

The Metropolitan Community College

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



The Metropolitan Community College

June 30, 2019 and 2018

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position	20
Statements of Revenues, Expenses and Changes in Net Position	22
Statements of Cash Flows	23
Financial Statements of The Metropolitan Community College Foundation (Discretely Presented Component Unit)	
Statements of Financial Position	25
Statements of Activities.....	26
Statements of Cash Flows	28
Notes to Financial Statements	29
Required Supplementary Information	
Schedule of Changes in the College’s Total OPEB Liability and Related Ratios	79
Schedules of the College’s Proportionate Share of the Net Pension Liability and College Contributions	80
Other Supplementary Information	
Combining Schedule of Net Position	82
Combining Schedule of Revenues, Expenses and Changes in Net Position	83
Schedule of Revenues, Expenses and Changes in Fund Balances	84
Schedule of Expenses by Functional and Natural Classification	86
Schedule of Fund Transfers From/(To)	87
Notes to Other Supplementary Financial Information.....	88

The Metropolitan Community College
June 30, 2019 and 2018

Contents (Continued)

Compliance

Schedule of Expenditures of Federal Awards	89
Notes to the Schedule of Expenditures of Federal Awards	90
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report	91
Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report.....	93
Schedule of Findings and Questioned Costs.....	95
Summary Schedule of Prior Audit Findings.....	98

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The Junior College District of Metropolitan Kansas City, Missouri (d/b/a The Metropolitan Community College, the "College") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The Metropolitan Community College, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying other supplementary financial information and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary financial information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
November 22, 2019

The Metropolitan Community College

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

Introduction

This section of The Metropolitan Community College's (the College or MCC) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2019, with comparative data for the fiscal years ended June 30, 2018 and 2017. It should be read in conjunction with the financial statements and notes that follow.

The College prepared the financial statements in accordance with Government Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that the financial statements be presented to focus on the College as a whole.

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the accompanying combined financial statements of the College including the accounts of The Junior College District of Metropolitan Kansas City, Missouri (the District), the Kansas City Metropolitan Community Colleges Building Corporation (the Building Corporation), as well as its discretely presented component unit, The Metropolitan Community College Foundation (the Foundation).

In 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which revises accounting and financial reporting standards for other post-employment benefits that are provided to the employees of state and local governmental employers through health care benefits that are administered through trusts and equivalent arrangements in which specific criteria are met. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenditures. For defined benefit postemployment benefits, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to the actuarial present value and attribute that present value to periods of employee service. Information for the year ended June 30, 2017, was not restated for the application of GASB Statement No. 75 as it was deemed impractical to do so.

Using This Annual Report

One of the most important questions asked about the College's finances is whether the College, as a whole, is better off or worse off as a result of the year's activities. The Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows provide information on the College as a whole and present a long-term view of the College's finances. These statements present financial information in a form similar to that used by private corporations. Over time, increases or decreases in net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. In addition to these three basic financial statements, this report contains notes to the financial statements, required supplementary information and other supplementary schedules as appropriate.

Financial Highlights for Fiscal Year Ended June 30, 2019

As of June 30, 2019, the College's financial position improved with total assets and deferred outflows of resources increasing \$1.3 million to \$261.4 million on June 30, 2019 compared to \$260.1 million as of June 30, 2018. Total liabilities and deferred inflows decreased by \$7.3 million to \$140.1 million at June 30, 2019 from \$147.4 million at June 30, 2018.

The College's operations were better than originally budgeted resulting in the College's total net position increasing by \$8.6 million, a 7.6 percent increase. This resulted in an increase of unrestricted net position, from \$46.6 million to \$57.5 million, an increase of \$10.9 million. This is attributable to a higher investment income, lapsed salaries, the sale of the Longview Rec Center and a continued decline in spending across the District.

Financial Highlights for Fiscal Year Ended June 30, 2018

In fiscal year 2018, the College's financial position declined slightly, with total assets and deferred outflows of resources at \$260.1 million versus \$261.2 million in 2017. Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was \$112.7 million at June 30, 2018. This represents a 1.2 percent decrease from 2017's net position of \$114.1 million. The College's unrestricted net position showed a decrease from \$50.2 million to \$46.6 million.

Financial operations were better than originally budgeted, with an overall increase in net position of \$11.7 million. The positive results can be attributed to increased revenue from local taxes and investments, additional contributions from the Institute for Workforce Innovation, lapsed salaries and continued conservative spending across the District. This increase in net position helped to offset the adoption of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which increased the College's liabilities by \$13.2 million.

Financial Highlights for Fiscal Year Ended June 30, 2017

The College's financial position improved at June 30, 2017, with total assets and deferred outflows of resources increasing \$19.7 million to \$261.2 million compared to \$241.5 million at June 30, 2016. Total liabilities and deferred inflows of resources for the College also increased by \$8.2 million, as of June 30, 2017, from \$138.9 million to \$147.1 million.

Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was \$114.1 million at June 30, 2017. This represents an 11.2 percent increase from 2016's net position of \$102.6 million. The College's unrestricted net position showed an increase growing from \$41.0 million to \$50.2 million or 22.4 percent.

Financial operations were better than originally budgeted, with an overall increase in net position of \$11.5 million. These positive results can be attributed to lapsed salaries, open vacant positions, continued conservative spending across the District and additional contributions from special projects and the Institute for Workforce Innovation.

Statements of Net Position

The Statements of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. Total assets and deferred outflows of resources less total liabilities and deferred inflows of resources – net position – is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values or historical costs.

From the data presented, readers of the Statements of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statements of Net Position provide a picture of assets available for expenditure by the College.

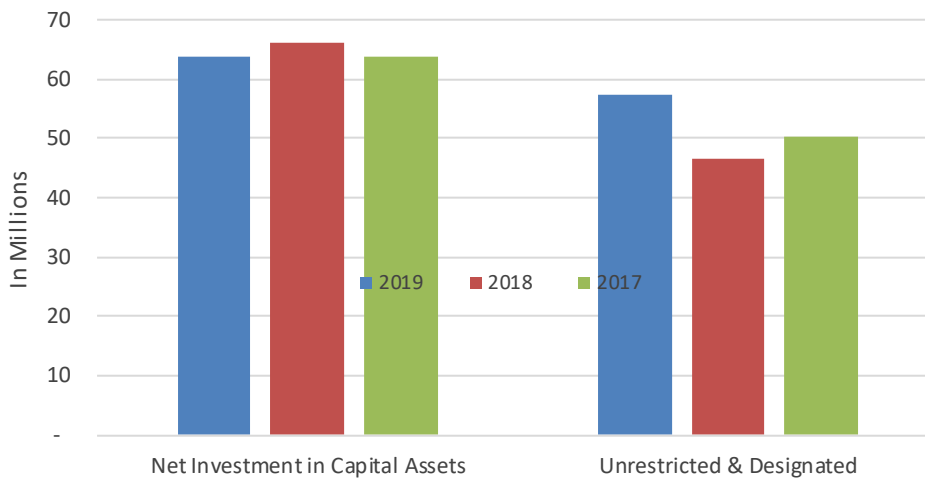
Assets and liabilities are categorized as current or noncurrent. The difference is that current assets and liabilities mature or become payable within the normal 12-month accounting cycle versus noncurrent, which mature or become payable after 12 months. For example, at June 30, 2019, the College's current assets consisted primarily of cash and cash equivalents, short-term investments, net accounts receivable and other assets. Noncurrent assets consist primarily of long-term investments and property and equipment. Property and equipment are the capital assets owned by the College and the Building Corporation.

Net position is presented in three major categories. The first category, net investment in capital assets, provides the College's/Building Corporation's equity in capital assets – the property, plant and equipment owned by the College/Building Corporation. The second category is restricted net position, which is restricted for debt retirement. With the bond refinancing in 2014, the College no longer has net position in this category. The third category is titled unrestricted net position, which includes amounts designated by board direction for specific purposes.

Condensed Statements of Net Position
June 30, 2019, 2018 and 2017
(Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Assets					
Current	\$ 100.3	\$ 18.3	\$ 82.0	\$ (24.0)	\$ 106.0
Capital	111.3	(6.5)	117.8	(1.9)	119.7
Other	26.9	(9.2)	36.1	29.4	6.7
Total assets	<u>238.5</u>	<u>2.6</u>	<u>235.9</u>	<u>3.5</u>	<u>232.4</u>
Deferred outflows of resources	<u>22.9</u>	<u>(1.3)</u>	<u>24.2</u>	<u>(4.6)</u>	<u>28.8</u>
Total assets and deferred outflows of resources	<u>\$ 261.4</u>	<u>\$ 1.3</u>	<u>\$ 260.1</u>	<u>\$ (1.1)</u>	<u>\$ 261.2</u>
Liabilities					
Current	\$ 17.1	\$ (1.9)	\$ 19.0	\$ (0.9)	\$ 19.9
Noncurrent	116.9	(4.1)	121.0	3.1	117.9
Total liabilities	<u>134.0</u>	<u>(6.0)</u>	<u>140.0</u>	<u>2.2</u>	<u>137.8</u>
Deferred inflows of resources	<u>6.1</u>	<u>(1.3)</u>	<u>7.4</u>	<u>(1.9)</u>	<u>9.3</u>
Total liabilities and deferred inflows of resources	<u>\$ 140.1</u>	<u>\$ (7.3)</u>	<u>\$ 147.4</u>	<u>\$ 0.3</u>	<u>\$ 147.1</u>
Net Position					
Invested in capital, net of related debt	\$ 63.8	\$ (2.3)	\$ 66.1	\$ 2.2	\$ 63.9
Unrestricted	<u>57.5</u>	<u>10.9</u>	<u>46.6</u>	<u>(3.6)</u>	<u>50.2</u>
Total net position	<u>\$ 121.3</u>	<u>\$ 8.6</u>	<u>\$ 112.7</u>	<u>\$ (1.4)</u>	<u>\$ 114.1</u>

Comparison of Net Position



Significant assets consist of cash and cash equivalents, short-term and long-term investments, accounts receivable and capital assets. Significant liabilities include accounts payable and accrued liabilities, long-term bonded debt, other postemployment benefit liability, net pension liability, compensated absences and deferred revenue.

Fiscal Year 2019 compared to Fiscal Year 2018

In fiscal year 2019, total assets and deferred outflows of resources increased \$1.3 million while total liabilities and deferred inflows of resources decreased \$7.2 million; for a total net position increase of \$8.6 million.

The College's total assets and deferred outflows of resources increase is due to an increase in investments of \$20.3 million with an offsetting decrease in cash and cash equivalents of \$8.9 million and overall decreases in accounts receivable, other assets and capital assets of \$8.7 million. In addition, deferred outflows of resources decreased \$1.3 million as a result of the annual GASB 68 actuarial evaluation.

The total liabilities and deferred inflows of resources decrease is a result of a decrease in bonds payable of \$4.2 million and a decrease in accounts payable and other accruals of \$1.5 million. In addition, deferred inflows of resources decreased \$1.2 million as a result of the annual GASB 68 actuarial evaluation.

Net investment in capital assets, which represents 53.0 percent of total net position at June 30, 2019, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

The Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology. Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position.

Unrestricted net position is not subject to externally imposed stipulations and is available to the College for any legal purpose.

Fiscal Year 2018 compared to Fiscal Year 2017

As of June 30, 2018, total assets and deferred outflows of resources decreased \$1.1 million. The decrease in assets is due to a decrease of \$28.7 million in short-term investments offset by an increase of \$29.4 million in long-term investments. The GASB 68 actuarial evaluation of the College's portion of the unfunded pension liability resulted in a decrease of \$4.6 million in deferred outflows. Cash and cash equivalents also increased \$5.6 million. The remaining changes were a decrease in other assets and a decrease in capital assets.

Total liabilities and deferred outflows of resources increased \$.3 million in fiscal year 2018. The adoption of GASB 75 required the College to recognize \$9.9 million in post-employment benefits (not related to pension). This was offset by the GASB 68 actuarial evaluation of the College's portion of the unfunded pension liability resulting in a decrease of \$1.8 million in the pension liability and a decrease of \$1.9 million in the deferred inflows of resources. The annual bond payments for the Series 2014 bonds decreased the bonds payable by \$4.2 million. The remaining changes were a decrease in accounts payable and capital lease liability.

Net investment in capital assets, which represents 58.7 percent of total net position at June 30, 2018, represents the assets' historical costs, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Expendable restricted net position is subject to externally imposed restrictions governing their use. This category of net position represents the debt service reserve funds as mandated by the trust indentures. The College is not required to maintain a debt service reserve with the Series 2014 bonds.

The Board of Trustees has elected to designate a portion of unrestricted net position for the purpose of deferred maintenance and information technology. Designated net position is not subject to externally imposed restrictions and therefore is not considered restricted net position.

Unrestricted net position is not subject to externally imposed stipulations and is available to the College for any legal purpose.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position disclose the College's financial results for each of the fiscal years presented. The purpose of the statements are to present the revenues earned by the College, both operating and nonoperating and the expenses incurred by the College, operating and nonoperating and any other revenues, expenses, gains and losses earned or incurred by the college. Under the accrual basis of accounting, all of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the students and various constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry on the mission of the College. Nonoperating revenues are revenues earned for which goods and services are not provided. For example, the state appropriations, Pell grant revenue and county property tax collections are nonoperating because they represent revenue provided to the College for which no direct goods or services were provided directly by the College to the state legislature or the local taxpayers.

One of the College's strengths is its diverse streams of revenue, which allow it the flexibility to weather difficult economic times. The statements below provide an illustration of revenues by source (both operating and nonoperating), which were used to fund the College's operating activities for the years ended June 30, 2019, 2018 and 2017.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019, 2018 and 2017
(Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Operating revenues	\$ 38.7	\$ (7.5)	\$ 46.2	\$ (3.5)	\$ 49.7
Operating expenses	123.4	(3.0)	126.4	-	126.4
Operating loss	(84.7)	(4.5)	(80.2)	(3.5)	(76.7)
Non-operating revenues, net	93.3	1.3	92.0	3.8	88.2
Increase in net assets	8.6	(3.2)	11.8	0.3	11.5
Net assets, beginning of year	112.7	(1.4)	114.1	11.5	102.6
Change in accounting principle	-	13.2	(13.2)	(13.2)	-
Net assets, end of year	<u>\$ 121.3</u>	<u>\$ 8.6</u>	<u>\$ 112.7</u>	<u>\$ (1.4)</u>	<u>\$ 114.1</u>
Total revenues	<u>\$ 133.9</u>	<u>\$ (6.3)</u>	<u>\$ 140.2</u>	<u>\$ (0.2)</u>	<u>\$ 140.4</u>
Total expenses	<u>\$ 125.3</u>	<u>\$ (3.1)</u>	<u>\$ 128.4</u>	<u>\$ (0.5)</u>	<u>\$ 128.9</u>

The following table of revenues by source (both operating and nonoperating) shows revenues used to fund the College's operating activities for the years ended June 30, 2019, 2018 and 2017.

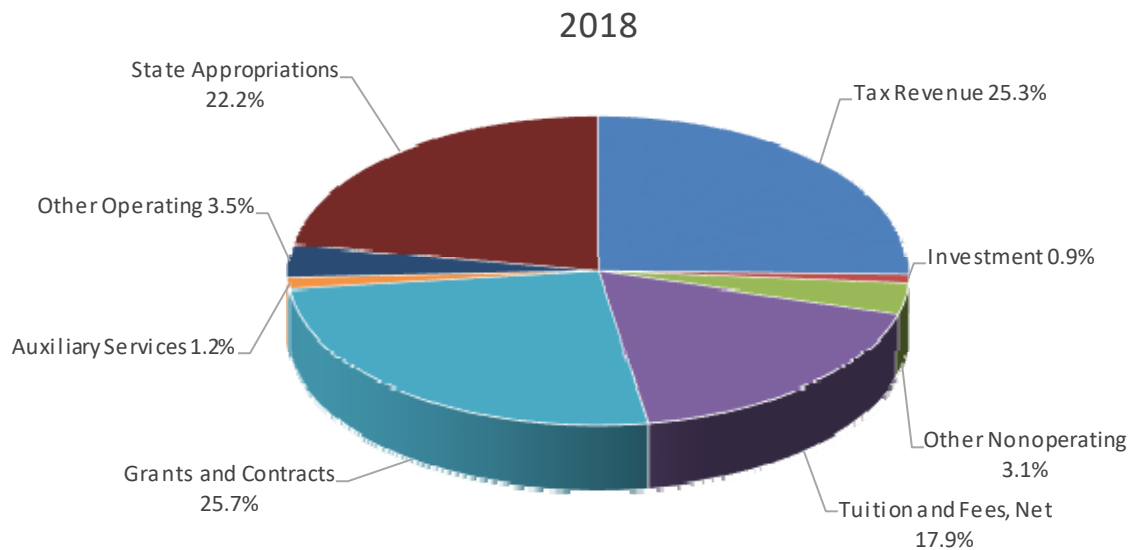
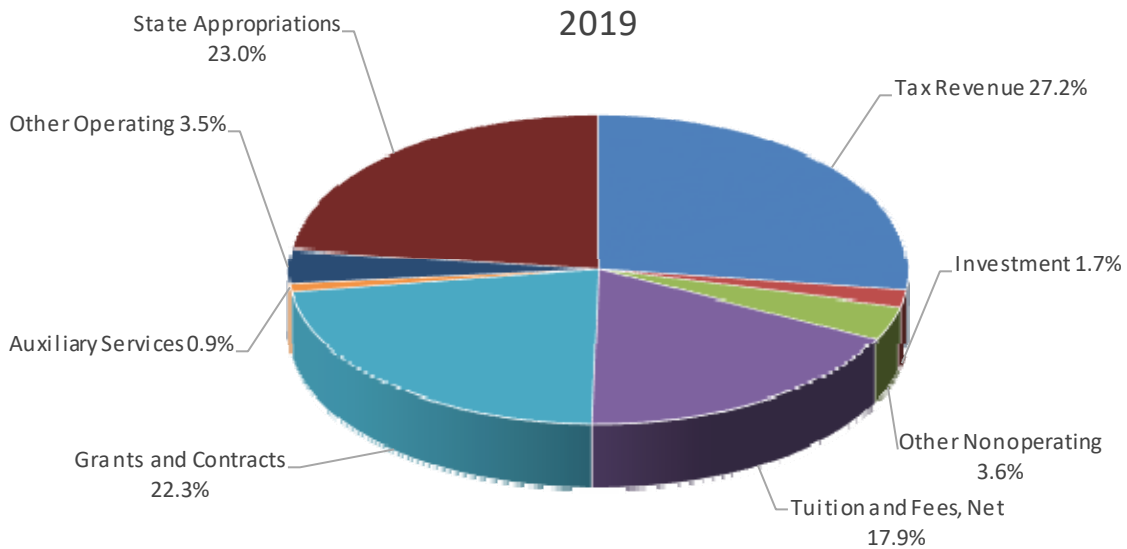
Revenues by Source
Years Ended June 30, 2019, 2018 and 2017
(Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Operating revenues					
Student tuition and fees	\$ 24.0	\$ (1.1)	\$ 25.1	\$ 0.9	\$ 24.2
Contract and grants	8.8	(5.7)	14.5	(5.5)	20.0
Auxiliary services	1.2	(0.5)	1.7	(0.2)	1.9
Other	4.7	(0.2)	4.9	1.3	3.6
Total operating revenues	<u>38.7</u>	<u>(7.5)</u>	<u>46.2</u>	<u>(3.5)</u>	<u>49.7</u>
Non-operating revenues					
Federal Pell Grant	20.9	(0.8)	21.7	1.0	20.7
State appropriations	30.8	(0.3)	31.1	(0.9)	32.0
County property tax revenues	36.5	1.0	35.5	1.4	34.1
Investment income	2.2	0.9	1.3	0.7	0.6
Other non-operating revenue	4.8	0.4	4.4	1.1	3.3
Total non-operating revenues	<u>95.2</u>	<u>1.2</u>	<u>94.0</u>	<u>3.3</u>	<u>90.7</u>
Total revenue	<u>\$ 133.9</u>	<u>\$ (6.3)</u>	<u>\$ 140.2</u>	<u>\$ (0.2)</u>	<u>\$ 140.4</u>

Fiscal Year 2019 compared to Fiscal Year 2018

Total revenues decreased by \$6.3 million from fiscal year 2018. The major contributor to this decline was in contracts and grants (excluding Federal Pell Grants) which decreased \$5.7 million as a result of the completion of the MoSTEM and FOCUS grants. For the year ending June 30, 2019, the College increased tuition rates of 4 percent, projecting revenue from tuition and fees to remain flat. The tuition and fees revenue decreased by \$1.1 million and now represents 18 percent of total revenue, which is consistent with the prior year. Tax revenue, which is 27 percent of total revenues, increased \$1.0 million. Investment income increased \$0.9 million or 69 percent from the prior year. Auxiliary services operating revenue declined by \$.5 million which is related to the sale of the Longview Rec Center.

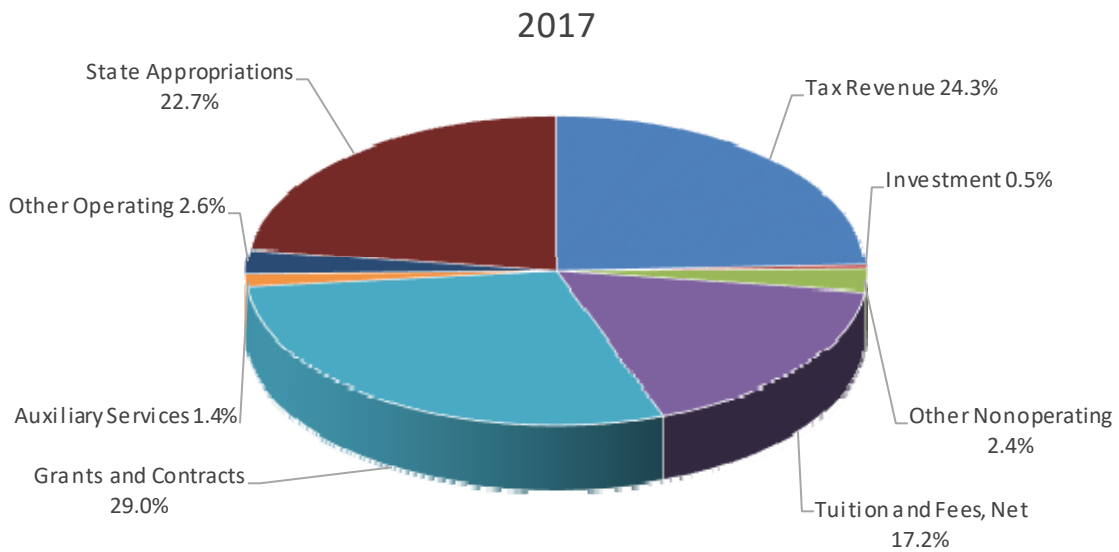
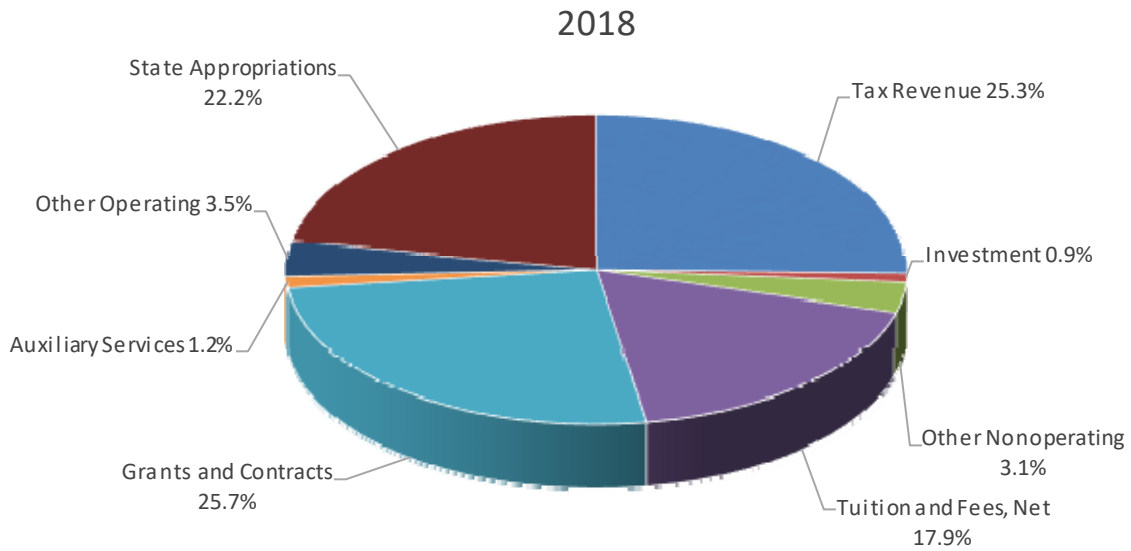
The following graphic illustrates the College's total revenues for the years ended June 30, 2019 and 2018.



Fiscal Year 2018 compared to Fiscal Year 2017

Total revenues decreased by \$.2 million from prior year. All tuition rates remained unchanged from prior year. The fiscal year enrollment was slightly below budget projections but tuition and fees revenue was up by \$.9 million due to an increase in out-of-district tuition. This was offset by state appropriations which decreased \$.9 million from prior year. Tax revenue increased by \$1.4 million, or 4.1 percent, from fiscal year 2017 due to an increase in the collection of back taxes and an increase in new construction. Contracts and grants (excluding Federal Pell Grants), which comprise 10.3 percent and 14.2 percent of total revenue, respectively, decreased by \$5.5 million from prior year.

The following graphic illustrates the College's total revenues for the years ended June 30, 2018 and 2017.



Expenses

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. Both formats are presented in the following tables for the years ended June 30, 2019, 2018 and 2017.

Operating Expenses by Natural Classification Years Ended June 30, 2019, 2018 and 2017 (Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Operating expenses					
Salaries and benefits	\$ 86.0	\$ 0.9	\$ 85.1	\$ 0.4	\$ 84.7
Supplies and services	27.1	(3.9)	31.0	(0.1)	31.1
Depreciation	6.5	(0.1)	6.6	0.3	6.3
Scholarships and fellowships	3.8	0.1	3.7	(0.6)	4.3
Total operating expenses	<u>\$ 123.4</u>	<u>\$ (3.0)</u>	<u>\$ 126.4</u>	<u>\$ -</u>	<u>\$ 126.4</u>

Operating Expenses by Functional Classification Years Ended June 30, 2019, 2018 and 2017 (Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Operating expenses					
Instructional	\$ 45.1	\$ 0.7	\$ 44.4	\$ -	\$ 44.4
Academic support	13.0	(0.9)	13.9	-	13.9
Student services	14.1	(1.0)	15.1	(0.2)	15.3
Plant ops and maintenance	12.6	(0.2)	12.8	2.3	10.5
Institutional support	26.2	2.7	23.5	(0.1)	23.6
Scholarships and fellowships	3.8	0.1	3.7	(0.6)	4.3
Public service	1.4	(3.9)	5.3	(1.5)	6.8
Depreciation	6.5	(0.1)	6.6	0.3	6.3
Auxiliary enterprise	0.6	(0.5)	1.1	(0.2)	1.3
Total operating expenses	<u>\$ 123.3</u>	<u>\$ (3.1)</u>	<u>\$ 126.4</u>	<u>\$ -</u>	<u>\$ 126.4</u>

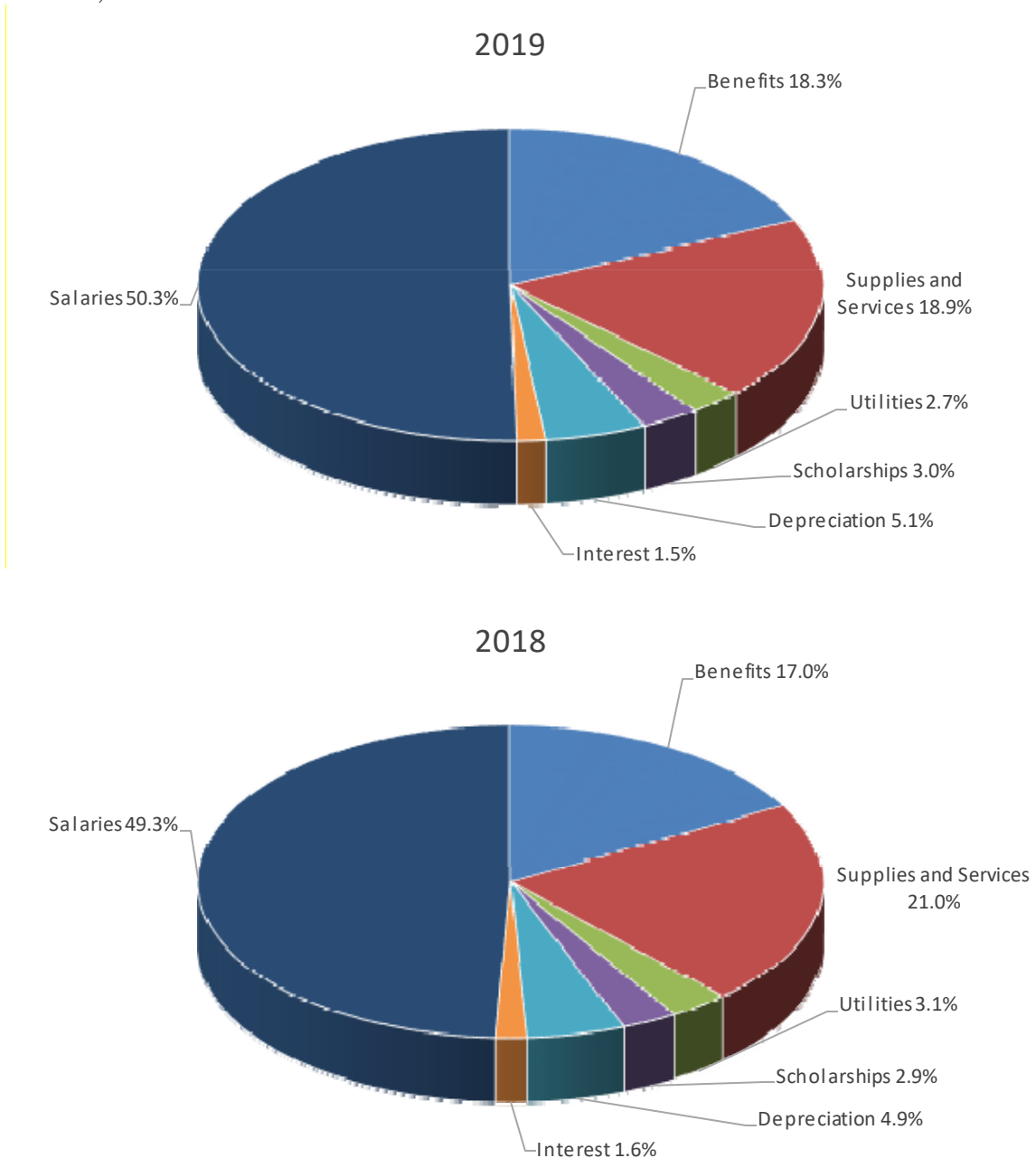
Nonoperating Expenses Years Ended June 30, 2019, 2018 and 2017 (Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Interest on debt relating to capital assets	\$ 1.9	\$ (0.1)	\$ 2.0	\$ (0.5)	\$ 2.5
Total expenses	<u>\$ 125.3</u>	<u>\$ (3.2)</u>	<u>\$ 128.4</u>	<u>\$ (0.5)</u>	<u>\$ 128.9</u>

Fiscal Year 2019 compared to Fiscal Year 2018

The College's fiscal year 2019 total operating and nonoperating expenses decreased by \$3.1 million or 2.5 percent from the prior year. Salaries and benefits are the largest categories and comprise 68.6 percent and 66.3 percent of total expenses for the fiscal years ended June 30, 2019 and 2018, respectively. The expenses in salaries decreased slightly due to vacant positions in fiscal year 2019. The Benefits category increased \$1.1 million due to the effects of GASB 75 related to Other Post-Employment Benefits, pension expenses related to GASB 68 and the required payment of unrelated business income tax as a result of the tax changes. The second largest category, supplies and services decreased \$3.4 million or 12.6 percent from the prior year primarily due to the completion of the MoSTEMWINS grant and less capitalized expenses.

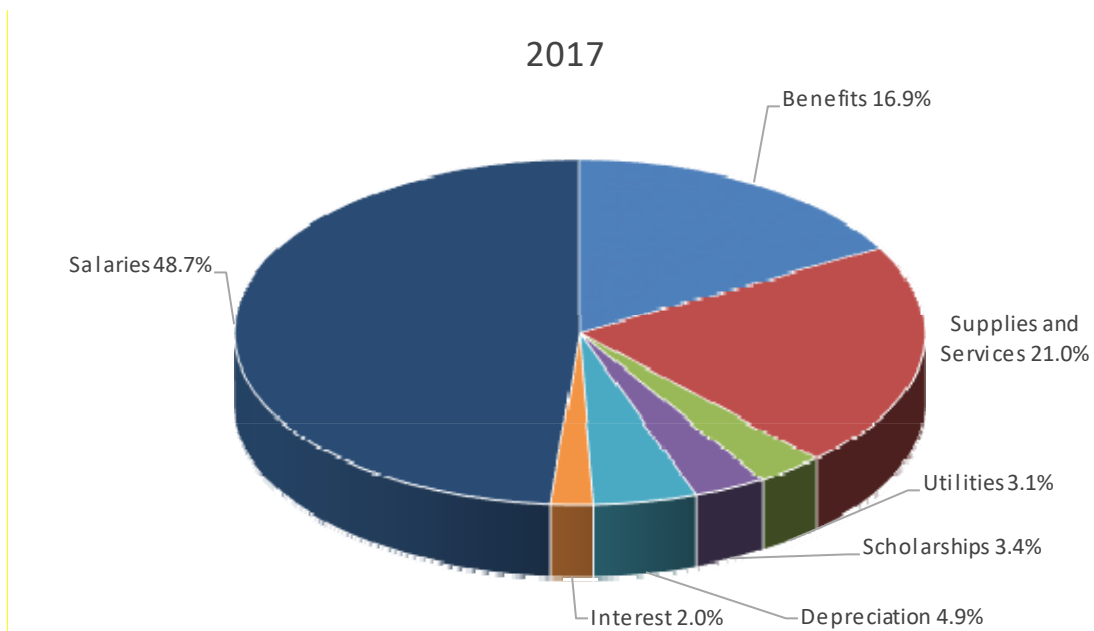
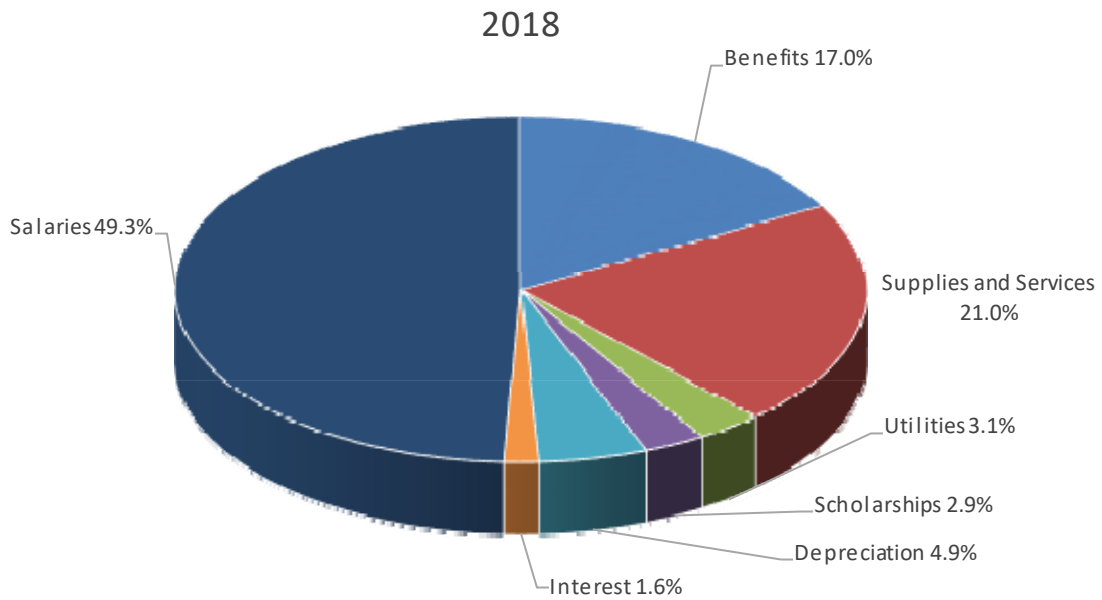
The following graphic illustrates expenses by natural (object) classification for the years ended June 30, 2019 and 2018.



Fiscal Year 2018 compared to Fiscal Year 2017

In fiscal year 2018, total operating and nonoperating expenses decreased by \$.5 million or .4 percent from prior year. The salaries and benefits comprise 66.3 percent and 65.6 percent of total expenses for years ended June 30, 2018 and 2017, respectively. Supplies and services remained flat from the prior year.

The following graphic illustrates expenses by natural (object) classification for the years ended June 30, 2018 and 2017.



Statements of Cash Flows

The Statements of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external financing.

The Statements of Cash Flows is divided into five parts, each examining a different source of and use for cash. The first part, "Operating activities," examines the source and use of cash from ordinary operating activities. The second part, "Noncapital financing activities," reflects cash flows received and spent for nonoperating, noninvesting and noncapital financing activities. An example of this would be cash received from state appropriations and county property tax. The third section, "Capital and related financing activities," deals with cash flows from capital and related financing activities. The section reflects the cash used in the acquisition, construction and financing of capital and related items. The fourth section, "Investing activities," reveals the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth and last section reconciles the net cash used in operating activities to the operating gain or (loss) reflected on the Statements of Revenues, Expenses and Changes in Net Position.

Condensed Statements of Cash Flows Years Ended June 30, 2019, 2018 and 2017 (Dollars in Millions)

	2019	Change from Prior Year	2018	Change from Prior Year	2017
Cash provided (used) by					
Operating activities	\$ (77.5)	\$ (1.0)	\$ (76.5)	\$ (4.3)	\$ (72.2)
Noncapital financing activities	91.0	(1.3)	92.3	3.2	89.1
Capital and related financing activities	(4.3)	6.5	(10.8)	0.4	(11.2)
Investing activities	(18.1)	(18.7)	0.6	(4.4)	5.0
Net change in cash	(8.9)	(14.5)	5.6	(5.1)	10.7
Cash, beginning of year	55.3	5.6	49.7	10.7	39.0
Cash, end of year	\$ 46.4	\$ (8.9)	\$ 55.3	\$ 5.6	\$ 49.7

The major sources of cash included state aid, county property tax revenues, student tuition, federal contracts and grants and proceeds from maturities of investments. Significant uses of cash included payments to employees including benefits, payments to vendors and suppliers, payments for scholarships and financial aid, capital assets and purchases of investments.

Fiscal Year 2019 compared to Fiscal Year 2018

The cash position of the College decreased by \$8.9 million for the fiscal year ended June 30, 2019. Cash used for operating activities decreased \$1.0 million, which can be attributed to a decrease in tuition fees, lapsed salaries offset by an increase to the benefits expense category. Cash provided by noncapital financing activities decreased by \$1.3 million from the prior year related to a decrease in Pell grants, state appropriations and other nonoperating revenue. This was offset by an increased collection of local taxes. Capital and related financing activities decreased by \$6.5 million which is attributable to reduced capital purchases and proceeds from the disposal of capital assets. Investing activities resulted in a decrease of \$18.7 million compared to 2018. This is due to less proceeds from the maturity of investments based on an increase in long-term investments in fiscal year 2018. The College is moving toward a more laddered investment approach looking out to three to five years.

Fiscal Year 2018 compared to Fiscal Year 2017

The cash position of the College increased by \$5.6 million for the fiscal year ended June 30, 2018. Cash used for operating activities increased \$4.3 million which was attributable to an increase in contracts and grants, most notably is the MoSTEM grant. Noncapital financing activities were up \$3.2 million due to an increase in Federal Pell grants and an increase in property tax collection. Capital and related financing activities decreased by \$.4 million which is attributable to a decrease in purchase of capital assets. Investing activities used an additional \$4.4 million over 2017. In fiscal year 2018, the College increased long-term investments as part of the continued three year laddering strategy.

Capital Assets

Net Capital Assets Years Ended June 30, 2019, 2018 and 2017 (Dollars in Millions)

Capital Assets - Net of Accumulated Depreciation	2019	Change from Prior Year	2018	Change from Prior Year	2017
Land	\$ 8.2	\$ (0.1)	\$ 8.3	\$ -	\$ 8.3
Buildings and improvements	98.9	(5.4)	104.3	(1.0)	105.3
Equipment/Construction/Software in progress	0.8	(1.2)	2.0	(1.6)	3.6
Equipment	3.3	0.4	2.9	0.4	2.5
Software	0.1	(0.2)	0.3	0.3	-
	<u>\$ 111.3</u>	<u>\$ (6.5)</u>	<u>\$ 117.8</u>	<u>\$ (1.9)</u>	<u>\$ 119.7</u>
Total capital assets	<u>\$ 111.3</u>	<u>\$ (6.5)</u>	<u>\$ 117.8</u>	<u>\$ (1.9)</u>	<u>\$ 119.7</u>

Additional information concerning capital assets is provided in Note 3 to the financial statements.

Fiscal Year 2019 compared to Fiscal Year 2018

As of June 30, 2019, the College had recorded \$111.3 million in net capital assets, a decrease of \$6.5 million from the prior year. The decline was primarily due to sale of Longview Rec Center building and land. Additions to capital assets consisted of roof repairs at Penn Valley Carter Center and Physical Ed buildings, installation of mass notification system districtwide and purchase of equipment across the District. No additional debt was issued to finance these projects.

Fiscal Year 2018 compared to Fiscal Year 2017

As of June 30, 2018, the College had recorded \$117.8 million in net capital assets, a decrease of \$1.9 million from the prior year. Additions to capital assets consisted of improvements to boilers /chillers, an LED lighting project across the District and administrative center garage repairs. The Penn Valley Student Success Center was completed in fiscal year 2018 and placed into service. No additional debt was issued to finance these projects.

Long-term Debt

Long-term Debt Years Ended June 30, 2019, 2018 and 2017 (Dollars in Millions)

Outstanding Debt	2019	Change from Prior Year	2018	Change from Prior Year	2017
Capital lease purchase	\$ 0.5	\$ (0.4)	\$ 0.9	\$ (0.5)	\$ 1.4
Leasehold revenue bonds	49.1	(4.3)	53.4	(4.2)	57.6
Total long-term debt	<u>\$ 49.6</u>	<u>\$ (4.7)</u>	<u>\$ 54.3</u>	<u>\$ (4.7)</u>	<u>\$ 59.0</u>

Additional information concerning long-term debt is provided in Note 4 to the financial statements.

Economic Outlook

Based on the Missouri Economic Research & Information Center (MERIC) 2019 Economic and Workforce Report, from May 2018 to May 2019, Missouri added over 31,000 jobs, a 1.1 percent employment growth for Missouri. The Missouri unemployment rate grew .1 percent to 3.3 percent as of May 2019. The Kansas City region has had employment growth rates higher than the state average in five of the past six years. Missouri's per capita personal income increased by 3.6 percent from 2017. The final fiscal year 2018 general revenue report for the Office of Administration for the State of Missouri indicated that net general revenue collections increased 1.0 percent from fiscal year 2018, from \$9.47 billion to \$9.57 billion.

MCC has three main revenue streams: state appropriations, local taxes and tuition. In fiscal year 2020, MCC is estimating that approximately 27 percent of general fund revenue will come from MCC's state aid appropriation to Missouri Community Colleges. For this reason, MCC monitors statewide economic and political activity closely. State appropriations are estimated to decrease less than 1 percent in fiscal year 2020.

Local tax revenue collections, making up 32 percent of the general fund budget, are projected to remain flat for fiscal year 2020. The local levy rate for fiscal year 2020 is \$0.2047 cents per \$100 of assessed valuation which is down from the fiscal year 2019 rate of \$0.2305 cents per \$100 of assessed valuation. The decrease in the local levy rate was due to an increase in adjusted current year assessed valuation, which resulted in an increase to the tax base. Adjusted current year assessed valuation includes changes in assessed value for real estate, personal property and new construction. New construction has increased over the last several years. The last five years included new construction of \$200.3 million, \$217.7 million, \$176.4 million, \$156.0 million, and \$94.5 million.

Enrollment has been trending downward for the last several years. In fiscal year 2019, MCC tuition and fees was projected to remain flat but MCC experienced an overall decrease in tuition revenue for the year. Tuition and fees are again projected to remain flat in fiscal year 2020. Tuition and fees are significant as this is the only major source of revenue driven by enrollment. Tuition and fees must support the growth in both teaching and other enrollment driven support costs, especially during periods of significant enrollment growth. MCC increased its tuition and fee structure by 4 percent in fiscal year 2019. The in-district credit hour tuition rate is \$107, out-of-district credit hour tuition rate is \$190, and out-of-state credit hour tuition rate is \$246. The total credit hours for fiscal year 2020 are estimated at 312,606 in the general fund. Tuition and fee revenue in the general fund for fiscal year 2020 is estimated at approximately \$41.3 million. This revenue source makes up approximately 37 percent of the general fund revenue.

Requests for Information

These financial statements and discussions are designed to provide a general overview of the College's finances for all those with an interest in the entity's finances. Questions concerning any information provided in this report should be addressed to Financial Services Department, 3200 Broadway, Kansas City, Missouri 64111.

The Metropolitan Community College
Statements of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 46,426,776	\$ 55,335,227
Short-term investments	47,947,153	18,412,000
Accounts receivable, net of allowance; 2019 – \$236,473, 2018 – \$263,025	5,683,803	7,680,525
Other assets	<u>281,207</u>	<u>569,456</u>
Total current assets	<u>100,338,939</u>	<u>81,997,208</u>
Noncurrent Assets		
Long-term investments	26,846,660	36,105,000
Capital assets		
Nondepreciable	9,039,956	10,335,057
Depreciable, net	<u>102,304,822</u>	<u>107,434,336</u>
Total noncurrent assets	<u>138,191,438</u>	<u>153,874,393</u>
Total assets	<u>238,530,377</u>	<u>235,871,601</u>
Deferred Outflows of Resources		
Loss on debt refundings	2,068,094	2,587,341
Pensions	20,235,767	21,304,422
Other postemployment benefits	<u>601,425</u>	<u>259,628</u>
	<u>22,905,286</u>	<u>24,151,391</u>
Total	<u>\$ 261,435,663</u>	<u>\$ 260,022,992</u>

The Metropolitan Community College
Statements of Net Position (Continued)
June 30, 2019 and 2018

	2019	2018
Liabilities		
Current Liabilities		
Accounts payable, accrued and other liabilities	\$ 6,873,845	\$ 8,414,086
Compensated absences	2,183,800	2,217,858
Current portion of long-term debt	4,350,000	4,250,000
Unearned revenue	3,185,497	3,627,666
Unearned revenue - contracts	50,000	50,000
Capital lease purchases	452,474	452,473
Total current liabilities	17,095,616	19,012,083
Noncurrent Liabilities		
Bond payable	44,795,000	49,145,000
Compensated absences	740,598	508,704
Other postemployment benefit liability	9,909,390	9,868,047
Net pension liability	61,208,723	60,736,716
Capital lease purchases	-	452,475
Unearned revenue - contracts	250,000	300,000
Total noncurrent liabilities	116,903,711	121,010,942
Total liabilities	133,999,327	140,023,025
Deferred Inflows of Resources		
Pensions	5,665,805	6,794,502
Other postemployment benefits	491,231	583,396
	6,157,036	7,377,898
Net Position		
Net investment in capital assets	63,815,398	66,056,786
Unrestricted	57,463,902	46,565,283
Total net position	\$ 121,279,300	\$ 112,622,069

The Metropolitan Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Tuition and fees	\$ 44,685,598	\$ 46,918,390
Less scholarship allowance	<u>20,681,218</u>	<u>21,774,143</u>
Student tuition and fees, net	24,004,380	25,144,247
Federal grants and contracts	5,377,436	11,317,308
State and local grants and contracts	3,400,793	3,172,059
Auxiliary services revenues	1,171,295	1,672,756
Other	<u>4,716,824</u>	<u>4,871,673</u>
Total operating revenues	<u>38,670,728</u>	<u>46,178,043</u>
Operating Expenses		
Salaries and wages	63,051,424	63,306,546
Fringe benefits	22,910,599	21,819,736
Supplies and other services	23,630,222	27,038,160
Utilities	3,434,828	4,014,870
Scholarships and fellowships	3,780,074	3,698,154
Depreciation	<u>6,541,915</u>	<u>6,559,048</u>
Total operating expenses	<u>123,349,062</u>	<u>126,436,514</u>
Operating Loss	<u>(84,678,334)</u>	<u>(80,258,471)</u>
Nonoperating Revenues (Expenses)		
Federal Pell Grant revenue	20,936,002	21,666,105
State appropriations	30,857,414	31,115,709
County property tax revenue	36,459,109	35,529,587
Investment income	2,245,061	1,291,398
Other nonoperating revenues	4,770,442	4,402,403
Interest on debt related to capital assets	<u>(1,932,463)</u>	<u>(2,030,247)</u>
Net nonoperating revenues	<u>93,335,565</u>	<u>91,974,955</u>
Increase in Net Position	8,657,231	11,716,484
Net Position, Beginning of Year	<u>112,622,069</u>	<u>100,905,585</u>
Net Position, End of Year	<u>\$ 121,279,300</u>	<u>\$ 112,622,069</u>

The Metropolitan Community College
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Student tuitions and fees	\$ 23,638,547	\$ 25,424,779
Payments to suppliers	(24,128,877)	(30,721,623)
Payments to utilities	(3,434,828)	(4,014,870)
Payments to employees	(62,433,553)	(63,412,062)
Payments for benefits	(23,525,227)	(22,034,233)
Payments for financial aid and scholarships	(3,780,074)	(3,698,154)
Auxiliary enterprise charges, bookstore and vending	1,171,295	1,672,756
Contracts and grants	10,463,270	15,543,783
Other operating receipts	4,488,106	4,754,535
	<u>(77,541,341)</u>	<u>(76,485,089)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
Federal Pell Grant revenue	20,936,002	21,666,105
State aid and grants appropriations	30,857,414	31,115,709
County property tax	36,459,109	35,529,587
Other nonoperating revenue	2,711,682	4,053,412
	<u>90,964,207</u>	<u>92,364,813</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Purchases of capital assets	(2,187,488)	(4,655,958)
Proceeds from disposal of capital assets	4,078,948	-
Debt payments	(4,702,474)	(4,608,914)
Interest paid on debt related to capital assets	(1,461,124)	(1,557,893)
	<u>(4,272,138)</u>	<u>(10,822,765)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Proceeds from sales and maturities of investments	24,159,000	47,151,000
Interest on investments	2,430,821	1,238,043
Purchases of investments	(44,649,000)	(47,808,000)
	<u>(18,059,179)</u>	<u>581,043</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(8,908,451)	5,638,002
Cash and Cash Equivalents, Beginning of Year	<u>55,335,227</u>	<u>49,697,225</u>
Cash and Cash Equivalents, End of Year	<u>\$ 46,426,776</u>	<u>\$ 55,335,227</u>

The Metropolitan Community College
Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (84,678,334)	\$ (80,258,471)
Depreciation	6,541,915	6,559,048
Changes in operating assets and liabilities		
Accounts receivable	2,024,149	(475,808)
Other assets	288,249	(30,574)
Deferred outflows of resources	726,858	4,110,938
Accounts payable, accrued and other liabilities	(1,294,497)	(853,866)
Unearned revenue	(442,169)	24,991
Other postretirement benefits liability	41,343	(1,800,380)
Net pension liability	472,007	(1,845,332)
Deferred inflows of resources	(1,220,862)	(1,915,635)
	\$ (77,541,341)	\$ (76,485,089)
Net Cash Used in Operating Activities		
	\$ (77,541,341)	\$ (76,485,089)
Noncash Investing Activity		
Change in fair value of investments	\$ 213,187	\$ 44,910

The Metropolitan Community College Foundation
(Discretely Presented Component Unit)
Statements of Financial Position
June 30, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 697,304	\$ 716,226
Marketable securities	13,068,587	12,593,683
Contributions receivable, net of allowance; 2019 - \$831, 2018 - \$1,527	44,835	74,075
Accrued interest receivable	48,565	33,327
Prepaid expense	<u>-</u>	<u>6,000</u>
Total assets	<u>\$ 13,859,291</u>	<u>\$ 13,423,311</u>
 Liabilities and Net Assets		
Liabilities		
Due to The Metropolitan Community College	\$ 370,924	\$ 616,068
Accrued liabilities	32,519	1,265
Deferred revenues	<u>231,946</u>	<u>-</u>
Total liabilities	<u>635,389</u>	<u>617,333</u>
 Net Assets		
Without donor restrictions	4,082,193	3,905,402
With donor restrictions	<u>9,141,709</u>	<u>8,900,576</u>
Total net assets	<u>13,223,902</u>	<u>12,805,978</u>
Total liabilities and net assets	<u>\$ 13,859,291</u>	<u>\$ 13,423,311</u>

**The Metropolitan Community College Foundation
(Discretely Presented Component Unit)**

**Statement of Activities
Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 69,885	\$ 391,911	\$ 461,796
Contributed services	471,260	-	471,260
Investment return	270,938	409,937	680,875
Other income	75	262,845	262,920
Net assets released from restrictions	823,560	(823,560)	-
	<u>1,635,718</u>	<u>241,133</u>	<u>1,876,851</u>
Total revenues, gains and other support			
Expenses			
Scholarships and grants	438,008	-	438,008
Foundation projects	549,659	-	549,659
Fundraising	188,504	-	188,504
Management and general	282,756	-	282,756
	<u>1,458,927</u>	<u>-</u>	<u>1,458,927</u>
Total expenses			
Change in Net Assets	176,791	241,133	417,924
Net Assets, Beginning of Year	<u>3,905,402</u>	<u>8,900,576</u>	<u>12,805,978</u>
Net Assets, End of Year	<u>\$ 4,082,193</u>	<u>\$ 9,141,709</u>	<u>\$ 13,223,902</u>

**The Metropolitan Community College Foundation
(Discretely Presented Component Unit)**

**Statement of Activities
Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 162,902	\$ 345,077	\$ 507,979
Contributed services	490,536	-	490,536
Investment return	380,506	587,067	967,573
Other income	9,520	30,913	40,433
Net assets released from restrictions	1,594,425	(1,594,425)	-
	<u>2,637,889</u>	<u>(631,368)</u>	<u>2,006,521</u>
Expenses			
Scholarships and grants	568,183	-	568,183
Foundation projects	1,307,719	-	1,307,719
Fundraising	196,215	-	196,215
Management and general	294,321	-	294,321
	<u>2,366,438</u>	<u>-</u>	<u>2,366,438</u>
Change in Net Assets	271,451	(631,368)	(359,917)
Net Assets, Beginning of Year	<u>3,633,951</u>	<u>9,531,944</u>	<u>13,165,895</u>
Net Assets, End of Year	<u>\$ 3,905,402</u>	<u>\$ 8,900,576</u>	<u>\$ 12,805,978</u>

**The Metropolitan Community College Foundation
(Discretely Presented Component Unit)**

**Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	2019	2018
Operating Activities		
Change in net assets	\$ 417,924	\$ (359,917)
Items not requiring (providing) operating activities cash flows		
Contributions restricted for long-term investments	(391,911)	(26,266)
Net realized and unrealized gains on investments	(437,247)	(736,216)
Changes in		
Contributions receivable	29,240	285,602
Accrued interest receivable	(15,238)	(29,597)
Prepaid assets	6,000	(6,000)
Due to The Metropolitan Community College	(245,144)	590,998
Accrued liabilities	31,254	(287)
Deferred revenue	231,946	-
	<u>(373,176)</u>	<u>(281,683)</u>
Net cash used in operating activities		
Investing Activities		
Purchase of marketable securities	(2,212,787)	(3,534,054)
Sale of marketable securities	2,175,130	3,762,973
	<u>(37,657)</u>	<u>228,919</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Contributions restricted for long-term investments	391,911	26,266
	<u>391,911</u>	<u>26,266</u>
Net cash provided by financing activities		
Decrease in Cash and Cash Equivalents	(18,922)	(26,498)
Cash and Cash Equivalents, Beginning of Year	<u>716,226</u>	<u>742,724</u>
Cash and Cash Equivalents, End of Year	<u>\$ 697,304</u>	<u>\$ 716,226</u>

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

Organization

The Junior College District of Metropolitan Kansas City, Missouri (the District) was created in May 1964 by the voters of seven suburban school districts and the Kansas City School District to provide comprehensive higher educational programs through its area colleges. The District also offers courses, which meet the needs of persons who desire enrichment or retraining in the areas of liberal arts, occupational education, continuing education and community services. The District is now comprised of twelve school districts: Belton, Center, Grandview, Hickman Mills, Lee's Summit, North Kansas City, Raytown, Kansas City, Blue Springs, Independence, Fort Osage and Park Hill. Five primary colleges have been established to serve the patrons of the District: Blue River, Longview, Maple Woods, Penn Valley and the Business & Technology College.

The financial statements of The Metropolitan Community College (the College) for the years presented, include the combined accounts and operations of the District and the Kansas City Metropolitan Community Colleges Building Corporation (the Building Corporation), which is a blended component unit. This summary of significant accounting policies of the College is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States as applicable to governmental colleges and universities and have been consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity

The College is governed by a six-member Board of Trustees. As required by accounting principles generally accepted in the United States, the College's financial statements present the District (the primary government), its blended component unit (the Building Corporation) and its discretely presented component unit, The Metropolitan Community College Foundation (the Foundation). The component units are included in the College's reporting entity because of the significance of their operations and financial relationships with the College.

Blended Component Unit

The Building Corporation is a not-for-profit corporation formed in 1984, which is governed by a four-member board. Although it is legally separate from the District, the Building Corporation is reported as if it were part of the primary government because its sole purpose is to provide for the construction and financing of educational facilities used by the College. The Building Corporation has the authority to issue Leasehold Development Bonds for the purposes of refunding previous bond issues or constructing new facilities. The buildings are owned by the Building Corporation, which, in turn, leases the buildings to the District under annually renewable lease agreements. The lease payments are equal to the principal and interest debt service payments required to service the related bond issuances. As the Building Corporation is a blended component unit, all balances and transactions between the District and Building Corporation have been eliminated. The Building Corporation has a June 30 fiscal year end.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Discretely Presented Component Unit

The Foundation is a non-profit corporation and is considered to be a related organization to the District. The District's Board of Trustees approves nominations to the Foundation's Board of Directors, but the District's accountability does not extend beyond approval of board members. The District is not financially accountable for the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, which the Foundation holds and invests, is restricted to the activities of the District by the donors. As these restricted resources can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. During the years ended June 30, 2019 and 2018, the District received direct contributions from the Foundation of \$47,315 and \$154,929, respectively. The Foundation has a June 30 fiscal year end.

Separate financial statements for the Foundation can be obtained at The Metropolitan Community College, 3200 Broadway, Kansas City, Missouri, 64111. The Foundation is presented on the accrual basis of accounting.

Basis of Accounting

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

Cash Equivalents

Cash includes deposits held at banks and all highly liquid instruments purchased with an original maturity of three months or less. Cash equivalents represent excess operating cash swept into an overnight repurchase agreement account, which are readily converted back to cash, on a daily basis, as operating funds are needed.

Investments

It is the College's policy to invest in obligations of the U.S. Treasury, repurchase agreements, bank certificates of deposit and agencies of the federal government and instrumentalities and top-rated commercial paper, which are permissible under Missouri statutes. The Building Corporation is allowed to invest in "permitted investments" as defined by applicable bond indentures. Investments are reported at fair value, except for investments in nonnegotiable certificates of deposit, which are carried at amortized cost.

In addition to the investment tools available to the College, the Foundation's marketable securities consist of equity securities, mutual fund shares, corporate bonds and government notes reported at fair value.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts. Accounts receivable also includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Capital Assets

Land, construction in progress, buildings and improvements, software and equipment are recorded at cost for assets purchased and at appraised value at date of grant for items acquired by donation.

Capital assets are defined by the College as assets with an initial, individual cost in excess of \$5,000 (equipment) or \$50,000 (building and improvements; infrastructure and software) estimated useful lives in excess of one year. Interest costs on construction in progress are capitalized when amounts are significant.

Buildings and improvements and equipment are being depreciated on the straight-line basis over their estimated useful lives as follows: buildings-40 years, improvements-15 years, software-3 years and equipment, 3 to 10 years and rental textbooks are capitalized at cost and depreciated over 3 years. The College's investment in infrastructure assets, which is not material to the total of capital assets, is recorded at cost and included in the costs of the related property.

Deferred Outflows of Resources

The College reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its statements of net position.

Deferred Inflows of Resources

The College reports an acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its statements of net position.

Loss on Refunding of Bonds

Losses incurred on the refunding of bond issues have been deferred and are being amortized over the life of the bonds and are included in deferred outflows of resources. The net amount as of June 30, 2019 and 2018 was \$2,068,094 and \$2,587,341, respectively.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Earned, but unused vacation is paid to the employee upon termination, or retirement. Earned, but unused sick leave is paid to an active employee's beneficiary upon death if occurring during active employment.

Unearned Revenue

Half of the summer school tuition revenue and all tuition for school sessions starting after June 30 have been deferred to the next fiscal year.

Unearned Revenue - Contracts

Unearned revenue – contracts includes the difference between rent on a straight-line basis, as required by generally accepted accounting principles, and the actual scheduled payments for the lease as well as unearned revenue on a bookstore vending contract.

Defined Benefit Other Postemployment Benefit Plan

The College participates in a single-employer other postemployment benefit plan (the OPEB Plan) that provides life insurance, medical, vision and dental benefits. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The College funds benefits on a pay-as-you-go basis and there are no assets accumulated in the Plan.

Classification of Revenues

The College has classified revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) federal, state and local grants and contracts.

Non-operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, investment income and county property taxes.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

County Property Tax Revenues

The four counties in which the District lies, bill the residents for real and personal property taxes due the District. Bills are sent in November and are delinquent after December 31. The taxes are collected by the counties primarily from November through the end of January. Substantially all amounts are received by the end of March. Taxes are remitted to the District throughout the collection period net of a 1.6 percent charge for the years ended June 30, 2019 and 2018, for assessment and collection services on an as-collected basis and no accrual is made for delinquent property taxes.

State Appropriations

State appropriations earned for general operating purposes are determined on a fiscal year basis ending June 30 based upon the state aid funding formula. Using this formula, fiscal year 1991–92 is a base year and following years are adjusted for inflation or any major state-approved additions to programs.

Income Tax Status

The College is exempt from income tax as a local governmental unit. The Building Corporation and the Foundation have qualified for exemption from income tax under Section 501(c)3 of the Internal Revenue Code. However, the College is subject to federal income tax on any unrelated business taxable income.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is presented in three major categories. The first is net investment in capital assets, which represents the College's equity in property, plant and equipment. The second is restricted. The third is unrestricted, including amounts designated by the Board.

Net investment in capital consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The College first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Pensions

The College participates in two cost-sharing multiple employer defined benefit pension plans: the Public Education Employee Retirement System of Missouri ("PEERS") and Public School Retirement System of Missouri ("PSRS").

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PEERS and PSRS have been determined on the same basis as they are reported by PEERS and PSRS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the College's net pension liability, deferred outflows and inflows of resources related to pensions and pension expense.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Note 2: Deposits and Investments

Missouri statutes require depository banks to pledge securities as collateral for public funds on deposit, except funds covered by federal depository insurance. Missouri statutes do not extend to the Building Corporation regarding collateralization of funds not covered by federal depository insurance. The College deposits were not exposed to custodial credit risk as of June 30, 2019 and 2018. The College has the following deposits and investments:

Deposits

	2019	2018
Carrying value		
Cash	\$ 60,637	\$ 158,969
Certificates of deposits	48,507,000	54,517,000
	\$ 48,567,637	\$ 54,675,969

Investments Maturities in Years

	Cost or Fair Value	Less Than 1	1 - 5
Year Ended June 30, 2019			
District			
Repurchase agreement	\$ 41,655,000	\$ 41,655,000	\$ -
Less outstanding checks and deposits/withdrawals in transit	(345,471)	(345,471)	-
Federal Home Loan Bank	574,074	-	574,074
Federal National Mortgage Association	922,586	-	922,586
Treasury Bills	24,790,153	24,790,153	-
Total District	67,596,342	66,099,682	1,496,660
Building Corporation			
Money market mutual funds	5,056,610	5,056,610	-
Total Building Corporation	5,056,610	5,056,610	-
Total investments	\$ 72,652,952	\$ 71,156,292	\$ 1,496,660

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

	Cost or Fair Value	Less Than 1	1 - 5
Year Ended June 30, 2018			
District			
Repurchase agreement	\$ 50,721,000	\$ 50,721,000	\$ -
Less outstanding checks and deposits/withdrawals in transit	(549,260)	(549,260)	-
Total District	50,171,740	50,171,740	-
Building Corporation			
Money market mutual funds	5,004,518	5,004,518	-
Total Building Corporation	5,004,518	5,004,518	-
Total investments	\$ 55,176,258	\$ 55,176,258	\$ -

A summary of carrying values of investments and deposits at June 30 were as follows:

	2019	2018
Deposits	\$ 48,567,637	\$ 54,675,969
Investments	72,652,952	55,176,258
	\$ 121,220,589	\$ 109,852,227

The investments and deposits at June 30 are shown on the statements of net position as follows:

	2019	2018
Cash and cash equivalents	\$ 46,426,776	\$ 55,335,227
Short-term investments	47,947,153	18,412,000
Long-term investments	26,846,660	36,105,000
Total	\$ 121,220,589	\$ 109,852,227

State law limits investments in government and municipal bonds and top-rated commercial paper as recognized by national rating organizations. The College has no investment policy that would further limit its investment choices. As of June 30, 2019, the College's repurchase agreement is invested in government agencies that are all rated Aaa, AA+ and AAA by Moody's Investors Services, Standards & Poor's and Fitch's ratings, respectively. The District's and Building Corporation's investments in money market mutual funds are invested in Treasury Obligations which is rated Aaa, AA+ and AAA by Moody's Investors Services, Standard & Poor's and Fitch's ratings, respectively. All other investments held by the District and the Building Corporation are

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

rated Aaa, AA+ and AAA by Moody's Investors Service, Standard & Poor's and Fitch's ratings, respectively.

The College places no limit on the amount the College may invest in any one issuer. In fiscal year 2019, more than five percent of the College's investments were invested in government agencies. These investments were 34 percent of total investments.

The College's deposit and investment balances were not exposed to custodial credit risk as of June 30, 2019 and 2018.

Note 3: Capital Assets

Capital assets consist of the following categories:

	Beginning Balance	2019			Ending Balance
		Additions	Disposals	Transfers	
Capital assets not being depreciated					
Land	\$ 8,254,361	\$ -	\$ (20,067)	\$ -	\$ 8,234,294
Art	56,000	-	-	-	56,000
Construction in progress	2,024,696	790,453	-	(2,065,487)	749,662
Equipment in progress	-	1,397,033	-	(1,397,033)	-
Total assets not being depreciated	10,335,057	2,187,486	(20,067)	(3,462,520)	9,039,956
Capital assets being depreciated					
Building and improvements	220,752,587	-	(5,833,335)	2,065,487	216,984,739
Infrastructure	8,422,866	1,550	-	-	8,424,416
Equipment	21,491,128	-	(1,688,589)	1,397,033	21,199,572
Software	1,150,891	-	-	-	1,150,891
Total assets being depreciated	251,817,472	1,550	(7,521,924)	3,462,520	247,759,618
Less accumulated depreciation					
Building and improvements	121,233,205	5,020,252	(3,813,836)	-	122,439,621
Infrastructure	3,642,534	421,365	-	-	4,063,899
Equipment	18,654,996	944,564	(1,656,419)	-	17,943,141
Software	852,401	155,734	-	-	1,008,135
	144,383,136	6,541,915	(5,470,255)	-	145,454,796
Net capital assets	\$117,769,393	\$ (4,352,879)	\$ (2,071,736)	\$ -	\$ 111,344,778

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

	Beginning Balance	2018			Ending Balance
		Additions	Disposals	Transfers	
Capital assets not being depreciated					
Land	\$ 8,254,361	\$ -	\$ -	\$ -	\$ 8,254,361
Art	56,000	-	-	-	56,000
Construction in progress	2,836,649	3,589,017	-	(4,400,970)	2,024,696
Equipment in progress	269,998	1,056,189	-	(1,326,187)	-
Software in progress	467,202	-	-	(467,202)	-
Total assets not being depreciated	11,884,210	4,645,206	-	(6,194,359)	10,335,057
Capital assets being depreciated					
Building and improvements	217,525,054	-	-	3,227,533	220,752,587
Infrastructure	7,251,348	-	(1,919)	1,173,437	8,422,866
Equipment	20,839,643	12,670	(687,372)	1,326,187	21,491,128
Software	683,689	-	-	467,202	1,150,891
Total assets being depreciated	246,299,734	12,670	(689,291)	6,194,359	251,817,472
Less accumulated depreciation					
Building and improvements	116,272,765	4,960,440	-	-	121,233,205
Infrastructure	3,248,993	393,541	-	-	3,642,534
Equipment	18,306,014	1,036,355	(687,373)	-	18,654,996
Software	683,689	168,712	-	-	852,401
	138,511,461	6,559,048	(687,373)	-	144,383,136
Net capital assets	\$119,672,483	\$(1,901,172)	\$ (1,918)	\$ -	\$ 117,769,393

The College elected not to capitalize their collection of library books. This collection adheres to the College's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Note 4: Long-term Liabilities

Long-term liability activity for the District and the Building Corporation were as follows:

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
District					
Compensated absences	\$ 2,726,562	\$ 2,125,931	\$ 1,928,095	\$ 2,924,398	\$ 2,183,800
Other postemployment benefit obligations	9,868,047	1,152,252	1,110,909	9,909,390	-
Net pension liability	60,736,716	6,965,718	6,493,711	61,208,723	-
Capital lease purchases	904,948	-	452,474	452,474	452,474
Unearned revenue - contracts	350,000	-	50,000	300,000	50,000
Building Corporation					
Bonds payable					
Leasehold revenue bonds, Series 2014A					
Principal	37,895,000	-	-	37,895,000	-
Leasehold revenue bonds, Series 2014B					
Principal	15,500,000	-	4,250,000	11,250,000	4,350,000
Total long-term liabilities	<u>\$ 127,981,273</u>	<u>\$ 10,243,901</u>	<u>\$ 14,285,189</u>	<u>\$ 123,939,985</u>	<u>\$ 7,036,274</u>
2018					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
District					
Compensated absences	\$ 2,886,142	\$ 1,942,070	\$ 2,101,650	\$ 2,726,562	\$ 2,217,858
Other postemployment benefit obligations	(1,512,221)	13,429,268	2,049,000	9,868,047	-
Net pension liability	62,582,048	4,630,486	6,475,818	60,736,716	-
Capital lease purchase	1,353,862	-	448,914	904,948	452,473
Unearned revenue - contracts	698,991	-	348,991	350,000	50,000
Building Corporation					
Bonds payable					
Leasehold revenue bonds, Series 2014A					
Principal	37,895,000	-	-	37,895,000	-
Leasehold revenue bonds, Series 2014B					
Principal	19,660,000	-	4,160,000	15,500,000	4,250,000
Total long-term liabilities	<u>\$ 123,563,822</u>	<u>\$ 20,001,824</u>	<u>\$ 15,584,373</u>	<u>\$ 127,981,273</u>	<u>\$ 6,970,331</u>

Insurance replacement cost for buildings subject to lien under the Building Corporation's and the District's debt agreements are \$54,669,186. The Building Corporation constructs the educational facilities for the College and leases them to the College on annually renewable leases. The College has agreed to appropriate the amount required by the individual bond principal and interest requirements. This is subject to annual appropriation from the College's budget. The Building Corporation's Series 2014A and Series 2014B fall under this arrangement. Total principal and interest remaining on this debt was \$56,896,418 and \$62,607,542 as of June 30, 2019 and 2018, respectively, with final payment in fiscal 2029. Interest paid during the years ended June 30, 2019 and 2018 was \$1,461,124 and \$1,555,928, respectively.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Building Corporation Series 2014

On September 25, 2014, the Building Corporation issued Leasehold Revenue Refunding Bonds Series 2014A, \$37,895,000 non-taxable and Series 2014B, \$27,450,000 taxable bond issuance, with a weighted average interest rate of 3.06 percent for Series 2014A and 2.2545 percent for Series 2014B. The bonds were issued for the purpose of the advance refunding and legal defeasance of the balances of the Leasehold Revenue and Improvement Bonds Series 2006 of \$58,460,000 and Lease Certificates of Participation Bonds Series 2008 of \$29,535,000.

At June 30, 2019 and 2018, the current outstanding balance of these defeased bonds was \$46,410,000 and \$52,055,000, respectively. In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds Series 2006 and Series 2008 bonds are not reflected on the statements of net position of Building Corporation.

As provided in the bond indenture and the certificates, the Series 2014A and Series 2014B shall be subject to the redemption and payment prior to the stated maturity, upon instructions from the District, due to certain conditions or events affecting title, as a whole or in part on any date, at par (100 percent), plus accrued interest (if any) to the redemption date. During the years ended June 30, 2019 and 2018, none of the Series 2014A and Series 2014B were retired.

Series 2014A

Year Ending	Total to be Paid	Principal Maturities	Interest Expense	Interest Rate
2020	\$ 1,159,587	\$ -	\$ 1,159,587	3.06%
2021	1,159,587	-	1,159,587	3.06%
2022	3,217,610	2,090,000	1,127,610	3.06%
2023	5,689,259	4,665,000	1,024,259	3.06%
2024-2028	28,407,122	25,550,000	2,857,122	3.06%
2029	5,675,529	5,590,000	85,529	3.06%
	<u>\$45,308,694</u>	<u>\$37,895,000</u>	<u>\$ 7,413,694</u>	

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Series 2014B

<u>Year Ending</u>	<u>Total to be Paid</u>	<u>Principal Maturities</u>	<u>Interest Expense</u>	<u>Interest Rate</u>
2020	\$ 4,554,596	\$ 4,350,000	\$ 204,596	2.25%
2021	4,550,454	4,445,000	105,454	2.25%
2022	2,482,674	2,455,000	27,674	2.25%
	<u>\$11,587,724</u>	<u>\$11,250,000</u>	<u>\$ 337,724</u>	

Capital Lease

Capital lease purchases can be summarized as follows:

	<u>2019</u>	<u>2018</u>
Dell Equipment (A)	\$ 332,287	\$ 664,573
Dell Virus Protection Software (B)	120,187	240,375
	452,474	904,948
Less current maturities	<u>(452,474)</u>	<u>(452,473)</u>
	<u>\$ -</u>	<u>\$ 452,475</u>

(A) On March 27, 2014, the College entered into a capital lease agreement with Dell Financial Services. The lease includes an interest-free \$1,976,942 agreement. The lease included wiring, wireless connectivity, security and other technology updates.

(B) In June 2017, the College entered into a capital lease agreement with Dell Financial Services. The lease includes an interest-free \$360,562 agreement. The lease included virus protection software.

Aggregate future minimum lease payments at June 30, 2019 were:

<u>Year Ending</u>	<u>Principal Maturities</u>
2020	<u>\$ 452,474</u>

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Unearned Revenue - Contracts

Unearned revenue – contracts can be summarized as follows:

	2019	2018
Follett agreement unearned revenue (A)	\$ 300,000	\$ 350,000
	300,000	350,000
Less current maturities	(50,000)	(50,000)
	\$ 250,000	\$ 300,000

(A) On July 1, 2015, the College entered into a 10-year agreement with Follett Higher Education Group, Inc. (“Follett”) to outsource bookstores for the College on five campuses terminating in 2025. The agreement required Follett to provide a one-time payment of \$500,000, which was received by the College during 2016. If the agreement is terminated before expiration, the College is to return the unamortized value of the one-time payment. As of June 30, 2019 and 2018, the unamortized value of the payment was \$300,000 and \$350,000, respectively.

Note 5: Other Postemployment Benefits

In 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and in 2017, the College reported under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which require the following measurement and recognition disclosures:

Plan Description

The College sponsors a single-employer defined benefit other postemployment benefit (OPEB) plan that provides life insurance, medical, vision and dental benefits to all qualifying retirees and their dependents. Under the College’s plan, an employee who meets the retirement criteria must have opted to retire before July 1, 2013 to receive these benefits. The criteria for retirement is the active employee must either be at least age 55 with 10 years of consecutive full-time service, or have 30 years of full-time service. Eligible retirees and their dependents receive coverage through a fully-insured plan, the same plans that are available for active employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The life insurance benefit is two times final salary at retirement. The retiree pays no premiums on this coverage until age 65. If the retiree elects to continue this coverage from age 65 to age 70, they must pay the full premium. After age 70, this benefit is no longer available.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

The retiree is eligible to continue coverage of other benefits upon retirement by paying no premium until age 65 and the COBRA premium from age 65 onward. The employee can choose which benefits, medical, vision and/or dental they will continue to receive.

The employees covered by the OPEB Plan at June 30 are:

	2019	2018
Inactive employees or beneficiaries currently receiving benefit payments	427	601
Active employees	777	801
	1,204	1,402

Total OPEB Liability

The College's total OPEB liability of \$9,909,390 and \$9,868,047 was measured as of June 30, 2019 and 2018, respectively, and was determined by an actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019 and July 1, 2016 rolled forward to June 30, 2018, respectively.

The total OPEB liability in the July 1, 2018 and 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2016
Discount rate	3.36% per annum (end of period)	3.30% per annum (end of period)
	3.30% per annum (beginning of period)	3.35% per annum (beginning of period)
Salary increases	2.0% per year	2.0% per year
Medical cost trend rates	8.0% for 2019, decreasing 0.5% per year for eight years ending at 4.5%	8.0% for 2018, decreasing 0.5% per year for five years then decreasing 0.25% per year for an ultimate rate of 5.0% for 2026 and later years
Dental cost trend rate	3.5% per year	3.5% per year
Vision cost trend rate	2.5% per year	2.5% per year
H.S.A. and F.S.A. contribution trend rate	2.0% per year	2.0% per year

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the Plan.

Mortality rates were based on the RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2018 Full Generational Improvement.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study from 2016.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Changes in Total OPEB Liability

Changes in total OPEB liability are:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 364,448	\$ 258,494
Interest	335,517	365,040
Changes in assumptions or other inputs	452,287	(374,914)
Benefit payments	<u>(1,110,909)</u>	<u>(2,049,000)</u>
Net change in OPEB	<u>41,343</u>	<u>(1,800,380)</u>
Net OPEB asset under GASB 45, beginning of year, as previously reported	9,868,047	(1,512,221)
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>13,180,648</u>
Total OPEB liability under GASB 75, beginning of year, as restated	<u>9,868,047</u>	<u>11,668,427</u>
Total OPEB liability, end of year	<u><u>\$ 9,909,390</u></u>	<u><u>\$ 9,868,047</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the College has been calculated using a discount rate of 3.36 percent (3.3 percent in prior year). The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	<u>1% Decrease</u> <u>(2.36%)</u>	<u>Current Discount</u> <u>Rate (3.36%)</u>	<u>1% Increase</u> <u>(4.36%)</u>
College's total OPEB liability	\$ 10,596,604	\$ 9,909,390	\$ 9,280,200

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

The total OPEB liability of the College has been calculated using health care cost trend rates of 8.50 percent decreasing to 4.50 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	Healthcare Cost Trend Rate (8.5% decreasing to 4.5%)		
	1% Decrease	1% Increase	
College's total OPEB liability	\$ 9,174,436	\$ 9,909,390	\$ 10,753,973

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of \$718,292 and \$572,386, respectively. For the years ended June 30, 2019 and 2018, the College recognized revenue of \$0 for support provided by nonemployer contributing entities. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 327,746	\$ -	\$ 259,628	\$ -
Changes of assumptions	273,679	491,231	-	583,396
Total	<u>\$ 601,425</u>	<u>\$ 491,231</u>	<u>\$ 259,628</u>	<u>\$ 583,396</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	Amount
2020	\$ 18,327
2021	18,327
2022	18,327
2023	18,327
2024	18,327
Thereafter	<u>18,559</u>
	<u>\$ 110,194</u>

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Note 6: Retirement Plan and Net Pension Liability

General Information about the Pension Plan

All full-time and certain part-time employees of the College participate either in the Public School Retirement System (“PSRS”) or the Public Education Employee Retirement System (“PEERS”), both of which are cost sharing multiple-employer public employee retirement systems, as required by the retirement law set forth in Chapter 169, *Revised Statutes of Missouri*.

PEERS Plan Description. PEERS is a mandatory cost-sharing multiple-employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600-169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report (“CAFR”) can be obtained at www.psr-peers.org.

PSRS Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers’ Association, Missouri State High School Activities Association and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the “2/3s statute.” PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members’ benefits are further calculated at two-thirds the normal benefit amount. A CAFR can be obtained at www.psr-peers.org.

PEERS Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61 percent benefit factor. Members qualifying for “Rule of 80” or “30-and-out” are entitled to an additional temporary 0.8 percent benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24 or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org.

PSRS Benefits Provided. PSRS is a defined benefit plan providing retirement, disability and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5 percent benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55 percent benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time PLSO payment at retirement equal to 12, 24 or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

PEERS Cost-of-Living Adjustments (COLA). The PEERS Board has established a policy of providing a 0.00 percent COLA for years in which the CPI increases between 0.00 percent and 2.00 percent, a 2.00 percent COLA for years in which CPI increases between 2.00 percent and 5.00 percent, and a COLA of 5.00 percent if the CPI increase is greater than 5.00 percent. If the CPI decreases, no COLA is provided. For any member, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80 percent of the original benefit for any member.

PSRS Cost-of-Living Adjustments (COLA). The PSRS Board has established a policy of providing a 0.00 percent COLA for years in which the CPI increases between 0.00 percent and 2.00 percent, a 2.00 percent COLA for years in which CPI increases between 2.00 percent and 5.00 percent, and a COLA of 5.00 percent if the CPI increase is greater than 5.00 percent. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80 percent of the original benefit for any member.

PEERS Contributions. PEERS members were required to contribute 6.86 percent of their annual covered salary and employer cost of medical, dental and vision premiums during fiscal years 2019 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5 percent of pay.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

PSRS Contributions. PSRS members were required to contribute 14.5 percent of their annual covered salary and employer cost of medical, dental and vision premiums during fiscal years 2019 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1 percent of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

Contributions. The College's contributions to PEERS were \$2,075,850 and \$2,097,934 and to PSRS were \$4,417,861 and \$4,377,884 for the years ended June 30, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019 and 2018, the College recorded a liability of \$14,053,319 and \$14,518,955 for PEERS and \$47,155,404 and \$46,217,761, respectively, for PSRS for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2018 and 2017 and determined by an actuarial valuation as of that date. At June 30, 2019 and 2018, the College's proportionate share was 0.6336 percent and 0.6400 percent, respectively, for PSRS and 1.8187 percent and 1.9030 percent, respectively, for PEERS.

For the years ended June 30, 2019 and 2018, the College recognized a pension expense of \$2,561,892 and \$2,389,737 for PEERS and \$4,295,145 and \$4,130,286 for PSRS, respectively, its proportionate share of the total pension expense.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS and PSRS pension benefits:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of deferred outflows and inflows due to:		
Differences between expected and actual experience - PEERS	\$ 20,113	\$ 329,217
Differences between expected and actual experience - PSRS	2,456,359	2,224,617
Changes in assumptions - PEERS	2,165,521	-
Changes in assumptions - PSRS	8,606,223	-
Net difference between projected and actual earnings on pension plan investments - PEERS	-	190,625
Net difference between projected and actual earnings on pension plan investments - PSRS	-	397,254
Changes in proportion and differences between employer contributions and proportionate share of contributions - PEERS	5,935	590,935
Changes in proportion and differences between employer contributions and proportionate share of contributions - PSRS	536,540	1,933,157
Employer contributions subsequent to the measurement date - PEERS	1,997,125	-
Employer contributions subsequent to the measurement date - PSRS	4,447,951	-
Total	\$ 20,235,767	\$ 5,665,805

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS and PSRS pension benefits:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of deferred outflows and inflows due to:		
Differences between expected and actual experience - PEERS	\$ 231,503	\$ 588,160
Differences between expected and actual experience - PSRS	2,745,258	2,942,781
Changes in assumptions - PEERS	2,499,604	-
Changes in assumptions - PSRS	7,292,376	-
Net difference between projected and actual earnings on pension plan investments - PEERS	312,394	-
Net difference between projected and actual earnings on pension plan investments - PSRS	956,083	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - PEERS	65,286	488,155
Changes in proportion and differences between employer contributions and proportionate share of contributions - PSRS	708,207	2,775,406
Employer contributions subsequent to the measurement date - PEERS	2,075,850	-
Employer contributions subsequent to the measurement date - PSRS	4,417,861	-
Total	\$ 21,304,422	\$ 6,794,502

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Contributions subsequent to the measurement date of June 30, 2019 and 2018 of \$6,445,076 and \$6,493,711, respectively, were reported as deferred outflows of resources related to pensions and will be recognized as a reduction to the net pension liability in the years ending June 30, 2020 and 2019, respectively. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30

2020	\$ 4,549,732
2021	2,820,712
2022	(1,305,267)
2023	1,226,472
2024	802,951
Thereafter	<u>30,286</u>
	<u><u>\$ 8,124,886</u></u>

Actuarial Assumptions. Actuarial valuations of PEERS and PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the total pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period 2010 to 2015 for both PEERS and PSRS dated June 2016.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

The total pension liability as of June 30, 2019 was determined based on an actuarial valuation prepared as of June 30, 2018 rolled forward one year, using the following actuarial assumptions:

Expected Return on Investments	7.50%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth	PEERS: 3.25% per annum, consisting of 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings and 0.50% of real wage growth due to productivity. PSRS: 2.75% per annum, consisting of 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth due to productivity.
Future Salary Increases	PEERS: 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.5% additional inflation due to the inclusion of health care costs in pension earnings and 0.5% of real wage growth. PSRS: 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Cost-of-Living Increases	The annual cost-of-living adjustment (COLA) assumed in the valuation increases from 1.25% to 1.65% over eight years, beginning January 1, 2020. The COLA reflected for January 1, 2019 is 2.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.85% to a normative inflation assumption of 2.25% over eight years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows: If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted. If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted. If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted. If the CPI decreases, no COLA is provided. The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Mortality Assumption	
Actives:	PEERS: RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028. PSRS: RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	PEERS: RP 2006 Total Dataset Employee Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. PSRS: RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled Retirees:	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions and Methods	PEERS and PSRS: The investment return assumption was lowered from 7.6% to 7.50% per year.
Fiduciary Net Position	PEERS and PSRS issue a publicly available financial report that can be obtained at www.psr-peers.org .
Long-term Expected Rate of Return	The long-term expected rate of return on PEERS' and PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' and PSRS' target allocations as of June 30, 2018 are summarized below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. public equity	27.0%	5.16%
Public credit	7.0%	2.17%
Hedged assets	6.0%	4.42%
Non-U.S public equity	15.0%	6.01%
U.S. Treasuries	16.0%	0.96%
U.S. TIPS	4.0%	0.80%
Private credit	4.0%	5.60%
Private equity	12.0%	9.86%
Private real estate	9.0%	3.56%
Total	100%	

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

The total pension liability as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2017 rolled forward one year, using the following actuarial assumptions:

Expected Return on Investments	7.60%, net of investment expenses and including 2.25% inflation.
Inflation	2.25%
Total Payroll Growth	PEERS: 3.25% per annum, consisting of 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings and 0.50% of real wage growth. PSRS: 2.75% per annum, consisting of 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Future Salary Increases	PEERS: 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.5% additional inflation due to the inclusion of health care costs in pension earnings and 0.5% of real wage growth. PSRS: 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings and 0.25% of real wage growth.
Cost-of-Living Increases	The annual cost-of-living adjustment (COLA) assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January 1, 2019. The COLA reflected for January 1, 2018 is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows: If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted. If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted. If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted. If the CPI decreases, no COLA is provided. The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

The Metropolitan Community College

Notes to Financial Statements

June 30, 2019 and 2018

Mortality Assumption	
Actives:	PEERS: RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028. PSRS: RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of .75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-Disabled Retirees, Beneficiaries and Survivors:	PEERS: RP 2006 Total Dataset Employee Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. PSRS: RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled Retirees:	RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions and Methods	PEERS and PSRS: The Board adopted a new COLA policy during fiscal 2017 resulting in a change in the future COLA assumption from an increasing assumption of 1.00%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1, 2019. The investment return assumption was lowered from 7.75% to 7.60% per year.
Fiduciary Net Position	PEERS and PSRS issue a publicly available financial report that can be obtained at www.psr-peers.org .
Long-term Expected Rate of Return	The long-term expected rate of return on PEERS' and PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' and PSRS' target allocations as of June 30, 2017 are summarized below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
U.S. public equity	27.0%	5.16%
Public credit	7.0%	2.17%
Hedged assets	6.0%	4.42%
Non-U.S public equity	15.0%	6.01%
U.S. Treasuries	16.0%	0.96%
U.S. TIPS	4.0%	0.80%
Private credit	4.0%	5.60%
Private equity	12.0%	9.86%
Private real estate	9.0%	3.56%
Total	<u>100%</u>	

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent and 7.60 percent as of June 30, 2018 and 2017, respectively, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0 percent from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return on 7.75 percent based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. The Board of Trustees further reduced the assumed rate of return to 7.60 percent effective with the June 30, 2017 valuation and then again to 7.5 percent effective with the June 30, 2018 valuation. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 7.50 percent is presented as well as the net pension liability using a discount rate that is 1.0 percent lower (6.50 percent) or 1.0 percent higher (8.50 percent) than the current rate. The College's net pension liability calculated using the discount rate of 7.6 percent is presented as well as the net pension liability using a discount rate that is 1.00 percent lower (6.6 percent) or 1.00 higher (8.6 percent) than the current rate as of June 30, 2018.

Proportionate Share of the Net

Pension Liability	1% Decrease	Current Rate	1% Increase
As of June 30, 2019:	(6.50%)	(7.50%)	(8.50%)
PEERS	\$ 26,463,996	\$ 14,053,319	\$ 3,644,534
PSRS	84,529,587	47,155,404	16,093,560
As of June 30, 2018:	(6.60%)	(7.60%)	(8.60%)
PEERS	\$ 26,745,722	\$ 14,518,955	\$ 4,263,254
PSRS	82,085,306	46,217,761	16,398,809

The plans are multiemployer defined benefit plans. Both systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to either system at: P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1.800.392.6848.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Note 7: Missouri United School Insurance Council

The Missouri United School Insurance Council (MUSIC) is a not-for-profit self-insurance association, which is designed to provide uniform property and casualty coverage under one comprehensive plan for participating school districts in Missouri. The College purchases insurance coverage for property, general liability, workers' compensation and medical malpractice (for allied health students).

Members pay annual premiums, which are retained to pay losses, fund an administrative budget, buy risk management services and purchase reinsurance for excessive losses.

Because MUSIC is a pooling arrangement comprised of member districts, the members are owners of the loss fund. In the event that the loss fund and related reserves are unable to cover claims, the members would be assessed additional premiums by MUSIC to cover the deficit. The College is not aware of any deficit situation in the MUSIC loss fund, which would require the accrual of a liability as of June 30, 2019 and 2018.

Effective January 1, 1999, the terms of insurance coverage provided by MUSIC were revised, with the College increasing the level of its self-insurance for losses occurring below the amount of the MUSIC coverage stop-loss, which was \$362,495 and \$356,517 for calendar years 2019 and 2018, respectively. As of June 30, 2019 and 2018, an accrual of \$353,475 and \$340,468, respectively, has been made to cover the estimated exposure to claims the College would have to pay under its self-insurance agreement, including an estimate for claims incurred but not reported. This claims liability is based on estimates of the ultimate cost of claims including inflation factors and historical trend data. Other non-incremental costs are not included in the basis of estimating the liability.

Note 8: Designations of Unrestricted Net Positions

Unrestricted net position is designated for specific purposes by action of the Board or management. Designations for the use of unrestricted net position as of June 30, 2019 and 2018 are as follows:

	2019	2018
Designated for deferred maintenance	\$ 1,797,733	\$ 2,615,769
Designated for information technology	1,302,956	1,070,079
Unrestricted	54,363,213	42,879,435
Total	\$ 57,463,902	\$ 46,565,283

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Note 9: Defined Contribution Plan

The College has a 403(b) defined contribution retirement plan covering all employees except for employees regularly attending classes at the College. The College matches contributions 66.67 percent per dollar, with an annual maximum limit of \$1,000. The participant is fully vested in amounts attributable to the plan contributions when such plan contributions are made. The College's expense under the plan was approximately \$518,000 and \$537,000 for the years ended June 30, 2019 and 2018, respectively.

Note 10: Federal Assistance

The College has received significant financial assistance from various federal agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority, or by independent public accountants under the *Single Audit Act*, the purpose of which is to ensure compliance with terms and conditions specified in these agreements. The College does not believe that liabilities for reimbursement, if any, will have a materially adverse effect upon the financial condition of the College.

Note 11: Contingencies

The College is named as a defendant in various legal actions arising in the normal course of operations. The College's management believes the resolution of those actions will not have a material effect on the College's financial statements.

Note 12: Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2019, the GASB has issued statements that will require consideration and implementation by the College as follows:

In June 2017, GASB issued GASB Statement No. 87, *Leases*, which establishes a uniform approach to accounting for and reporting leases based on the principle that all leases are, in substance, financings. The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019 (College's June 30, 2021 fiscal year). The effect of this Statement to the College has not yet been determined.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Note 13: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

Description	Total	2019		
		Level 1	Level 2	Level 3
2019				
Federal Home Loan Bank	\$ 574,074	\$ -	\$ 574,074	\$ -
Federal National Mortgage Association	922,586	-	922,586	-
Treasury Bills	24,790,153	-	24,790,153	-
Money market mutual funds	5,056,610	5,056,610	-	-
Total investments measured at fair value	<u>\$ 31,343,423</u>	<u>\$ 5,056,610</u>	<u>\$ 26,286,813</u>	<u>\$ -</u>
2018				
Description	Total	Level 1	Level 2	Level 3
2018				
Money market mutual funds	\$ 5,004,518	\$ 5,004,518	\$ -	\$ -
Total investments measured at fair value	<u>\$ 5,004,518</u>	<u>\$ 5,004,518</u>	<u>\$ -</u>	<u>\$ -</u>

Federal Home Loan Bank and Federal National Mortgage Association securities classified as Level 2 of the fair value hierarchy are valued using third-party pricing services based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates and prepayment assumptions.

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Note 14: Tax Abatements

For the fiscal year ended June 30, 2019, the College’s property tax revenue was reduced through abatements and diversions through various incentive granting agencies and entities with an impact to the College totaling an estimated \$4,355,769 under the following programs:

Tax Abatement Program	Amount of Taxes Abated during the Fiscal Year
Tax Increment Financing	\$ 1,403,993
Chapter 353 Abatement	449,248
Chapter 100 Bonds	274,421
Chapter 99 Abatement	73,992
EEZ	22,445
Multi-Abatement	2,131,670
	\$ 4,355,769

The College is subject to tax abatements and diversions granted or entered into by other government entities through various incentive granting agencies and entities as outlined below:

Tax Increment Financing – Grants tax diversion to promote new investment, infrastructure improvements and job growth by providing financial assistance and incentive to redevelopers. Created pursuant to Section 99.800 of the Revised Statutes of Missouri.

Chapter 353 Abatement – Grants tax abatement to encourage investment and assist in the removal of blight and blighting conditions within urban redevelopment areas. Created pursuant to Sections 353.010 to 353.190 RSMo and City Ordinance 140306.

Chapter 100 Bonds – The City of Kansas City can issue taxable bonds to assist with construction or rehabilitation of eligible commercial facilities. The City takes formal ownerships of the business assets and, therefore, provides property (real and personal) abatement for up to 10 years. Created pursuant to Sections 100.010 to 100.200 RSMo.

Chapter 99 Abatement – Grants abatement through several programs to encourage investment and assist in redevelopment of designated real property resulting in real property tax abatement for certain projects. Created pursuant to Section 99 of the Revised Statutes of Missouri.

EEZ – Grants property tax abatement to encourage job creation and investment by providing tax credits and property tax abatement to new or expanding businesses located in an Enhance Enterprise Zone (EEZ). Created pursuant to Sections 135.950 to 135.973 RSMo and City Ordinances 051411, 051412 and 051413.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Note 15: Foundation

The following disclosures pertain to the discretely presented component unit.

Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of investments in money market mutual funds. At June 30, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$179,000.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Deferred Revenue

Revenue from conditional grants for the Foundation is deferred and recognized over the periods to which the related expenses are incurred.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment, capital campaign and new initiatives.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events stipulated by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restrictions</i> Gifts that depend on the Foundation's overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i> Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
<i>Unconditional gifts, with or without restrictions</i> Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributed Services

The College provides the Foundation with office space and furniture and equipment without charge. The Executive Director and staff of the Foundation are employed by the College without compensation from the Foundation and the Financial Services Department of the College also provides accounting processing services to the Foundation. In connection with the personnel and services provided by the College, the Foundation recognized contributed services revenue and related offsetting expense in the amount of \$471,260 and \$490,536 for the years ended June 30, 2019 and 2018, respectively. Included in these amounts are payments to outside vendors/contractors for advisory services and other expenses supporting the Foundation.

No amounts have been reflected in the financial statements for donated services, which do not create or enhance nonfinancial assets or which do not require specialized skills; however, time and resources have been contributed by volunteers in furtherance of the Foundation's mission.

Substantially all program expenses included in the statements of activities are reimbursed to the College as the result of College payments on behalf of the Foundation. Accordingly, the balances "Due to The Metropolitan Community College" on the statements of financial position of \$370,924 and \$616,068 at June 30, 2019 and 2018, respectively, represent amounts due to the College not yet reimbursed at year-end.

During the years ended June 30, 2019 and 2018, the Foundation contributed \$47,315 and \$1,105,095, which included the release of \$950,000 for the Student Success Center project, respectively, to the College excluding any contributed services.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Subsequent Events

Subsequent events have been evaluated through November 22, 2019, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2019, the College and Foundation launched a significant capital campaign for the renovation and other projects related to the College's campuses. No gifts related to this capital campaign have been recorded as of June 30, 2019.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional allocation of expenses within the notes present the natural classification detail of expenses by function. Certain costs have been allocated among the program and support services based on square footage and other methods.

Change in Accounting Principle

In 2019, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This change had no impact on the 2018 beginning of year net assets by restriction class and changes in net assets. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of governing board designations and appropriations as of the end of the period are disclosed.
- Expenses are reported by both nature and function in one location.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Contributions Receivable

Contributions receivable at June 30, 2019 and 2018 consisted of the following unconditional promises to give discounted using the discount rate for the year the receivable was originally pledged at 2.70 percent:

	2019	2018
Due within one year	\$ 46,912	\$ 53,301
Due in one to five years	-	25,000
	46,912	78,301
Less		
Allowance for uncollectible contributions	831	1,527
Unamortized discount	1,246	2,699
	\$ 44,835	\$ 74,075

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Scholarships	\$ 319,990	\$ 274,044
Foundation Projects		
Other	230,475	278,115
MCC-Br Cyber Security Fund	-	100,000
Kite Festival	81,309	73,863
Bloch Academic Coaching	74,692	72,010
Storytelling	27,901	-
FI-Hall-Youth Development Curriculum (Fdn)	32,685	55,275
Book & Student Emergency Fund	51,280	41,942
Burns & McDonald Design Lab	30,092	36,000
MLK Event	67,810	-
Visual Arts & I.T. Bldg	32,498	32,498
KC Construction Careers Academy	14,258	26,205
	962,990	989,952

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

	2019	2018
Endowments		
Subject to endowment spending policy and appropriation		
Endowment funds restricted in perpetuity		
Scholarships	\$ 3,497,538	\$ 3,407,638
Foundation Projects		
Buchanan Fund	25,000	25,000
Pat Danner Endowment Student Emergency Fund	25,000	25,000
Polsky Business Development	116,179	116,179
Neeland J&A Student Assistance	1,531,856	1,531,856
Other	95,989	96,314
	5,291,562	5,201,987
Accumulated gains		
Scholarships	614,512	627,588
Foundation Projects		
Investment Income Payout Stabilization Fund	1,626,823	1,553,401
Neeland Jeanne M Award Fund	77,300	67,031
Polsky Business Development	77,288	67,678
Neeland J&A Student Assistance	430,992	341,081
Other	60,242	51,858
	2,887,157	2,708,637
	\$ 9,141,709	\$ 8,900,576

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Scholarships	\$ 398,943	\$ 461,157
MCC-BR Cyber Security Fund	100,000	-
Student Success Center	-	950,166
MLK Event	63,264	-
Chancellor's Inauguration	44,466	-
Kauffman Foundation KCCA	30,804	-
Kauffman Foundation Astrumu	25,000	-
Book & Student Emergency Fund	-	5,214
Storytelling	-	28,301
Longview Automotive Program	-	7,519
Kite Festival	-	7,473
Other	161,083	134,595
	<u>\$ 823,560</u>	<u>\$ 1,594,425</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2019 and 2018 have been designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Board-designated quasi-endowment	\$ 307,375	\$ 280,802
Undesignated	3,774,818	3,624,600
	<u>\$ 4,082,193</u>	<u>\$ 3,905,402</u>

Endowment

The Foundation's governing body is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation's endowment consists of approximately 148 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2019			
Board-designated	\$ 307,375	\$ -	\$ 307,375
Donor-restricted			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,291,562	5,291,562
Accumulated investment gains	-	2,887,157	2,887,157
	<u>\$ 307,375</u>	<u>\$ 8,178,719</u>	<u>\$ 8,486,094</u>
Total endowment funds	<u>\$ 307,375</u>	<u>\$ 8,178,719</u>	<u>\$ 8,486,094</u>
June 30, 2018			
Board-designated	\$ 280,802	\$ -	\$ 280,802
Donor-restricted			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,201,987	5,201,987
Accumulated investment gains	-	2,708,637	2,708,637
	<u>\$ 280,802</u>	<u>\$ 7,910,624</u>	<u>\$ 8,191,426</u>
Total endowment funds	<u>\$ 280,802</u>	<u>\$ 7,910,624</u>	<u>\$ 8,191,426</u>

The Metropolitan Community College Foundation
Notes to Financial Statements
June 30, 2019 and 2018

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2017	<u>\$ 247,500</u>	<u>\$ 7,592,847</u>	<u>\$ 7,840,347</u>
Investment return, net	20,469	587,067	607,536
Contributions	46,925	26,266	73,191
Appropriation of endowment assets for expenditures	<u>(34,092)</u>	<u>(295,556)</u>	<u>(329,648)</u>
Endowment net assets, June 30, 2018	<u>280,802</u>	<u>7,910,624</u>	<u>8,191,426</u>
Investment return, net	29,740	397,195	426,935
Contributions	-	83,911	83,911
Appropriation of endowment assets for expenditures	<u>(3,167)</u>	<u>(213,011)</u>	<u>(216,178)</u>
Endowment net assets, June 30, 2019	<u><u>\$ 307,375</u></u>	<u><u>\$ 8,178,719</u></u>	<u><u>\$ 8,486,094</u></u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, there were no deficiencies of this nature reported at June 30, 2019 and 2018.

The Foundation has adopted investment and spending policies for its endowment fund. The objective of these policies is to provide the Foundation a predictable funding stream for its programs while protecting the purchasing power of the endowment fund. In accordance with the Foundation's investment policy, the endowment fund shall be invested to provide for total return. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, the endowment fund shall be invested in a diversified portfolio, consisting of common stocks, bonds, cash equivalents and other investments, which may reflect varying rates of returns. The overall rate of return objective of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Endowment and Investment Committee of the board of directors.

The Metropolitan Community College Foundation
Notes to Financial Statements
June 30, 2019 and 2018

The Foundation recognizes the need for spendable income by the beneficiaries of the endowment and long-term institutional funds under their custodianship. The spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined above while protecting the real value of the endowment fund principal. The board approved spending percentage, based on the average collected fund balance, was 6 percent for the fiscal year ended June 30, 2019 and 6 percent for the fiscal year ended June 30, 2018.

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 comprise the following:

	2019
Financial Assets	
Cash and cash equivalents	\$ 697,304
Marketable securities	13,068,587
Contributions receivable	44,835
Financial Assets, at year-end	13,810,726
Less those unavailable for general expenditures within one year, due to	
Contractual or donor-imposed restrictions	9,141,709
Board designations	307,375
	9,449,084
Financials assets available to meet cash needs for general expenditures within one year	\$ 4,361,642

The Foundation recognizes contributed services from The Metropolitan Community College in support of management and general and fundraising activities. Due to this support, the Foundation's operating expenditures primarily consist of scholarships and donor restricted project expenditures.

The Foundation's accumulated investment earnings related to endowment are reviewed annually for expenditure. Each year the board of directors approves a scholarship allocation for endowed scholarships and projects. Consideration is given to retain enough earnings to offset future negative market fluctuations and provide a payout for individual scholarships in those future periods when smaller/negative investment returns occur. As of June 30, 2019, the accumulated investment earnings in the endowment were \$2,887,157 and are available for the scholarship allocation. The Foundation has determined that any donor restrictions are not considered available for general expenditure.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Within the net assets without donor restrictions, the Foundation's board of directors has reserved \$307,375 for Board designated projects. These funds can be reallocated should the need arise.

Investments, Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The Metropolitan Community College Foundation
Notes to Financial Statements
June 30, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
Equity securities	\$ 763,799	\$ 763,799	\$ -	\$ -
Equity mutual funds	1,222,609	1,222,609	-	-
U.S. Treasury notes	784,563	784,563	-	-
Corporate bonds	2,664,877	-	2,664,877	-
Fixed income mutual funds	99,265	99,265	-	-
Exchange traded funds (ETF)				
Vanguard Growth ETF	1,102,883	1,102,883	-	-
Vanguard S&P 500 ETF	874,738	874,738	-	-
Vanguard Small-Cap ETF	930,560	930,560	-	-
Vanguard FTSE Developed Markets ETF	1,524,918	1,524,918	-	-
Vanguard Value ETF	998,280	998,280	-	-
Vanguard Mid-Cap ETF	1,245,342	1,245,342	-	-
Other ETFs	465,815	465,815	-	-
Municipal bonds	390,938	-	390,938	-
	<u>\$13,068,587</u>	<u>\$ 10,012,772</u>	<u>\$ 3,055,815</u>	<u>\$ -</u>

The Metropolitan Community College Foundation
Notes to Financial Statements
June 30, 2019 and 2018

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Equity securities	\$ 796,559	\$ 796,559	\$ -	\$ -
Equity mutual funds	1,684,873	1,684,873	-	-
U.S. Treasury notes	892,489	892,489	-	-
Corporate bonds	1,473,298	-	1,473,298	-
Fixed income mutual funds	96,695	96,695	-	-
Exchange traded funds (ETF)				
Vanguard Growth ETF	1,348,290	1,348,290	-	-
Vanguard S&P 500 ETF	810,908	810,908	-	-
Vanguard Small-Cap ETF	924,680	924,680	-	-
Vanguard FTSE Developed Markets ETF	1,718,574	1,718,574	-	-
Vanguard Mid-Cap ETF	622,980	622,980	-	-
iShares 1-3 Year Credit Bond ETF	1,174,418	1,174,418	-	-
Other ETFs	556,068	556,068	-	-
Municipal bonds	493,851	-	493,851	-
	<u>\$12,593,683</u>	<u>\$ 10,626,534</u>	<u>\$ 1,967,149</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2019 and 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The Metropolitan Community College Foundation

Notes to Financial Statements

June 30, 2019 and 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis. The allocation of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the time estimates and other methods. Allocation of functional expense as of June 30, 2019 and 2018 were as follows:

	2019						
	Program Services			Support Services			Total
	Scholarships and Grants	Foundation Projects	Total Program Services	Fundraising	Management & General	Total Support Services	
Scholarships	\$ 438,008	\$ -	\$ 438,008	\$ -	\$ -	\$ -	\$ 438,008
Contributed services	-	-	-	172,384	224,088	396,472	396,472
Contracted service	-	265,991	265,991	8,273	30,109	38,382	304,373
Supplies	-	101,599	101,599	2,394	8,713	11,107	112,706
Events and other activity	-	60,239	60,239	1,514	5,511	7,025	67,264
Equipment and software	-	46,166	46,166	15	55	70	46,236
Professional development	-	8,180	8,180	2,150	7,823	9,973	18,153
Office expense	-	4,784	4,784	1,774	6,457	8,231	13,015
Other	-	62,700	62,700	-	-	-	62,700
	<u>\$ 438,008</u>	<u>\$ 549,659</u>	<u>\$ 987,667</u>	<u>\$ 188,504</u>	<u>\$ 282,756</u>	<u>\$ 471,260</u>	<u>\$ 1,458,927</u>

The Metropolitan Community College Foundation
Notes to Financial Statements
June 30, 2019 and 2018

	2018						
	Program Services			Support Services			Total
	Scholarships and Grants	Foundation Projects	Total Program Services	Fundraising	Management & General	Total Support Services	
Scholarships	\$ 568,183	\$ -	\$ 568,183	\$ -	\$ -	\$ -	
Contributed services	-	-	-	182,420	258,851	441,271	441,271
Contracted service	-	109,345	109,345	3,286	8,449	11,735	121,080
Supplies	-	30,899	30,899	3,783	9,727	13,510	44,409
Events and other activity	-	993,349	993,349	822	2,113	2,935	996,284
Equipment and software	-	8,000	8,000	99	255	354	8,354
Professional development	-	3,347	3,347	2,713	6,976	9,689	13,036
Office expense	-	1,428	1,428	3,092	7,950	11,042	12,470
Other	-	161,351	161,351	-	-	-	161,351
	<u>\$ 568,183</u>	<u>\$ 1,307,719</u>	<u>\$ 1,875,902</u>	<u>\$ 196,215</u>	<u>\$ 294,321</u>	<u>\$ 490,536</u>	<u>\$ 2,366,438</u>

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

Note 16: Condensed Combining Information

Condensed combining information for the College as of and for the fiscal year ended June 30 is as follows:

	2019			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Net Position				
Assets				
Current assets	\$ 97,884,456	\$ 2,454,483	\$ -	\$ 100,338,939
Noncurrent assets	63,647,362	74,544,076	-	138,191,438
Total assets	<u>161,531,818</u>	<u>76,998,559</u>	<u>-</u>	<u>238,530,377</u>
Deferred outflows	20,837,192	2,068,094	-	22,905,286
Liabilities				
Current liabilities	12,039,006	5,056,610	-	17,095,616
Noncurrent liabilities	72,108,711	44,795,000	-	116,903,711
Total liabilities	<u>84,147,717</u>	<u>49,851,610</u>	<u>-</u>	<u>133,999,327</u>
Deferred inflows	6,157,036	-	-	6,157,036
Net position				
Net investment in capital assets	36,348,228	27,467,170	-	63,815,398
Unrestricted	<u>55,716,029</u>	<u>1,747,873</u>	<u>-</u>	<u>57,463,902</u>
Total net position	<u>\$ 92,064,257</u>	<u>\$ 29,215,043</u>	<u>\$ -</u>	<u>\$ 121,279,300</u>
	2019			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Revenues, Expenses and Changes in Net Position				
Operating revenues (expenses)				
Operating revenues	\$ 38,670,728	\$ -	\$ -	\$ 38,670,728
Depreciation expense	(2,684,306)	(3,857,609)	-	(6,541,915)
Other operating expenses	<u>(122,569,788)</u>	<u>-</u>	<u>5,762,641</u>	<u>(116,807,147)</u>
Operating loss	<u>(86,583,366)</u>	<u>(3,857,609)</u>	<u>5,762,641</u>	<u>(84,678,334)</u>
Nonoperating revenues (expenses)				
Nonoperating revenues	95,267,451	5,763,218	(5,762,641)	95,268,028
Interest on debt related to capital assets	-	(1,932,463)	-	(1,932,463)
Total nonoperating revenues, net	<u>95,267,451</u>	<u>3,830,755</u>	<u>(5,762,641)</u>	<u>93,335,565</u>
Change in net position	8,684,085	(26,854)	-	8,657,231
Net position, beginning of year	<u>83,380,172</u>	<u>29,241,897</u>	<u>-</u>	<u>112,622,069</u>
Net position, end of year	<u>\$ 92,064,257</u>	<u>\$ 29,215,043</u>	<u>\$ -</u>	<u>\$ 121,279,300</u>

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

	2019			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Cash Flows				
Net cash used in operating activities	\$ (77,541,341)	\$ -	\$ -	\$ (77,541,341)
Net cash provided by noncapital financing activities	81,966,994	8,997,213	-	90,964,207
Net cash provided by (used in) capital and related financing activities	1,438,986	(5,711,124)	-	(4,272,138)
Net cash provided by (used in) investing activities	(18,059,756)	577	-	(18,059,179)
	(12,195,117)	3,286,666	-	(8,908,451)
Cash and cash equivalents, beginning of year	50,138,209	5,197,018	-	55,335,227
Cash and cash equivalents, end of year	\$ 37,943,092	\$ 8,483,684	\$ -	\$ 46,426,776
	2018			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Net Position				
Assets				
Current assets	\$ 80,815,153	\$ 1,182,055	\$ -	\$ 81,997,208
Noncurrent assets	74,252,374	79,622,019	-	153,874,393
Total assets	155,067,527	80,804,074	-	235,871,601
Deferred outflows	21,564,050	2,587,341	-	24,151,391
Liabilities				
Current liabilities	14,007,565	5,004,518	-	19,012,083
Noncurrent liabilities	71,865,942	49,145,000	-	121,010,942
Total liabilities	85,873,507	54,149,518	-	140,023,025
Deferred inflows	7,377,898	-	-	7,377,898
Net position				
Net investment in capital assets	37,242,426	28,814,360	-	66,056,786
Unrestricted	46,137,746	427,537	-	46,565,283
Total net position	\$ 83,380,172	\$ 29,241,897	\$ -	\$ 112,622,069
	2018			
	District	Building Corporation	Eliminations	Total
Condensed Statements of Revenues, Expenses and Changes in Net Position				
Operating revenues (expenses)				
Operating revenue	\$ 46,178,043	\$ -	\$ -	\$ 46,178,043
Depreciation expense	(2,599,489)	(3,959,559)	-	(6,559,048)
Other operating expenses	(125,636,304)	-	5,758,838	(119,877,466)
Operating loss	(82,057,750)	(3,959,559)	5,758,838	(80,258,471)
Nonoperating revenues (expenses)				
Nonoperating revenues	94,005,005	5,759,035	(5,758,838)	94,005,202
Interest on debt related to capital assets	(1,965)	(2,028,282)	-	(2,030,247)
Total nonoperating revenues, net	94,003,040	3,730,753	(5,758,838)	91,974,955
Change in net position	11,945,290	(228,806)	-	11,716,484
Net position, beginning of year, as previously reported	84,615,530	29,470,703	-	114,086,233
Cumulative Effect of Change in Accounting Principle	(13,180,648)	-	-	(13,180,648)
Net position, beginning of year	71,434,882	29,470,703	-	100,905,585
Net position, end of year	\$ 83,380,172	\$ 29,241,897	\$ -	\$ 213,527,654

The Metropolitan Community College
Notes to Financial Statements
June 30, 2019 and 2018

	2018			Total
	District	Building Corporation	Eliminations	
Condensed Statements of Cash Flows				
Net cash used in operating activities	\$ (76,485,089)	\$ -	\$ -	\$ (76,485,089)
Net cash provided by noncapital financing activities	86,605,975	5,758,838	-	92,364,813
Net cash used in capital and related financing activities	(5,106,836)	(5,715,929)	-	(10,822,765)
Net cash provided by investing activities	<u>580,846</u>	<u>197</u>	<u>-</u>	<u>581,043</u>
	5,594,896	43,106	-	5,638,002
Cash and cash equivalents, beginning of year	<u>44,543,313</u>	<u>5,153,912</u>	<u>-</u>	<u>49,697,225</u>
Cash and cash equivalents, end of year	<u>\$ 50,138,209</u>	<u>\$ 5,197,018</u>	<u>\$ -</u>	<u>\$ 55,335,227</u>

Required Supplementary Information

The Metropolitan Community College
Schedule of Changes in the College's Total OPEB
Liability and Related Ratios
June 30, 2019

	2019
Total OPEB Liability	
Service cost	\$ 364,448
Interest	335,517
Changes in assumptions or other inputs	452,287
Benefit payments	(1,110,909)
Net change in Total OPEB Liability	41,343
Total OPEB liability, beginning of year	9,868,047
Total OPEB liability, end of year	\$ 9,909,390
Covered-Employee Payroll	\$ 44,296,752
Total OPEB Liability as a Percentage of Covered-Employee Payroll	22.37%

Notes to Schedule:

Benefit Changes

- There were no changes to benefit terms for the years ended June 30, 2019 and 2018.

Changes of Assumptions

- There was a change in the discount rate which had a net impact of \$323,348 and \$583,396 for the years ended June 30, 2019 and 2018, respectively.

The Metropolitan Community College
Schedules of the College's Proportionate Share of the Net Pension
Liability and College Contributions
June 30, 2019

Schedule of the College's Proportionate Share of Net Pension Liability

Year Ended *	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2019 PEERS	1.8187%	\$ 14,053,319	\$ 30,260,202	46.44%	86.06%
6/30/2019 PSRS	0.6336%	47,155,404	31,107,639	151.59%	84.06%
6/30/2018 PEERS	1.9030%	14,518,955	30,582,111	47.48%	85.35%
6/30/2018 PSRS	0.6400%	46,217,761	30,878,787	149.67%	83.77%
6/30/2017 PEERS	1.9260%	15,452,978	29,741,780	51.96%	83.32%
6/30/2017 PSRS	0.6334%	47,129,070	29,987,632	157.16%	82.18%
6/30/2016 PEERS	2.0643%	10,918,210	30,953,507	35.27%	88.28%
6/30/2016 PSRS	0.6335%	36,571,069	29,482,161	124.04%	85.78%
6/30/2015 PEERS	2.0233%	7,388,403	29,505,189	25.04%	91.33%
6/30/2015 PSRS	0.6214%	25,493,403	28,345,963	89.94%	89.34%

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

* The data provided in the schedule is based as of the measurement date of PSRS' and PEERS' net pension liability, which is as of the beginning of the College's fiscal year.

Schedule of College's Contributions

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013 PEERS	\$ 2,107,749	\$ 2,107,749	\$ -	\$ 30,744,954	6.86%
6/30/2013 PSRS	4,633,378	4,633,378	-	32,831,174	14.11%
6/30/2014 PEERS	2,024,056	2,024,056	-	29,505,189	6.86%
6/30/2014 PSRS	4,001,458	4,001,458	-	28,345,963	14.12%
6/30/2015 PEERS	2,123,411	2,214,010	(90,599)	30,953,507	7.15%
6/30/2015 PSRS	3,927,796	4,158,868	(231,072)	29,482,161	14.11%
6/30/2016 PEERS	2,123,413	2,123,413	-	29,741,780	7.14%
6/30/2016 PSRS	4,159,289	4,159,289	-	27,807,649	14.96%
6/30/2017 PEERS	2,040,287	2,040,287	-	29,741,780	6.86%
6/30/2017 PSRS	4,242,915	4,242,915	-	29,987,632	14.15%
6/30/2018 PEERS	2,097,934	2,097,934	-	30,582,111	6.86%
6/30/2018 PSRS	4,377,884	4,377,884	-	30,878,787	14.18%
6/30/2019 PEERS	2,075,850	2,075,850	-	30,260,202	6.86%
6/30/2019 PSRS	4,417,861	4,417,861	-	31,107,639	14.20%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The Metropolitan Community College
Schedules of the College's Proportionate Share of the Net Pension
Liability and College Contributions (Continued)
June 30, 2019

Notes to Schedules of the College's Proportionate Share of the Net Pension Liability and College Contributions

See *Note 6* for factors that affect trends in the amounts reported, such as changes in benefit terms or assumptions. Contribution rates for PEERS and PSRS remained the same for the College for years ended June 30, 2019, 2018 and 2017.

Other Supplementary Information

The Metropolitan Community College
Combining Schedule of Net Position
June 30, 2019

	District	Building Corporation	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 37,943,092	\$ 8,483,684	\$ -	\$ 46,426,776
Short-term investments	47,947,153	-	-	47,947,153
Accounts receivable, net of allowance; \$236,473	11,713,004	(6,029,201)	-	5,683,803
Other assets	281,207	-	-	281,207
Total current assets	<u>97,884,456</u>	<u>2,454,483</u>	<u>-</u>	<u>100,338,939</u>
Noncurrent Assets				
Long-term investments	26,846,660	-	-	26,846,660
Capital assets				
Nondepreciable	8,233,861	806,095	-	9,039,956
Depreciable, net	28,566,841	73,737,981	-	102,304,822
Total noncurrent assets	<u>63,647,362</u>	<u>74,544,076</u>	<u>-</u>	<u>138,191,438</u>
Total assets	161,531,818	76,998,559	-	238,530,377
Deferred Outflows of Resources				
Total assets and deferred outflows of resources	<u>\$ 182,369,010</u>	<u>\$ 79,066,653</u>	<u>\$ -</u>	<u>\$ 261,435,663</u>
Liabilities				
Current Liabilities				
Accounts payable, accrued and other liabilities	\$ 6,167,235	\$ 706,610	\$ -	\$ 6,873,845
Compensated absences	2,183,800	-	-	2,183,800
Current portion of long-term debt	-	4,350,000	-	4,350,000
Unearned revenue	3,185,497	-	-	3,185,497
Unearned revenue - contracts	50,000	-	-	50,000
Capital lease purchases	452,474	-	-	452,474
Total current liabilities	<u>12,039,006</u>	<u>5,056,610</u>	<u>-</u>	<u>17,095,616</u>
Noncurrent Liabilities				
Bond payable	-	44,795,000	-	44,795,000
Compensated absences	740,598	-	-	740,598
Other postemployment benefit obligations	9,909,390	-	-	9,909,390
Net pension liability	61,208,723	-	-	61,208,723
Unearned revenue - contracts	250,000	-	-	250,000
Total noncurrent liabilities	<u>72,108,711</u>	<u>44,795,000</u>	<u>-</u>	<u>116,903,711</u>
Total liabilities	<u>84,147,717</u>	<u>49,851,610</u>	<u>-</u>	<u>133,999,327</u>
Deferred Inflows of Resources				
Total liabilities and deferred inflows of resources	<u>6,157,036</u>	<u>-</u>	<u>-</u>	<u>6,157,036</u>
Net Position				
Net investment in capital assets	36,348,228	27,467,170	-	63,815,398
Unrestricted	55,716,029	1,747,873	-	57,463,902
Total net position	<u>\$ 92,064,257</u>	<u>\$ 29,215,043</u>	<u>\$ -</u>	<u>\$ 121,279,300</u>

The Metropolitan Community College
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019

	District	Building Corporation	Eliminations	Total
Operating Revenues				
Tuition and fees	\$ 44,685,598	\$ -	\$ -	\$ 44,685,598
Less scholarship allowance	20,681,218	-	-	20,681,218
Student tuition and fees, net	<u>24,004,380</u>	-	-	<u>24,004,380</u>
Federal grants and contracts	5,377,436	-	-	5,377,436
State and local grants and contracts	3,400,793	-	-	3,400,793
Auxiliary services revenues	1,171,295	-	-	1,171,295
Other	4,716,824	-	-	4,716,824
Total operating revenues	<u>38,670,728</u>	-	-	<u>38,670,728</u>
Operating Expenses				
Salaries and wages	63,051,424	-	-	63,051,424
Fringe benefits	22,910,599	-	-	22,910,599
Supplies and other services	29,392,863	-	(5,762,641)	23,630,222
Utilities	3,434,828	-	-	3,434,828
Scholarships and fellowships	3,780,074	-	-	3,780,074
Depreciation	2,684,306	3,857,609	-	6,541,915
Total operating expenses	<u>125,254,094</u>	<u>3,857,609</u>	<u>(5,762,641)</u>	<u>123,349,062</u>
Operating Loss	<u>(86,583,366)</u>	<u>(3,857,609)</u>	<u>5,762,641</u>	<u>(84,678,334)</u>
Nonoperating Revenues (Expenses)				
Federal Pell Grant revenue	20,936,002	-	-	20,936,002
State appropriations	30,857,414	-	-	30,857,414
County property tax revenue	36,459,109	-	-	36,459,109
Investment income	2,244,484	577	-	2,245,061
Other nonoperating revenues	4,770,442	5,762,641	(5,762,641)	4,770,442
Interest on debt related to capital assets	-	(1,932,463)	-	(1,932,463)
Total nonoperating revenues, net	<u>95,267,451</u>	<u>3,830,755</u>	<u>(5,762,641)</u>	<u>93,335,565</u>
Increase (Decrease) in Net Position	8,684,085	(26,854)	-	8,657,231
Net Position, Beginning of Year	<u>83,380,172</u>	<u>29,241,897</u>	<u>-</u>	<u>112,622,069</u>
Net Position, End of Year	<u>\$ 92,064,257</u>	<u>\$ 29,215,043</u>	<u>\$ -</u>	<u>\$ 121,279,300</u>

The Metropolitan Community College
Schedule of Revenues, Expenses and Changes in Fund Balances
Year Ended June 30, 2019

	<u>Agency Fund</u>	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Designated Fund</u>	<u>Business & Continuing Education Fund</u>	<u>Auxiliary Enterprises Fund</u>	<u>Student Aid Fund</u>	<u>Restricted Fund</u>	<u>Unexpended Plant Fund</u>	<u>Invested in Plant Fund</u>	<u>Total</u>
Revenues											
Student tuition and fees, net	\$ 593,151	\$ 38,451,407	\$ 2,038,508	\$ 593,149	\$ 3,009,383	\$ -	\$ (20,681,218)	\$ -	\$ -	\$ -	\$ 24,004,380
State aid	-	30,857,414	-	-	-	-	-	-	-	-	30,857,414
Government grants and contracts	-	1,787,795	25,000	-	510,428	-	22,782,251	4,608,757	-	-	29,714,231
State and county taxes	-	36,459,109	-	-	-	-	-	-	-	-	36,459,109
Investment income	-	2,244,484	-	-	-	-	-	-	-	-	2,244,484
Other income	75,466	3,014,410	231,478	-	1,153,006	2,661,864	283,603	204,260	3,034,474	-	10,658,561
Total revenues	<u>668,617</u>	<u>112,814,619</u>	<u>2,294,986</u>	<u>593,149</u>	<u>4,672,817</u>	<u>2,661,864</u>	<u>2,384,636</u>	<u>4,813,017</u>	<u>3,034,474</u>	<u>-</u>	<u>133,938,179</u>
Expenses											
Instructional	108,939	41,635,230	985,630	-	1,772,077	-	-	557,790	77,152	-	45,136,818
Academic support	-	9,061,617	196,053	107	1,645,099	-	-	2,115,550	-	-	13,018,426
Student services	745,943	12,432,082	-	-	-	-	318,998	558,004	85,000	-	14,140,027
Plant operation and maintenance	242,000	11,451,955	-	-	-	432,245	-	-	8,333,234	-	20,459,434
Depreciation	-	-	-	-	-	-	-	-	-	2,684,306	2,684,306
Institutional support	453	24,989,297	50,911	216,631	557,830	-	(1)	-	393,924	-	26,209,045
Scholarships and fellowships	1,288	1,480,208	6,963	-	3,711	-	2,049,739	238,165	-	-	3,780,074
Public service	-	-	-	-	-	-	-	1,343,819	-	-	1,343,819
Auxiliary expenses	-	-	-	-	-	635,356	-	-	-	-	635,356
Total expenses	<u>1,098,623</u>	<u>101,050,389</u>	<u>1,239,557</u>	<u>216,738</u>	<u>3,978,717</u>	<u>1,067,601</u>	<u>2,368,736</u>	<u>4,813,328</u>	<u>8,889,310</u>	<u>2,684,306</u>	<u>127,407,305</u>
Revenues Over (Under) Expenses	(430,006)	11,764,230	1,055,429	376,411	694,100	1,594,263	15,900	(311)	(5,854,836)	(2,684,306)	6,530,874
Add: Capitalized expenses	261,478	916,512	-	-	-	-	-	364,518	610,703	-	2,153,211
Total before fund transfers	(168,528)	12,680,742	1,055,429	376,411	694,100	1,594,263	15,900	364,207	(5,244,133)	(2,684,306)	8,684,085
Total fund transfers	(261,478)	(12,680,739)	(1,055,429)	-	(694,101)	(1,544,263)	(15,899)	(364,206)	14,462,904	2,153,211	-
Increase (Decrease) in Fund Balance	(430,006)	3	-	376,411	(1)	50,000	1	1	9,218,771	(531,095)	8,684,085
Fund Balance, Beginning of Year	925,949	20,058,742	-	654,020	1	(350,000)	(1)	(1)	19,551,884	42,539,578	83,380,172
Fund Balance, End of Year	<u>\$ 495,943</u>	<u>\$ 20,058,745</u>	<u>\$ -</u>	<u>\$ 1,030,431</u>	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,770,655</u>	<u>\$ 42,008,483</u>	<u>\$ 92,064,257</u>

The Metropolitan Community College
Schedule of Revenues, Expenses and Changes in Fund Balances (Continued)
Year Ended June 30, 2019

	District	Building Corporation	Eliminations	Total
Revenues				
Student tuition and fees	\$ 44,685,598	\$ -	\$ -	\$ 44,685,598
Less scholarship allowance	20,681,218	-	-	20,681,218
Student tuition and fees, net	24,004,380	-	-	24,004,380
State aid	30,857,414	-	-	30,857,414
Government grants and contracts	29,714,231	-	-	29,714,231
State and county taxes	36,459,109	-	-	36,459,109
Investment income	2,244,484	577	-	2,245,061
Other income	10,658,561	5,762,641	(5,762,641)	10,658,561
Total revenues	133,938,179	5,763,218	(5,762,641)	133,938,756
Operating Expenses				
Instructional	45,136,818	-	-	45,136,818
Academic support	13,018,426	-	-	13,018,426
Student services	14,140,027	-	-	14,140,027
Plant operation and maintenance	20,459,434	-	(5,762,641)	14,696,793
Depreciation	2,684,306	3,857,609	-	6,541,915
Institutional support	26,209,045	-	-	26,209,045
Scholarships and fellowships	3,780,074	-	-	3,780,074
Public service	1,343,819	-	-	1,343,819
Interest expense	-	1,932,463	-	1,932,463
Auxiliary expenses	635,356	-	-	635,356
Total operating expenses	127,407,305	5,790,072	(5,762,641)	127,434,736
Revenues over (under) expenditures	6,530,874	(26,854)	-	6,504,020
Add: Capitalized expenses	2,153,211	-	-	2,153,211
Net Increase (Decrease) in Fund Balance	8,684,085	(26,854)	-	8,657,231
Fund Balance, Beginning of Year	83,380,172	29,241,897	-	112,622,069
Fund Balance, End of Year	\$ 92,064,257	\$ 29,215,043	\$ -	\$ 121,279,300

The Metropolitan Community College
Schedule of Expenses by Functional and Natural Classification
Year Ended June 30, 2019

		Natural Expense Classification							Total Expenses by Functional Classification (Fund Report)
		Salaries and Wages	Fringe Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Interest Expense	
Functional Expense Classification	Type of expense								
	Instructional	\$ 31,440,096	\$ 8,870,525	\$ 4,826,197	\$ -	\$ -	\$ -	\$ -	\$ 45,136,818
	Academic support	7,332,093	2,654,414	3,031,919	-	-	-	-	13,018,426
	Student services	8,918,068	3,254,097	1,967,862	-	-	-	-	14,140,027
	Plant operation and maintenance	3,235,256	1,408,496	7,167,421	2,885,620	-	-	-	14,696,793
	Institutional support	11,320,955	6,468,106	7,870,776	549,208	-	-	-	26,209,045
	Public service	332,864	115,100	895,855	-	-	-	-	1,343,819
	Auxiliary expenses	472,092	139,861	23,403	-	-	-	-	635,356
	Scholarships and fellowships	-	-	-	-	3,780,074	-	-	3,780,074
	Depreciation	-	-	-	-	-	6,541,915	-	6,541,915
	Interest expense	-	-	-	-	-	-	1,932,463	1,932,463
	Total expenses	63,051,424	22,910,599	25,783,433	3,434,828	3,780,074	6,541,915	1,932,463	127,434,736
	Less: Capitalized expenses	-	-	(2,153,211)	-	-	-	-	(2,153,211)
	Total expenses by natural classification (GASB Report)	\$ 63,051,424	\$ 22,910,599	\$ 23,630,222	\$ 3,434,828	\$ 3,780,074	\$ 6,541,915	\$ 1,932,463	\$ 125,281,525

The Metropolitan Community College
Schedule of Fund Transfers From/(To)
Year Ended June 30, 2019

	<u>Operational</u>					<u>Restricted Funds</u>		<u>Plant Funds</u>		<u>Total</u>
	<u>General</u>	<u>Special Projects</u>	<u>IWI</u>	<u>Student Fund</u>	<u>Auxiliary</u>	<u>Student Aid</u>	<u>Restricted</u>	<u>Unexpended Plant</u>	<u>Invested in Plant</u>	
Fund Transfers										
Transfer for capitalized equipment	\$ 916,512	\$ -	\$ -	\$ 261,478	\$ -	\$ -	\$ 364,518	\$ 610,703	\$ (2,153,211)	\$ -
Transfer to cover net bond payment	5,762,640	-	-	-	-	-	-	(5,762,640)	-	-
Transfer for designated maintenance projects	1,500,000	-	-	-	-	-	-	(1,500,000)	-	-
Transfer for designated IT projects	500,000	-	-	-	-	-	-	(500,000)	-	-
Transfer annual fund close-out	(3,309,380)	1,055,429	694,101	-	1,544,263	15,899	(312)	-	-	-
Transfer to match financial plan	7,310,967	-	-	-	-	-	-	(7,310,967)	-	-
Net fund transfers	<u>\$ 12,680,739</u>	<u>\$ 1,055,429</u>	<u>\$ 694,101</u>	<u>\$ 261,478</u>	<u>\$ 1,544,263</u>	<u>\$ 15,899</u>	<u>\$ 364,206</u>	<u>\$ (14,462,904)</u>	<u>\$ (2,153,211)</u>	<u>\$ -</u>

The Metropolitan Community College

Notes to Other Supplementary Financial Information

June 30, 2019

Funds statements are still used to manage the colleges and for external reporting to various agencies and have been included in the “Other Supplementary Information” section of the accompanying report for informational purposes. The main difference between the Colleges’ primary audited financial statements and the funds statement presentations is the treatment of scholarship aid used for tuition and fees. The primary statements per GASB 35 require such aid to be offset against tuition and fees, whereas the funds statements reflect gross tuition and fees and scholarship aid.

Fund accounting is the procedure by which resources are classified for accounting and reporting purposes into funds that are maintained in accordance with activities or specific objectives. Separate accounts are maintained for each fund. Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups.

The assets, liabilities and fund balances of the Colleges are reported in two self-balancing fund groups as follows:

Current Funds include two separate fund groups, unrestricted and restricted, both of which are currently expendable for purposes of meeting the primary objectives of the Colleges, *i.e.*, instruction, public service and related supporting services. The unrestricted funds group, over which the College’s governing board retains full control to use in achieving any of its institutional purposes, includes the operational (general, business/continuing education and special projects), auxiliary enterprise and agency funds. The general fund is used for all operational-type charges that are not covered by the following two categories. The business/continuing education fund is utilized to account for contracted instructional activities with the business community and most other noncredit instruction. The special projects fund is used to account for programs, which have been internally designated by the College’s governing board as pilot projects or require special accountability. Resources restricted by donors or other outside agencies for specific current operating purposes are accounted for in the restricted funds group, which includes the restricted and student aid funds.

Plant Funds include resources available for future plant acquisitions, renewals and replacements, resources restricted for the retirement of indebtedness and funds which have been invested in the plant. These funds are broken into two separate sections: **Plant Funds** and **Building Corporation** plant funds.

Compliance

The Metropolitan Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education/Federal Supplemental Education Opportunity Grants	84.007	N/A	\$ -	\$ 629,796
U.S. Department of Education/Federal Direct Student Loans	84.268	N/A	-	8,201,825
U.S. Department of Education/Federal Work Study Program	84.033	N/A	-	333,886
U.S. Department of Education/Federal Pell Grant Program	84.063	N/A	-	20,967,385
Total Student Financial Assistance Cluster			-	30,132,892
U.S. Department of Education/TRIO -Education Opportunity Center	84.066	N/A	-	463,618
U.S. Department of Education/TRIO - Student Support Services	84.042A	N/A	-	389,910
Total TRIO Cluster			-	853,528
U.S. Department of Labor/Missouri Department of Economic Development/WIOA Adult Program	17.258	N/A	-	102,322
Total Workforce Investment Act Cluster			-	102,322
U.S. Department of Education/Title III - Higher Education - Institutional Aid	84.031F	N/A	-	288,876
U.S. Department of Education/Title III - Higher Education - Institutional Aid	84.031A	N/A	-	1,257,758
Total Title III - Higher Education - Institutional Aid Grant			-	1,546,634
U.S. Department of Education/Carl D. Perkins Vocational Educational	84.048	N/A	-	814,114
U.S. Department of Education/Vocational Education-Pathway for Teachers	84.048A	N/A	-	9,617
Total Elementary & Secondary Education			-	823,731
U.S. Department of Agriculture/Missouri Department of Social Services & Missouri Community College Assn./SkillUP Program	10.561	N/A	-	153,473
U.S. Department of Labor/Trade Adjustment Assistance Community College & Career Training Missouri STEM	17.282	N/A	331,130	826,495
National Aeronautics & Space Administration/Missouri University of Science and Technology/Missouri Space Grant Consortium	43.001	0050027	-	5,108
National Endowment for the Humanities/Missouri Humanities Council/Metropolitan Community College Storytelling Celebration	45.129	1990	-	10,000
U.S. Department of Health and Human Services/Behavioral Health Workforce Education & Training for Professionals & Paraprofessionals	93.243	N/A	-	4,843
U.S. Department of Health and Human Services/University of Missouri-Kansas City/Kansas City Health Tracks	93.137	0086291/ 00064340	-	23,047
U.S. Department of Health and Human Services/Diabetes & Heart Disease & Stroke Prevention Programs-Improving the Health of Americans thru Prevention & Mgt of Diabetes & Heart Disease & Stroke	93.426	N/A	-	32,181
Total			\$ 331,130	\$ 34,514,254

The accompanying notes are an integral part of this Schedule

The Metropolitan Community College
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of The Metropolitan Community College under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Metropolitan Community College, it is not intended to and does not present the financial position, changes in net position or cash flows of The Metropolitan Community College.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Cost Circular A-110 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Metropolitan Community College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of The Junior College District of Metropolitan Kansas City, Missouri (d/b/a The Metropolitan Community College the "College") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 22, 2019. The financial statements of The Metropolitan Community College Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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.

BKD, LLP

Kansas City, Missouri
November 22, 2019

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
The Metropolitan Community College
Kansas City, Missouri

Report on Compliance for the Major Federal Program

We have audited The Junior College District of Metropolitan Kansas City, Missouri's (d/b/a The Metropolitan Community College the "College") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2019. 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Major Federal Program

In our opinion, the 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, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Kansas City, Missouri
November 22, 2019

The Metropolitan Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) were:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

The Metropolitan Community College
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

7. The College's major program was:

Name of Federal Program	CFDA Number
Student Financial Assistance Cluster	
U.S. Department of Education/Federal Supplemental Education Opportunity Grants	84.007
U.S. Department of Education/Federal Direct Student Loans	84.268
U.S. Department of Education/Federal Work Study Program	84.033
U.S. Department of Education/Federal Pell Grant Program	84.063

8. The threshold used to distinguish between Type A and Type B programs was \$1,035,428.

9. The College qualified as a low-risk auditee? Yes No

The Metropolitan Community College
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Findings Required to be Reported by Uniform Guidance

No matters are reportable.