adequate parking on campus. Securing adequate state and county funding for the operating and capital budgets is also required. While the county and state have committed funds for the construction for the new science, engineering, and technology building and renovations on campus, funding for the east parking garage expansion will be paid for by the college through the issuance of county bond funds. The college was able to retain $6,000,000 of existing funds to begin this project; however, the bond funding will be required to complete the construction. In the future, an increase in student tuition rates will be required in order to repay this debt.

CHANGES IN NET POSITION

	June 30, 2015	June 30, 2014, as restated	Dollar Variance	Percentage Variance
ASSETS				
Current assets	**$ 45,241,399**	$ 40,782,445	$ 4,458,954	11%
Non-current assets, net	**196,704,247**	190,054,263	6,649,984	3%
Total Assets	**241,945,646**	230,836,708	11,108,938	5%
Deferred outflows of financial resources – pension related	**288,825**	246,614	42,211	17%
LIABILITIES				
Current liabilities	**19,664,673**	17,255,570	2,409,103	14%
Non-current liabilities	**8,782,907**	9,597,170	(814,263)	-8%
Total Liabilities	**28,447,580**	26,852,740	1,594,840	6%
Deferred inflows of financial resources – pension related	**205,568**	-	205,568	n/a
NET POSITION				
Net investment in capital assets	**188,604,788**	181,792,890	6,811,898	4%
Restricted funds, expendable	**582,321**	212,804	369,517	174%
Unrestricted	**24,394,214**	22,224,888	2,169,326	10%
Total Net Position	**$ 213,581,323**	$ 204,230,582	$ 9,350,741	5%

Designation of unrestricted net position:

	June 30, 2015	June 30, 2014,as restated	Variance
Continuing education	**$ 3,562,393**	$ 3,123,714	$ 438,679
Auxiliary enterprises	**3,757,567**	3,242,320	515,247
Special funds	**8,191,915**	8,859,769	(667,854)
Plant funds	**10,494,850**	8,562,194	1,932,656
Other	**2,101,791**	2,295,183	(193,392)
Unfunded pension liability	**(1,878,075)**	(2,070,587)	192,512
Unfunded vacation liability	**(1,836,227)**	(1,787,705)	(48,522)
Total unrestricted net position	**$ 24,394,214**	$ 22,224,888	$ 2,169,326

Financial Statement Highlights and Analyses (continued)

- *Total assets* increased $11,108,938, or five percent over the prior year. The primary increase in *current assets* was in the state receivable and cash. At year-end, due to capital construction projects, the state receivable increased. In addition, the college increased cash held in order to begin the expansion of the east garage. *Non-current assets* increased $6,649,984, or three percent, due to the increase in construction-in-progress less additional depreciation on capital assets. Capital assets include land, buildings, renovation costs, furniture, equipment, software, library books, leaseholds, land improvements, and construction in progress (CIP). CIP valued at June 30, 2015, of $15,945,074 includes costs for the new science, engineering, and technology building, the nursing/science and technology buildings renovation, and the garage expansion. The breakdown by asset category can be found in Note 7 of the financial statements.

- *Total liabilities* increased $1,594,840, or six percent over the prior year. The primary increase in *current liabilities* was in construction payables, the payable to Howard County, and other payables. The construction payables increased due to retainage held on the new science, engineering, and technology building, the payable due to the county for construction projects that the county pays up front on behalf of the state (see the offsetting receivable from the state mentioned in assets above) and the contingent payable to the IRS for a penalty assessed from the 2012 filing of 1098Ts. The college is currently attempting to abate this penalty as discussed in Note 14 of the financial statements. *Non-current liabilities* include bond debt that is declining as it is paid. These bonds are held by the county on behalf of the college and provided funding for capital assets. The debt repayment schedule is detailed in Note 8 to the financial statements. In addition, the college's portion of the state pension liability for certain employees is included and also declined from the prior year. This is new for FY15 as required by the Government Accounting Standard Board's statement no. 68 and 71. The FY14 and FY15 beginning balances have been restated for this liability. More information on the liability can be found in Note 10 of the financial statements.

- These changes resulted in an increase in the college's *net position* of $9,350,741, or five percent. *Restricted funds*, which increased 174 percent, are held for grant obligations that will be satisfied in FY16.

- The college's *unrestricted net position* is internally designated as outlined in the previous chart. The *plant fund* reflects the increase in funds for the parking garage design and expansion, net of outstanding payables on capital projects.

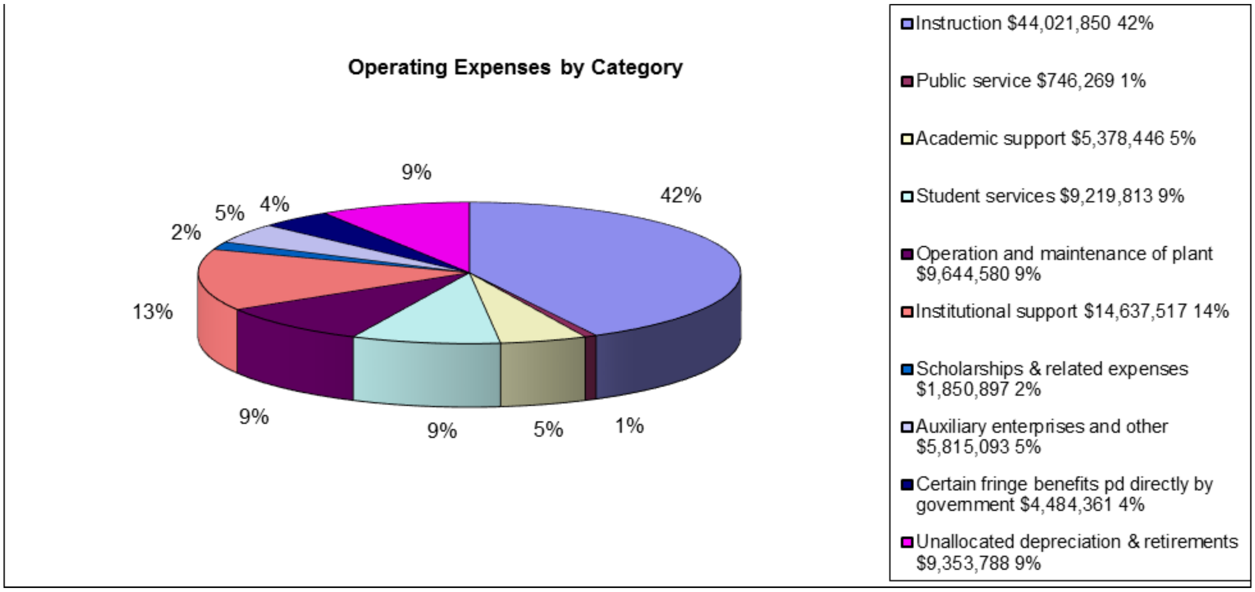
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2015	June 30, 2014, as restated	Dollar Variance	Percentage Variance
Total Operating Revenue	$ 34,389,511	$ 34,861,541	$ (472,030)	-1%
Operating Expenses				
Instruction	44,021,850	42,903,088	1,118,762	3%
Public service	746,269	674,500	71,769	11%
Academic support	5,378,446	4,906,130	472,316	10%
Student services	9,219,813	9,017,351	202,462	2%
Operation and maintenance of plant	9,644,580	9,477,985	166,595	2%
Institutional support	14,637,517	13,126,008	1,511,509	12%
Scholarships and related expenses	1,850,897	1,785,403	65,494	4%
Auxiliary enterprises	5,815,093	5,630,092	185,001	3%
Certain fringe benefits paid directly by government	4,484,361	4,488,493	(4,132)	0%
Unallocated depreciation	9,353,788	9,357,009	(3,221)	0%
Total operating expenses	105,152,614	101,366,059	3,786,555	4%
Operating loss	(70,763,103)	(66,504,518)	(4,258,585)	6%
Non-operating Revenue (Expenses)				
Government appropriations	45,881,423	43,362,340	2,519,083	6%
Grants and contracts	15,965,070	14,560,453	1,404,617	10%
Certain fringe benefits paid directly by government	4,484,361	4,488,493	(4,132)	0%
Investment income	16,906	18,250	(1,344)	-7%
Interest on debt to Howard County	(382,793)	(405,947)	23,154	-6%
Net Non-operating Revenue	65,964,967	62,023,589	3,941,378	6%
Loss, before capital appropriations	(4,798,136)	(4,480,929)	(317,207)	7%
Capital appropriations	14,148,877	6,322,068	7,826,809	124%
Increase in net position	9,350,741	1,841,139	7,509,602	408%
Net position, beginning of year, as restated	204,230,582	202,389,443	1,841,139	1%
Net Position, End of Year	$ 213,581,323	$ 204,230,582	$ 9,350,741	5%

- *Operating revenue* decreased one percent from the prior year. This decrease was due to a larger percent of tuition and fees being covered by federal assistance and lower bookstore sales.

- *Non-operating revenue* increased $3,941,378 or six percent. The primarily increase in non-operating revenue was a 10 percent increase in *grants and contracts*, which include federal financial aid for students. Pell funding increased 14 percent and direct lending increased three percent. In addition, *government appropriations* increased six percent from the prior year. *Investment income* fell $1,344, or seven percent, due to the decline in interest rates.

Financial Statement Highlights and Analyses (continued)



- *Total operating expenses* increased $3,786,555, or four percent over the prior year. *Instruction and academic support* together represent 47 percent of expenditures. Those categories collectively increased $1,591,078 or three percent over the prior year. New faculty and staff positions were hired to support new programs and to accommodate previous enrollment growth. In addition to a new academic scheduling position hired in *academic support*, increased costs included non-capitalized computer and audio visual equipment. This caused a higher than average increase over the prior year in that function of 10 percent.

Financial Statement Highlights and Analyses (continued)

- The *public service* function increased 11 percent over the prior year. Costs related to salaries and wages increased in the cable studio due to changes in the health care laws. The college now provides full-time hours and benefits to staff who were previously working between 28 and 40 hours per week and considered part-time.

- The *institutional support* function had an increase of 12 percent over the prior year. Contracted services in the areas of information technology, public relations and marketing, and development increased in their respective areas for both ongoing and special projects during the year. Costs also increased for annual insurance contracts and non-capital equipment.

- *Capital appropriations* from the county and state government increased $7,826,809, or 124 percent from the prior year. Funding for the new science, engineering and technology building, the nursing/science and technology buildings renovation, and the expansion of the east garage, was significant to the college's increase in net position for FY15.

STATEMENTS OF CASH FLOWS

	June 30, 2015	June 30, 2014, as restated	Dollar Variance	Percentage Variance
Cash Flows From Operating Activities				
Net cash used in operating activities	$ (56,765,485)	$ (51,582,374)	$ (5,183,111)	10%
Cash Flows From Non-Capital Financing Activities				
Net cash provided by non-capital financing Activities	61,937,144	57,972,070	3,965,074	7%
Cash Flows From Capital Financing Activities				
Net cash used by capital financing activities	(3,398,577)	(2,129,054)	(1,269,523)	60%
Cash Flows From Investing Activities				
Net cash provided by Investing Activities	16,906	18,250	(1,344)	-7%
Net increase in cash and cash equivalents	1,789,988	4,278,892	(2,488,904)	-58%
Cash, beginning of the year	32,228,360	27,949,468	4,278,892	15%
Cash and Cash Equivalents, End of Year	$ 34,018,348	$ 32,228,360	$ 1,789,988	6%

- Cash and cash equivalents increased $1,789,988, or six percent from the prior year.

- The primary inflow of cash from operations continues to come from student tuition and fees. This inflow declined three percent as students depended more heavily on financial aid which is a non-capital inflow. The primary outflows of cash from operations are supplier payments, employee compensation, and employee benefits costs, that all increased five percent. This netted an overall 10 percent increase in cash used *in operations*.

Financial Statement Highlights and Analyses (continued)

- State and local appropriations are the primary cash inflows from *non-capital financing activities*. Other funds come from grants and contracts. The net increase of seven percent is due to the increases in state and local appropriations as well as grants and contracts, which include financial aid to students mentioned above.

- *Capital financing activities* include resources received from Howard County government and the State of Maryland for the college's capital projects, purchase of capital assets, and the repayment of debt. All of these inflows and outflows of cash increased in FY15 as construction and design activity occurred during the year. Overall, the college had a 61 percent increase in net cash used by *capital financing activities.*

- The college's *investing activity* cash flows come from investment income. Interest rates remained low during FY15 resulting in a seven percent decrease in *investing activities*.

The college believes that its liquidity position as of June 30, 2015, is adequate. The college's current assets are deemed to be sufficient to pay its current liabilities as of June 30, 2015.

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

Economic Factors that Will Affect the Future

Howard County and the State of Maryland provide significant resources to the college for both its operating and capital budgets. Restricted funding from federal, state, and local governments cover significant expenses for college programs and provide support to students with financial need. This support, which is reflected on the financial statements as non-operating revenue and capital appropriations, funded 76 percent of expenses in FY15; therefore, the economic condition of the country, state, and county are critical to the college's future financial health.

Revenue growth of the Howard County Government experienced a slowdown this past year. Personal income and capital gains had little growth even though property tax revenue showed signs of some recovery. Overall, the general fund revenues are expected to show only moderate growth in the near future. Lower federal government spending on grants and employment of county residents has negatively impacted county revenues. Long term, the county is limited in land available for development both in quantity and configuration. Only redevelopment of Downtown Columbia and development of growth corridors will contribute to the county's long term economic progress. In FY16, the college did not receive an increase in funding from the county. However, the state did end FY15 with a surplus and this means a brighter future for the county revenue picture.

Economic Factors that Will Affect the Future (continued)

The State of Maryland's economy is recovering at a modest pace. Before FY15 began, the Governor cut $84 million from the budget in anticipation of a potentially significant budget shortfall. While the community colleges were not impacted by the first cut, a mid-year cut equivalent to half of the original funding was done. And while the colleges did receive a 1.5 percent increase in FY16, the state is still threatened by high unemployment (5.6 percent; nationally 5.3 percent) and exposure to federal government cost-cutting measures. And, a potential federal shut-down in the fall could have a serious impact on the state's economy. However, the state did finish FY15 with a $295 million budget surplus primarily due to higher personal income tax collections. This could be a sign that the economy is beginning to move in a positive direction.

The college is anticipating no enrollment growth in FY16. Based on Howard County Public School System enrollment reports, the twelfth grade class that would have entered HCC in September 2014 was 4,053, a five percent decline from 2013. Enrollments for the twelfth grade class are expected to drop again in September 2015 and not pick up until September 2018. With the decline in the high school graduating class and the improved economy, the college is anticipating little growth for the next several years. This is in contrast to double digit enrollment growth experienced during the last decade. In FY15, 28 percent of expenses were covered by tuition and fees. As enrollment slows this revenue source will be impacted unless tuition rates continue to increase. Tuition rates increased by $5 per credit hour in order to balance the FY16 budget.

Requests for Information

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

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

FINANCIAL STATEMENTS

HOWARD COMMUNITY COLLEGE

Statement of Net Position
June 30, 2015

	Howard Community College	Howard Community College Educational Foundation, Inc.
ASSETS		
Current Assets		
Cash and cash equivalents	$ 34,018,348	$ 860,768
Investments	-	3,878,166
Tuition and other receivables, net of allowance of $2,375,382	587,120	-
Federal, state, local, and other receivables, net	9,232,571	-
Mount Airy College Center for Health Care Education receivable	28,228	-
Contributions receivable, net	-	264,047
Inventory	751,194	-
Prepaid expenses and other assets	623,938	36,322
Total current assets	45,241,399	5,039,303
Non-current Assets		
Investments and interest in irrevocable trust	-	6,209,645
Contributions receivable, net	-	125,503
Capital assets, net	196,704,247	-
Total non-current assets	196,704,247	6,335,148
Total Assets	241,945,646	11,374,451
Deferred outflows of financial resources – pension related	288,825	-
LIABILITIES		
Current Liabilities		
Accounts payable and accrued wages	3,758,021	16,379
Accrued compensated absences	2,436,617	-
Payable to Prince George's Community College - joint venture	375,389	-
Payable to Howard County for construction	7,092,557	-
Other payables	970,244	-
Bonds payable, Howard County, current portion	590,397	-
Deposits	82,125	-
Agency funds	1,315,554	-
Unearned revenue	3,043,769	128,235
Total current liabilities	19,664,673	144,614

Statement of Net Position – (continued)
June 30, 2015

Non-current Liabilities		
Pension Liability	1,878,075	-
Bonds payable, Howard County, net of current Portion	6,904,832	-
Total Non-current Liabilities	8,782,907	-
Total Liabilities	28,447,580	144,614
Deferred inflows of financial resources- pension related	205,568	-
Net investment in capital assets	188,604,788	-
Restricted for:		
Nonexpendable:		
Scholarships	-	6,092,828
Expendable:		
Scholarships	-	3,166,773
Debt service	-	11,483
Program uses	582,321	450,438
Unrestricted	24,394,214	1,508,315
Total Net Position	$ 213,581,323	$ 11,229,837

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

Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Howard Community College	Howard Community College Educational Foundation, Inc.
Revenue		
Operating Revenue		
Student tuition and fees, (net of discounts, allowances, and financial aid of $11,425,263)	$ 29,099,293	$ -
Cultural, community, and other programs	1,208,302	-
Auxiliary enterprises revenue, (net of financial aid of $1,144,710)	3,328,861	-
Other operating revenue	753,055	-
Contributions, including in-kind	-	3,835,739
Special events	-	382,991
Total Operating Revenue	34,389,511	4,218,730
Operating Expenses		
Instruction	44,021,850	-
Public service	746,269	-
Academic support	5,378,446	-
Student services	9,219,813	-
Operation and maintenance of plant	9,644,580	-
Institutional support	14,637,517	397,839
Scholarships and related expenses	1,850,897	-
Program expenses	-	2,875,879
Cost of direct benefits to donors	-	346,121
Fundraising	-	392,398
Auxiliary enterprises	5,815,093	-
Certain fringe benefits paid directly by the State of Maryland and Howard County Government	4,484,361	-
Unallocated depreciation and loss on asset disposal	9,353,788	-
Total Operating Expenses	105,152,614	4,012,237
Operating (Loss)/Gain	(70,763,103)	206,493
Non-Operating Revenue (Expenses)		
Howard County government appropriations	31,000,287	-
State of Maryland appropriations	14,881,136	-
Federal, state, local, and other grants and contracts	15,965,070	58,770
Certain fringe benefits paid directly by the State of Maryland and Howard County Government	4,484,361	-
Investment income	16,906	123,693
Net realized and unrealized gains on investments	-	206,321
Interest expense	(382,793)	-
Net Non-Operating Revenue	65,964,967	388,784
(Loss) Income before Capital Appropriations	(4,798,136)	595,277

Statement of Revenue, Expenses and Changes in Net Position (continued)
For the Year Ended June 30, 2015

	Howard Community College	Howard Community College Educational Foundation, Inc.
Capital appropriations, State of Maryland	5,656,009	-
Capital appropriations, Howard County	8,492,868	-
Net Capital Appropriations	14,148,877	-
Change in net position	9,350,741	595,277
Net position, beginning of year, as restated	204,230,582	10,634,560
Net Position, End of Year	$ 213,581,323	$ 11,229,837

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

HOWARD COMMUNITY COLLEGE

Statement of Cash Flows
For the Year Ended June 30, 2015

	Howard Community College
Cash Flows From Operating Activities	
Student tuition and fees	$ 29,056,002
Payments to suppliers	(24,407,358)
Payments to employees	(55,169,503)
Payments for employee benefits	(11,534,844)
Auxiliary enterprises	3,328,861
Other receipts	1,961,357
Net Cash Used in Operating Activities	(56,765,485)
Cash Flows From Non-Capital Financing Activities	
State appropriations	14,881,136
Local appropriations	31,000,287
Grant and contracts	15,915,702
Student loan receipts	7,715,467
Student loan disbursements	(7,715,467)
Agency fund receipts	518,343
Agency funds disbursements	(378,324)
Net Cash Provided by Non-Capital Financing Activities	61,937,144
Cash Flows From Capital Financing Activities	
Capital appropriations	13,550,552
Purchase of capital assets	(16,003,769)
Interest expense payments	(382,793)
Principal payments on bonds and refinancing gain	(562,567)
Net Cash Used in Capital Financing Activities	(3,398,577)
Cash Flows From Investing Activities	
Investment interest	16,906
Net Cash Provided by Investing Activities	16,906
Net increase in cash and cash equivalents	1,789,988
Cash and cash equivalents, beginning of year	32,228,360
Cash and Cash Equivalents, End of Year	$ 34,018,348

HOWARD COMMUNITY COLLEGE

Statement of Cash Flows (continued)
For the Year Ended June 30, 2015

	Howard Community College
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	$ (70,763,103)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense and loss on asset disposal	9,353,788
In-kind contributions	49,368
Amounts paid directly by the state and county	4,484,361
Effects of changes in non-cash operating assets and liabilities:	
Receivables, net	(305,831)
Inventory	(132,499)
Prepaid expenses and other assets	(8,748)
Accounts and other payables	565,834
Pension liability	13,056
Unearned revenue	(70,233)
Compensated absences	48,522
Net Cash Used in Operating Activities	$ (56,765,485)

Howard Community College Educational Foundation, Inc.	
Cash Flows From Operating Activities	
Change in net position	$ 595,277
Adjustments to reconcile change in net position to net cash used in operating activities:	
Net realized and unrealized gain on investments	(305,805)
Amortization of discount on contributions receivable	(5,173)
Change in allowance for uncollectible contributions receivable	(3,600)
(Increase) decrease in assets:	
Contributions receivable, net	89,176
Prepaid expenses and other assets	28,525
(Decrease) increase in liabilities	
Accounts payable and accrued wages	(2,621)
Due to Howard Community College	6,276
Unearned revenue	(3,705)
Net Cash Provided by Operating Activities	398,350
Cash Flows From Investing Activities	
Proceeds from sale of investments	2,327,522
Purchase of investments	(2,272,496)
Net Cash Provided by Investing Activities	55,026
Net increase in cash and cash equivalents	453,376
Cash and cash equivalents, beginning of year	407,392
Cash and Cash Equivalents, End of Year	$ 860,768

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

1. ORGANIZATION AND BACKGROUND

Howard Community College (the “college”), founded by the Board of Education of Howard County (the “county”), was formally authorized by the County Commissioners to provide a full range of educational services to the county’s citizens; however, citizens of other counties and states are also eligible to attend. In FY15, 73.7 percent of the college’s credit student populations were county residents. The college is fully accredited by the Middle States Association of Colleges and Secondary Schools and by the Maryland Department of Education to offer programs of learning and to award associate degrees and certificates of proficiency.

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

The college has been defined as a component unit of Howard County, Maryland government, and the college’s financial statements are included in the comprehensive annual report of the county in accordance with generally accepted accounting principles.

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

Since the foundation was established for the purpose of obtaining resources and to provide charitable benefits to the college, it is considered a component unit of the college. In accordance with Governmental Accounting Standards Board (GASB) no. 39, *Determining Whether Certain Organizations are Component Units*, it is discretely presented in the college’s financial statements.

Complete financial statements of the foundation can be obtained by contacting the foundation’s administrative office located at Howard Community College, 10901 Little Patuxent Parkway, Columbia, MD 21044-3197.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

GASB statement no. 34 identifies three types of special-purpose governments (SPGs): (1) those engaged only in governmental activities, (2) those engaged only in business-type activities (BTAs), and (3) those engaged in both governmental and BTAs. Governmental activities are generally financed through taxes, intergovernmental revenue, and other non-exchange transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

BTAs, on the other hand, are financed in whole or part by fees charged to external parties for goods and services. Given the importance of tuition, fees, and other exchange-type transactions in financing higher education, the college adopted the financial reporting model required of SPGs engaged in BTAs. Colleges reporting as BTAs follow GASB standards applicable to proprietary (enterprise) funds. Accordingly, the accompanying college financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted governmental accounting standards.

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Interest in Irrevocable Trust

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

The foundation's investments in an external investment pool have no readily determined market value and are valued at fair value as estimated by the University System of Maryland Foundation (USMF) custodian based on values as reported by the record keeper. USMF's management estimates fair value of the underlying market values of the investments. Because of the inherent uncertainty of the valuation, it is reasonably possible that such estimated values may differ from the values that would have been used had a ready market for the securities existed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Interest in Irrevocable Trust (Continued)

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

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

Tuition and Other Receivables

The college's tuition receivable represents obligations of students resulting from course registrations. The receivable is due before the end of the semester for which it was incurred. Amounts that remain uncollected three weeks after the end of the semester are considered delinquent and are referred to a collection agency. The college has established a valuation allowance for the tuition receivable it estimates as uncollectible. As of June 30, 2015, the net tuition receivable was $232,791. Included in other receivables are amounts collectible for bookstore credit memos, non-governmental grants, and miscellaneous receivables.

Contributions Receivable

The foundation's contributions receivable represents unconditional promises to give from various contributors including individuals, foundations, local businesses, and governments. There was a $24,500 allowance for uncollectible accounts recorded as of June 30, 2015.

Contributions receivable are recorded at the donated amount or net present value for those contributions expected to be collected in excess of one year. A discount rate of two percent was used as of June 30, 2015. The unamortized discount will be accreted into contribution revenue in the future.

Inventory

Inventory represents items sold in the college bookstore and is carried at the lower of cost or market using the first-in, first-out (FIFO) method.

Capital Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The college has established a threshold of $5,000 for furniture and equipment in order for those capital assets to be capitalized. Library books are capitalized as one component unit for the purchases within the fiscal year. Capital assets of $5,000 or more must be capitalized and assets between $1,000 and $5,000 that are deemed a capital asset with a useful life of greater than one year by a purchasing agent or manager can be capitalized and depreciated at the discretion of the director of accounting and/or in accordance with the funding agent.

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

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

Class of Assets	Estimated Useful Lives
Buildings	50 years
Land improvements	25 years
Renovations and leasehold improvements	15 years (or lease term, if shorter)
Library books	8 years
Furniture and equipment	3 - 10 years

Accrued Compensated Absences

The college accrues for unused compensated absences at year-end. Accrued compensated absences as of June 30, 2015, were $2,436,617.

Changes in the college's accrued compensated absences for the year ended June 30, 2015, are as follows:

	June 30, 2014	Net change	June 30, 2015
Payable	$ 2,388,095	$ 48,522	$ 2,436,617

Agency Funds

Funds held by the college as custodian or fiscal agent for others, such as student organizations used to support various student activities not directly related to instructional activities, are accounted for as agency funds. The funds held for others are recorded as a liability on the statements of net position and agency transactions are not included in the revenue and expenses of the college.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue for the college is primarily comprised of tuition received for semesters beginning after June 30, 2015, and grant revenue received during the year that has restrictions on spending related to time or purpose has been deferred until those restrictions are met. The foundation collects advance receipts for fundraising events. Funds received for foundation fundraising events are recognized as special events revenue upon the occurrence of the event.

Deferred Financing Inflows and Outflows

Deferred financing outflows are made up of changes in actuarial assumptions that are being amortized over a five-year period. The original amount was $33,960, and the amount amortized during the year ended June 30, 2014, was $6,792. Deferred financing inflows are made up of differences in the projected and actual investment earnings. The original amount was $256,960 and the amount amortized during the year ended June 30, 2014, was $51,392.

Net Position

Net position of the college is classified as restricted, unrestricted, or net investment in capital assets. Restricted net position is reported as either expendable or nonexpendable. Nonexpendable net position is to be maintained in perpetuity. Expendable net position, for which there are externally imposed constraints, are obligated or expensed within those condition(s).

The restricted net position of $582,321 represents grants given to the college for a specific use, designated by the grantor. The unrestricted balance of $24,394,214 represents auxiliary enterprise funds of $3,757,567, continuing education funds of $3,562,393, cultural, community, theatre and other funds of $10,293,706, and $10,494,850 designated for construction and debt repayment, net of $1,836,227 of unfunded vacation liability and $1,878,075 of unfunded pension liability.

The net investment in capital assets of $188,604,788 is net of related debt that includes the bond debt to Howard County of $7,495,229, and outstanding payables related to construction projects as of June 30, 2015, of $604,230.

The foundation's net position is expanded into three separate categories, unrestricted, restricted for expendable, and nonexpendable net position. Unrestricted net position are contributions not subject to donor-imposed stipulations, or those whose restrictions have been satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted for expendable net position are contributions subject to donor-imposed stipulations that will be met by the foundation through the passage of time, conduct of service or incurrence of expenditures. Promises to pay for the endowments are recorded as restricted for expendable net position until the cash is received. Once the cash is received, those amounts are transferred to nonexpendable net position. As the restrictions on expendable net position are met, they are transferred from expendable net position to unrestricted net position through the assets released from restriction due to satisfaction of donor restrictions in the accompanying statements of revenue, expenses, and changes in net position.

Restricted for nonexpendable net position are contributions subject to donor-imposed stipulations that must be maintained in perpetuity by the foundation. Generally, the donors of these assets permit the foundation to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Revenue Recognition

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

The college's tuition and fee revenue is shown net of scholarship allowances. A scholarship allowance is defined as the difference between the stated charge for tuition, fees, goods, and services provided by the college and the amount that is paid by the student and/or third-parties making payments on behalf of the student. The scholarship allowance represents the amount the college receives as tuition from outside sources such as the Title IV Federal Grant Program, the foundation, other restricted grants, and the college's own scholarship program. Funds received on behalf of students from outside sources such as third-party payers are reported in the appropriate revenue classification.

Certain aid such as loans and third-party payments are credited to the student's account as if the student made the payment. For the year ended June 30, 2015, the college netted expenses in the amount of $12,569,973, reducing tuition revenue by $11,425,263, and bookstore scholarships and childcare tuition, in auxiliary enterprise revenue, by $1,144,710.

Auxiliary Enterprises, Continuing Education, and Cultural, Community, and Other Programs

Auxiliary enterprises operated by the college include the bookstore, food services, vending services, the Children's Learning Center, art galleries, and student athletic programs. Continuing education and workforce development programs primarily represent noncredit courses offered by the college for a fee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Enterprises, Continuing Education, and Cultural, Community, and Other Programs (Continued)

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

The contributions received by the foundation are recorded as unrestricted, expendable, or nonexpendable restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in expendable or nonexpendable net position, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released due to satisfaction of donor restrictions.

Defined Benefit Plan

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

Operating and Non-operating Components

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-operating Components (Continued)

Non-operating components include transactions and other events that are defined as non-capital financing activities, capital financing activities, and investing activities.

Non-capital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest.

Non-operating activities include certain intergovernmental receipts and payments such as state and local appropriations, grants, payments paid on behalf of the college, investment earnings, and interest on debt. The college has also identified student financial aid assistance, including Pell Grants and Supplemental Educational Opportunity Grants, as non-operating revenue as the college does not consider them to be exchange transactions.
Capital financing activities include acquiring and disposing of capital assets used in providing services or producing goods; borrowing money for acquiring, constructing, or improving capital assets, and repaying the amounts borrowed, including interest; and paying for capital assets obtained from vendors on credit. Investing activities include acquiring and disposing of debt or equity instruments and the related investment earnings.

In-Kind Contributions

The foundation is the designated recipient for all college gifts. The foundation receives and records all in-kind gifts intended for the college, such as art work, books, equipment, etc. This property is transferred to the college immediately upon receipt. Annually, the college records all in-kind gifts in the restricted fund. The college recorded $49,368 of in-kind gifts in FY15.

The foundation receives contributions of various services from non-related sources. These contributions and their related expenses are reported at fair value in the period the services are performed. The estimated fair value of these contributions for the year ended June 30, 2015, was $185,957. Additionally, the foundation receives in-kind support from the college consisting of personnel, legal, consulting, and office costs. The estimated value of these services for the year ended June 30, 2015, was $717,434.

Fundraising and Management and General Expenses

Fundraising expenses of the foundation consist of donor support expenses and fundraising event-related insurance policies. Management and general expenses consist of office expenses and accounting and legal fees.

Federal and State Income Tax Status

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal and State Income Tax Status (Continued)

The IRS has also determined that the foundation is not a private foundation. The foundation is required to report unrelated business income to the IRS. The foundation did not have any unrelated business income for the year ended June 30, 2015. The foundation follows the provisions of FASB Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The foundation has analyzed tax positions taken for filing with the IRS and in Maryland where it operates. The foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the foundation's financial position, results of activities or cash flows. Accordingly, the foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2015. The foundation is still open to examination by taxing authorities from FY12 forward.

New Accounting Pronouncements

During the year ended June 30, 2015, GASB issued statement no. 72, *Fair Value Measurement and Application;* statement no. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB statement no. 68, and Amendments to Certain Provisions of GASB no. 67 and no. 68*; statement no. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; statement no. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The college is analyzing the effects of these pronouncements and plans to implement them by their effective dates, FY16 through FY18.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 requires all entities to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Five key steps will be required to assess revenue recognition along with enhanced disclosures. The FASB recently issued ASU 2015-14 to defer the effective date of its revenue recognition standard by one year. Based on the deferral of the effective date the ASU would not be effective for the foundation until FY19. The foundation is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In May 2015, the FASB issued ASU 2015-07 which simplifies FASB ASC topic no. 820, *Fair Value Measurements and Disclosures*, by removing the requirement to categorize, within the fair value hierarchy, all investments measured using the net asset value (NAV) per share practical expedient. Although classification within the fair value hierarchy is no longer required, an entity must disclose the amount of investments in the hierarchy to the corresponding line items in the statement of financial position. The amendments are effective retrospectively for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The foundation is currently evaluating the effect the provisions of ASU 2015-07 will have on the financial statements.

3. CASH AND CASH EQUIVALENTS

A. Deposits
As of year-end, the carrying amount of the college's deposits was $3,113,065 and the bank balance was $3,532,590. The deposits of the college were not exposed to custodial credit risk as of June 30, 2015. The operating account is federally insured up to $250,000 by the Federal Deposit Insurance Corporation and any amounts in excess of $250,000 were collateralized by a surety bond with a market value of $10,000,000 as of June 30, 2015. The bond is held by the bank's agent in the college's name.

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

As of June 30, 2015, the college's investment balance consisted of $30,886,311 in the MLGIP. The investment is considered a cash equivalent for financial statement purposes.

Types	**Amounts**
Cash on hand	$ 18,972
Carrying amount of deposit	3,113,065
Carrying amount of MLGIP	30,886,311
Total cash and cash equivalents	$ 34,018,348

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Interest rate risk

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit the college's exposure to fair value losses arising from increasing interest rates, the college's investment policy limits the term of investment maturities. As of June 30, 2015, the college's investments were limited to the MLGIP with maturity of less than one year. College management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the college from having to sell investments below original cost for that purpose. The investments, as of June 30, 2015, met the college's investment policy as of that date.

Investment income included interest and dividends in the amount of $16,906 for the year ended June 30, 2015.

Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

The college's investment policy does not allow for investments denominated in foreign currencies. The college did not have any investments denominated in any foreign currency as of June 30, 2015.

4. INVESTMENTS AND INTEREST IN IRREVOCABLE TRUST

The foundation's investments and interest in irrevocable trust as of June 30, 2015, were summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Fair Value
Fixed Income - corporate bonds	$ 792,452	$ 8,487	$ 800,939
Mutual funds - equities	1,435,166	521,794	1,956,960
Interest in external investment pool	5,892,857	1,320,238	7,213,095
Interest in irrevocable trust	87,262	29,555	116,817
Total	$ 8,207,737	$ 1,880,074	$ 10,087,811

On January 29, 2009, the foundation received an irrevocable bequest expectancy in which the college would receive 20 percent of a charitable remainder trust. The value of the trust was $2,514,317 as of June 30, 2015. As of June 30, 2015, the interest in irrevocable trust was recorded at $116,817, net of the related discount of $386,011. The foundation used the IRS guideline suggested discount rate of 6.8 percent as of June 30, 2015.

5. FAIR VALUE MEASUREMENTS

Fair value is defined under ASC topic no. 820, *Fair Value Measurements and Disclosures*, as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participations on the measurement date. Valuation techniques used to measure fair value under ASC topic no. 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value and are as follows:

Basis of Fair Value Measurement

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

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

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

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

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

- ***Mutual funds and fixed income*** - The foundation's investments in mutual funds and fixed income is valued at the closing price reported on the active and open market on which the fund is traded.

- ***Interest in external investment pool*** - The foundation's investments in the investment pool are held in the USMF investment pool, which is valued based on Level 3 inputs within the fair value hierarchy. The investments of USMF related to the foundation's pool holds the majority of its investment assets in money market, global equities, hedge global and U.S. equity and absolute return funds. USMF carries its investments at market value to the extent that market quotations are readily available and reliable. To the extent that market quotations are not available or are considered to be unreliable, fair value is estimated by the investment manager under the general oversight of the board of trustees of USMF after consideration of factors considered to be relevant, including but not limited to, the type of investment, position size, marketability (or absence thereof), cost, restrictions on transfer, and available quotations of similar instruments. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been obtained had a ready market for the investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. In general, fair value is the amount that USMF might reasonably expect to receive upon the current sale of the investment in an arms-length transaction in the investment's principal market. The financial statements of the USMF are audited annually by a nationally recognized firm of independent auditors.

  The foundation does not directly invest in the underlying securities of the USMF, but instead holds units in the overall United Investment Fund. The amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

- **Interest in irrevocable trust** - The foundation's interest in an irrevocable trust is valued at the estimated fair value of the underlying market value of investments.

There have been no changes in the valuation methodologies used as of June 30, 2015.

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

The following tables set forth, by level within the fair value hierarchy, the foundation's investment assets at fair value as of June 30, 2015. As required by ASC topic no. 820, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	As of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Large cap equity	$ 1,181,129	$ -	$ -	$ 1,181,129
International equity	329,602	-	-	329,602
Small cap equity	316,732	-	-	316,732
Equity exchange traded	129,497	-	-	129,497
Fixed Income:				
Corporate bonds	720,692	-	-	720,692
Mutual funds	80,247	-	-	80,247
Interest in external investment pool	-	-	7,213,095	7,213,095
Interest in irrevocable trust	-	116,817	-	116,817
Total	$ 2,757,899	$ 116,817	$ 7,213,095	$ 10,087,811

The following table presents the foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC topic no. 820-10 for the year ended June 30, 2015:

June 30, 2015	
Balance, beginning of year	$ 6,890,316
Realized gains	270,735
Unrealized gains	57,616
Investment fees	(85,247)
Sales/redemptions	(287,987)
Purchases	367,662
Balance, end of year	$ 7,213,095

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

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Basis of Fair Value Measurement (Continued)

Quantitative information as of June 30, 2015, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) is as follows:

Description	Fair Value	Principal Valuation Techniques	Unobservable input	Weighted Average
Interest in external investment pool	$ 7,213,095	Net Asset Value	Values assigned to underlying fund investments, including capital activity (capital calls and distributions) and performance estimates as received from the fund manager	N/A

Level 3 Valuation Process

The USMF custodian determines the fair value of the overall investment pool and provides that information to the record keeper. A unitized accounting methodology is used for the valuation process. This methodology takes into account the beginning units along with the withdrawal units. The earnings are then allocated and any additions and transfers are added at the current month value. USMF personnel also have regular calls with management of the funds and meet periodically with the foundation's investment committee and report the performance of the funds.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the foundation's interest in the external investment pool are subject to market risks resulting from changes in the market value of its investments and other events that may occur over the life of the investments and may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable of the foundation as of June 30, 2015, were recorded as follows:

Due in:	Amounts
Less than one year	$ 276,978
One to seven years	149,879
	426,857
Less: discount for net present value of two percent	(12,807)
allowance for uncollectible accounts	(24,500)
Total	$ 389,550

7. CAPITAL ASSETS

The following table presents the changes in the capital asset categories of the college, less depreciation expense for the year ended June 30, 2015:

	June 30, 2014	Additions/ Transfers	Retirements	June 30, 2015
Land	$ 364,581	$ 13,997	$ -	$ 378,578
Land improvements	1,941,406	-	-	1,941,406
Buildings	168,159,813	628,347	-	168,788,160
Building renovations	59,458,917	1,615,816	(332,468)	60,742,265
Furniture and equipment	17,345,988	1,839,494	(789,760)	18,395,722
Library books	425,339	44,182	(52,147)	417,374
Leasehold improvements	3,178,311	-	-	3,178,311
Total	250,874,355	4,141,836	(1,174,375)	253,841,816
Less: accumulated depreciation	64,903,228	9,346,912	(1,167,497)	73,082,643
Assets, net of depreciation	185,971,127	(5,205,076)	(6,878)	180,759,173
Construction in progress	4,083,136	11,861,938	-	15,945,074
Total	$ 190,054,263	$ 6,656,862	$ (6,878)	$ 196,704,247

8. BONDS PAYABLE, HOWARD COUNTY

The college is indebted to the county for bond issues in the amount of $7,495,229 as of June 30, 2015, for construction costs of a parking garage and the college’s portion of the Horowitz Visual and Performing Arts Center. During FY15, the county refinanced the bonds and that resulted in a gain due to refinancing of $31,354. Payments began in 2008 and are due through 2029 at interest rates ranging from three percent to five percent.

8. BONDS PAYABLE, HOWARD COUNTY (CONTINUED)

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

For The Year Ending June 30,	**Principal**	**Interest**
2016	$ 590,397	$ 310,225
2017	704,286	299,549
2018	625,856	260,505
2019	526,486	231,923
2020	543,852	205,234
2021-2025	2,576,157	698,935
2026-2029	1,928,195	159,325
Total	$ 7,495,229	$ 2,165,696

Changes in the college's long-term liabilities for the year ended June 30, 2015, are as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015	Amounts Due in One Year
Bond payable	$ 8,057,796	$ -	$ 562,567	$ 7,495,229	$ 590,397

9. RESTRICTED NET POSITION

Restricted for expendable net position of the college of $582,321 as of June 30, 2015, consists of funds for grant programs. Restricted for expendable net position of the foundation of $3,628,694 as of June 30, 2015, consists of funds restricted for scholarship purposes, debt service and other specified programs. Net position released from restrictions were funds restricted for scholarship purposes and other specified programs whose restrictions were satisfied. Nonexpendable net position of $6,092,828 as of June 30, 2015, are restricted in perpetuity, the income from which is expendable to support the general obligations of the foundation and to provide scholarships.

Endowment

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

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

9. RESTRICTED NET POSITION (CONTINUED)

Endowment (Continued)

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

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

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

Return Objectives and Risk Parameters

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The foundation has a policy of appropriating at the end of each fiscal year four percent of the average year-end balance for the prior three years of the endowment. The board may spend more or less than the four percent because balances may not be sufficient due to deposits, withdrawals, and investment returns.

Strategies Employed for Achieving Objectives

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

9. RESTRICTED NET POSITION (CONTINUED)

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in expendable net position were $0 as of June 30, 2015.

Composition of the Endowment by Net Position

As of June 30, 2015, the composition of the endowments was as follows:

	As of June 30, 2015			
	Unrestricted	**Expendable**	**Nonexpendable**	**Total**
Board designated and donor-restricted endowment Funds	$ 113,935	$ 1,238,587	$ 6,092,828	$ 7,445,350

Change in Endowment Net Position

The changes in endowment net position were as follows:

	June 30, 2015			
	Unrestricted	**Expendable**	**Nonexpendable**	**Total**
Endowment net position, June 30, 2014	$ 113,935	$1,426,866	$ 5,778,896	$ 7,319,697
Investment return:				
Investment income	-	78,548	-	78,548
Net appreciation	-	249,804	(576)	249,228
Total investment return	-	328,352	(576)	327,776
Contributions	-	25,000	212,311	237,311
Appropriated for expenditures	-	(445,723)	-	(445,723)
Transfers	-	(95,908)	102,197	6,289
Endowment net position, June 30, 2015	$ 113,935	$ 1,238,587	$ 6,092,828	$ 7,445,350

During the year ended June 30, 2015, transfers were made between unrestricted net assets, expendable net position and nonexpendable net position. The transfers were based on a more accurate understanding of the donors' intentions for contributions received by the foundation.

10. RETIREMENT BENEFITS

All budgeted full-time and budgeted part-time college employees participate in either the Maryland State Retirement and Pension Systems (MSRPS) or an Optional Retirement Program (ORP), primarily the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). The college's total current-year payroll for all employees was $55,281,050. The payroll of employees covered by either the MSRPS or an ORP, was $41,120,852.

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

MSRPS Benefits Provided

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

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

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

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

10. RETIREMENT BENEFITS (CONTINUED)

Employer Contributions

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

The State of Maryland pays, on behalf of the college, the employer's share of retirement costs for teachers and related positions. During the fiscal year ended June 30, 2015, the state paid $4,090,342 in retirement costs, equal to approximately 9.95 percent of the covered payroll costs. The college's share of retirement costs for other employees was calculated based on the accrued benefit cost method.

Optional Retirement

TIAA is a nonprofit insurance company that provides annuities and insurance for staff members of educational organizations; CREF is a nonprofit corporation established to provide retirement benefits. The TIAA/CREF program is a money purchase plan under which the benefit is determined by the retirement income purchased by state and employee contributions. Fidelity is also an available employee options to establish an ORP. The state contribution rate is determined by state law and is currently 7.25 percent of salary. No employee contribution is required. Participants in an optional retirement plan may begin to receive their annuity income at any time after leaving the college; however, there is a penalty for those under retirement age.

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

Pension Liabilities

At June 30, 2015, the college reported a liability of $1,878,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At June 30, 2014, the College's proportion was .011 percent.

10. RETIREMENT BENEFITS (CONTINUED)

Pension Liabilities (Continued)

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 27,168	$ -
Net difference between projected and actual earnings on pension plan investments	-	(205,568)
Reporting Unit contributions subsequent to the measurement date	261,657	-
Total	$ 288,825	$ (205,568)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the college recognized pension expense of $232,502**.** At June 30, 2015, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Amount of $288,825, reported as deferred outflows of resources related to pensions resulting from college employer contributions and change in assumptions and change in assumptions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2016	$ 44,600
2017	44,600
2018	44,600
2019	44,600

Actuarial Assumptions

Investment rate of return – 7.65 percent a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 3.4 percent to 11.9 percent, including inflation.

Inflation - 2.90 percent general, 3.4 percent wage

Mortality assumptions - The healthy life post-retirement mortality table used in this valuation of the System was the RP-2000 Combined Healthy Mortality Table projected to the year 2025.

10. RETIREMENT BENEFITS (CONTINUED)

The long-term expected rate of return on pension plan investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return were adopted by the Maryland State Pension Plan Board after considering input from the system's investment consultant(s) and actuary(s). For each major asset class that in included in the system's target asset allocation, these best estimates are summarized in the following tables:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

The above was the Pension Plan Board adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 14.38 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A single discount rate of 7.65 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.65 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. RETIREMENT BENEFITS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.65 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher.

	1% Lower (6.65%)	Discount Rate (7.65%)	1% Higher (8.65%)
Howard Community College proportionate share of the net pension liability	$2,706,542	$1,878,075	$1,184,129

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maryland State Retirement and Pension System Comprehensive Annual Financial Report.

11. RISK MANAGEMENT

The college is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Other than automobile coverage, the college is insured by the Howard County self-insurance programs, which provide coverage up to a maximum of $1,000,000 for each general liability claim, $100,000 for each property claim, and $500,000 on each workers' compensation claim. The college has a separate policy with the Local Government Insurance Trust (LGIT), a public entity risk pool that consists of various local counties and municipalities, for automobile coverage up to a maximum of $1,000,000 for each automobile claim.

Under the umbrella of Howard County, the college has additional coverage from LGIT for liability and property claims in excess of the coverages described above. The county pays annual premiums to LGIT for liability coverages. LGIT was created to provide broader insurance than that available from commercial insurers, coverage that otherwise would be unavailable, and loss control and risk management services for local governments. The college is covered for workers' compensation claims in excess of the $500,000 per claim as previously described under an additional policy purchased by the county. Settled claims have not exceeded coverage in any of the past five years.

The college makes payments to the county based on the premiums established by the county based on a combination of actuarial estimates and historical cost information. The college has no liability for covered claims other than paying the premium established by the county. The amount paid to the county and LGIT and expensed during the year ended June 30, 2015, was $328,068.

11. RISK MANAGEMENT (CONTINUED)

The college has also entered into an agreement with Howard County to provide health care coverage for its employees under the county's self-insured plan. The college has the option to terminate the agreement at the end of each fiscal year. The college has no liability for covered claims other than paying the premiums established by the county, which were $7,088,749 for the year ended June 30, 2015.

12. RELATED PARTY TRANSACTIONS

As discussed, the foundation has been determined to be a component unit of the college, after analyzing the requirements of GASB statement no. 39, *Determining Whether Certain Organizations are Component Units,* and its financial activity is presented discretely in the college's financial statements.

For the year ended June 30, 2015, the college provided $717,434 of in-kind administrative and overhead support to the foundation. During the same period, the foundation provided $2,450,219 in scholarships awarded to students and $425,660 in non-scholarship benefits to the college in support of college programs and other services. This figure includes in-kind contributions.

13. JOINT VENTURES

Laurel College Center (LCC)

In FY01, the college entered into a joint-venture agreement with Prince George's Community College (PGCC) to form the LCC. The LCC offers both credit and noncredit courses. The college and PGCC split revenue of $3,590,446 and expenses of $3,155,263 associated with the LCC equally. For the year ended June 30, 2015, the college increased revenue by $268,071 and included $643,460 in instructional operating expenses in the statement of revenue, expenses, and changes in net position to reflect its proportional share. This resulted in a payable to PGCC as of June 30, 2015, of $375,389.

As part of the joint venture agreement, the college and PGCC entered into a non-cancelable operating lease agreement, which contains a non-appropriation clause. This lease had an initial term of five years with the option to renew the lease for an additional five years in one-year increments. The lease payments have an escalation clause of three percent per year and the college has recognized its proportionate share of the rent expense in accordance with the terms of the lease agreement. The college's proportionate share of the rent expense for the year ended June 30, 2015, was $434,977.

For FY13, the colleges entered into a five-year lease, with two additional five-year renewal options. The lease contains a non-appropriation clause. In this lease agreement, if after 10 years the LCC continued to lease the space, the LCC would receive a rent abatement of $1,005,651 in year ten. The lease contains an escalation clause of three percent per year. The lease increased the lease space by 4,514 square feet on another floor of the building.

13. JOINT VENTURES (CONTINUED)

Laurel College Center (LCC) (continued)

During FY14, the colleges agreed to increase the lease space by another 7,694 square feet on the fifth floor of the building and renewed the existing leased space agreement for five years. There is now one renewal option left on the lease. The rent abatement increased from $450,000 to $1,455,651 and was spread evenly between September 1, 2014, and August 31, 2021. No rent is due for this additional space for the first 24 months after build out, which occurred during FY15.

The college's proportionate share of the future minimum lease payments under the terms of the leases as of June 30, 2015, are as follows:

For the Years Ending June 30,	Amount
2016	$ 391,816
2017	486,594
2018	520,291
2019	539,019
2020	558,309
2021-2022	675,096
TOTAL	$ 3,171,125

Mount Airy College Center for Health Care Education

In FY11, the college entered into a joint-venture agreement with Frederick Community College (FCC) and Carroll Community College (CCC) to form the Mount Airy College Center for Health Care Education. The center offered both credit and noncredit courses during FY13. Classes began in August 2012. Originally, the three colleges shared both the revenue and expenses associated with the center equally. During FY15, a revised model was established that changed the share of loss for each college. Expenses are now shared equally, less an administrative fee exchange, and revenues earned are shared. For FY15, the increased costs to Howard Community College were agreed to be paid up to only 50 percent of the calculated change.

For the year ended June 30, 2015, earned revenues of $781,376, expenses of $1,389,656 and the resulting loss of $608,280, was shared as follows: FCC $157,317, CCC $190,770 and HCC $260,193. Quarterly, the colleges settled payments to each other for the center. During the year, FCC and CCC paid the college $443,693 for expenses in excess of its share. In addition, for the year-ended June 30, 2015, the college booked an additional reduction of both expenses and revenue to properly reflect total revenues and expenses of the center. This resulted in a receivable due from the two partner colleges totaling $28,228.

As part of the joint venture agreement, the colleges entered into a non-cancelable operating lease agreement, which contains a non-appropriation clause. This lease has an initial term of ten years from August 2012 to July 2022. The lease payments have an escalation clause of 1.75 percent per year.

13. JOINT VENTURES (CONTINUED)

Mount Airy College Center for Health Care Education (continued)

The college's proportionate share of the future minimum lease payments under the terms of the leases as of June 30, 2015, are as follows:

For the Years Ending June 30,	Amount
2016	$ 74,573
2017	75,855
2018	77,186
2019	78,521
2020	79,905
2021-2022	170,931
TOTAL	$ 556,971

14. COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of business, the college becomes involved in legal actions. There are no legal actions pending at the current time.

On September 2, 2014, the college received a 972CG notice from the IRS that purposed a potential penalty of $254,300 for incorrectly filing information returns for the tax year 2012. The college submitted 1098-Ts and 1099-MISCs without proper Tax Identification Numbers (TIN) as that information was not provided to the college by students before the filing due date. This was a new IRS initiative that colleges across the country were dealing with because there was no requirement for students to provide TIN numbers to the colleges. This was the second notice received from the IRS on this topic because the college had already filed the 2012 tax filing before beginning to address the 2011 penalty that was received. The 2011 penalty of $216,500 was forgiven.

The college has attempted to mitigate the 2012 penalty as well, however, this penalty is included as an expense in the FY15 statements as no decision to forgive this penalty has been received. In addition, the college believes that there will be no material penalty for the tax year 2013 due to corrective action put in place as a result of the IRS notice, however, this determination is still pending.

Capital Projects

As of June 30, 2015, the college has commitments of approximately $57,280,821 to complete outstanding capital construction projects.

14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grants

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

15. POST RETIREMENT BENEFITS

The college contributes to the Howard County Other Postemployment Benefits Trust, a cost-sharing multiple-employer defined benefit healthcare plan (the plan). The county established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. Howard County provides post-employment health insurance benefits to all eligible employees who retire from the county or its component units who wish to participate. In order to be eligible, the retiree must have a minimum of ten years of service, and immediately preceding retirement, been enrolled in a medical, vision, or prescription drug insurance plan offered to active employees of the county or its components. The county will pay a percentage of the retiree's health insurance premium based upon these criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria must have five years of service to participate in the retirees' health insurance program by paying the full premium at the group rate. For the year-ended June 30, 2015, the county did not pay claims in excess of premiums on behalf of the college.

The plan's funding policy provides for the county and its component units to contribute to the trust the actuarially determined annual required contribution (ARC). The college is a cost sharing agent participant to the plan and thus is only responsible for its required annual contribution established by the county. When a contribution is made, the county will make the college's ARC contribution. The county contributed $394,019 toward the plan in FY15.

16. SUBSEQUENT EVENTS

The college evaluated subsequent events through, September 30, 2015, which is the date the financial statements were available to be issued. The college did learn from an Internal Revenue Notice from the Internal Revenue Service (IRS) that "the IRS is waving penalties assessed against any college, university, or other educational institution for Forms 1098-T that were filed with an incorrect or missing taxpayer identification number (TIN). The IRS is granting this relief for tax years 2012, 2013, and 2014." However, until the college receives an official individual notification from the IRS that the penalties have been waived, the college will continue to carry the liability of the 2012 assessment described in note 14.

REQUIRED SUPPLEMENTARY INFORMATION

HOWARD COMMUNITY COLLEGE

Schedule of Howard Community College's Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems

	June 30, 2015*
College's proportion of net pension liability	0.011%
College's proportionate share of net pension liability	$ 1,878,075
College's covered-employee payroll	$ 2,983,599
College's proportionate share of net pension liability as a percentage of its covered-employee payroll	62.95%
Plan fiduciary net position as a percentage of total pension liability	71.87%

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

* The amounts presented above were determined as of June 30, 2014

HOWARD COMMUNITY COLLEGE

Schedule of Howard Community College’s Contributions - Maryland State Retirement and Pension Systems

	June 30, 2015
Statutorily required contributions	$ 261,657
Contributions in relation to statutorily required contributions	261,657
Contribution deficiency (excess)	$ -
College’s covered-employee payroll	$ 2,983,599
Contributions as a percentage of covered-employee payroll	8.8%

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

Notes to Required Supplementary Information
Year Ended June 30, 2015

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions: Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the system for use in the annual pension valuations beginning with the June 30, 2014 valuation.

Schedule of Expenditures
of Federal Awards

Howard Community College

Schedule of expenditures of federal awards
Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Federal Number	Pass-Through Entity/Identifying Number	Federal Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	POO7A141754	$ 168,733
Federal Direct Lending	84.268	P268K153052	7,552,028
Federal Direct Lending-Prior Year	84.268	P268K143052	163,439
Federal Work-Study Program	84.033	PO33A141754	145,603
Federal Pell Grant Program	84.063	PO63P143052	10,630,718
Federal Pell Grant Program - Prior year	84.063	PO63P133052	282,632
Total Student Financial Aid Cluster			18,943,153
TRIO-Student Support Services			
TRIO - Student Support Services - FY14	84.042A	PO42A100592	56,928
TRIO - Student Support Services - FY15	84.042A	PO42A100592	289,704
Total TRIO-Student Support Services			346,632
Total U.S. Department of Education			19,289,785
National Science Foundation			
PRIME	47.076	DRL1118755	2,125
EEC	47.041	EEC-1009823	473
Total National Science Foundation			2,598
National Highway Traffic Safety Administration			
Rider Observation Study			
Total National Highway Traffic Safety Administration	20.614	DTNH22-09-C-00124	1,466
Department of Defense			
National Security Agency-Startalk 15-16	12.900	H98230-15-1-0154	11,971
National Security Agency-Startalk 14-15	12.900	H98230-14-1-0062	97,748
Total Department of Defense			109,719
Total Direct Awards			19,403,568
Passed-Through Maryland Department of Labor Licensing and Regulation:			
Adult Education - State Grant Program			
Total Pass Through Maryland Department of Labor Licensing and Regulation	84.002A	P00P5400281	503,254
Passed-Through Maryland Department of Education:			
RTTT-Early Learning Challenge	84.412	14443901/02	612
Child Care Career and Professional Development - Teacher Tranin FY14	93.575	14436101/02	39,356
Child Care Career and Professional Development - Teacher Tranin FY15	93.575	15427601/02	47,608
			86,964
Career and Technical Education FY14	84.048	14464701	7,152
Career and Technical Education FY15	84.048	15486601	25,845
Vocational Education - Basic Grants to States	84.048	15486701	240,068
			273,065
Total Pass Through Maryland State Department of Education			360,641
Passed-Through Montgomery College			
Cyber-Technology Pathways Across Maryland			
Total Pass Through Montgomery College	17.282	TC-26466-14-60-A-24	13,444
Passed-Through Maryland Department of Health and Mental Hygiene			
Centers for Disease Control and Prevention			
Total Pass Through Maryland Dept. of Health and Mental Hygiene	93.977/93.116/93.283	OCPMP 13-010947G	46,163
Passed-Through Center for Cultural and Technical Interchange Between East and West, Inc.			
National Endowment for the Humanities - Bridging Cultures at Community Colleges			
Total Passed-Through Center for Cultural and Technical Interchange Between East and West, Inc.	45.162	HC12957	1,349
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 20,328,419

See accompanying notes to the Schedule of Expenditures of Federal Awards

1. Basic Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States*, *Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the changes in net position or cash flows of the College.

All of the College's federal awards were in the form of cash assistance for the year ended June 30, 2015.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21; Cost Principles for Educational Institution, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented in the schedule.

3. Loan Programs

During the year ended June 30, 2015, the College processed the following amount of new loans under the Federal Direct Lending program. Since this program is administered by outside financial institutions, new loans made during the fiscal year relating to this program are considered current year expenditures in the schedule.

CFDA Number	Program Name	Loan Expenditures
84.268	Federal Direct Lending	$ 7,715,467

4. Reconciliation to the Basic Financial Statements

Total expenditures per the Schedule reconciles to the College's basic financial statements for the year ended June 30, 2015, as follows:

Federal, state local, and other grants and contracts per the statement of revenue, expenditures and changes in net position	$ 15,965,070
Less: State grants and contracts	(2,774,516)
Local and other grants and contracts	(718,807)
Other program revenue	141,205
Add: Loan disbursements not included in financial statements but on the schedule	7,715,467
Total expenditures per the schedule	$ 20,328,419

Independent Auditor's Reports Required by *Government Auditing Standards* **and** **OMB Circular A-133**

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees
Howard Community College
Columbia, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Howard Community College** (the "College"), as of and for the year ended June 30, 2015, and the related notes the financial statements, which collectively comprise of the College's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

September 30, 2015

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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

To the Board of Trustees
Howard Community College
Columbia, Maryland

Report on Compliance for Each Major Federal Program

We have audited **Howard Community College's** (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2015. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the College's major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, Howard Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

September 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified? ______ Yes __X__ None reported
- Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards Section

Internal control over major programs:

- Material weakness (es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified? ______ Yes __X__ None reported

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? ______ Yes __X__ No

Identification of major programs:

CFDA/Contract Number	Name of Federal Program or Cluster
84.007 84.268 84.033 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section .510(a) of the Circular) that are required to be reported.

Howard Community College

Summary Schedule of Prior Auditing Findings

Status of Prior Year Findings of Noncompliance

There were no audit findings reported in the prior year audit.