



Maine Community College System

OFFICE OF THE PRESIDENT

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To: Governor Janet T. Mills
Members of the Joint Standing Committee on Education and Cultural Affairs
Members of the Joint Standing Committee on Appropriations and Financial Affairs
From: Peter DelGreco, Chair, Board of Trustees, Maine Community College System
On behalf of the Maine Community College System Board of Trustees
RE: Board of Trustees Annual Report
Date: January 2025

Introduction

Please accept this report on behalf of the Maine Community College System (MCCS) Board of Trustees. Each year, to comply with Maine Statute, **Title 20-A, Chapter 431 §12718** (Appendix A) the Board of Trustees shall provide the information contained in this report. This reporting requirement was created in 1985 and remains to this day. However, multiple reports have been required by legislation in the intervening decades. To streamline this report process, we have included other reports as appendices rather than restating duplicative information.

The MCCS Board of Trustees is proud of how the faculty, adjunct faculty and staff at Maine's community colleges have met the opportunities and challenges of the ever-shifting higher education landscape. The Free College initiative continues to open doors for those who believed that a post-secondary degree was unattainable and our short-term training programs have offered Maine workers unprecedented opportunities to increase their skills to match the needs of the current and future Maine economy. Maine's future, and that of MCCS still holds some challenges, but we feel that with appropriate support our community can rise. We are pleased to provide Maine policymakers with this information and hope that you will contact us if you have any questions.

Budget Information

Attached to this are MCCS audited financial statements that include FY2024 and FY2023 report (Appendix B). Also attached is the MCCS estimated FY2025 budget (Appendix C).

The distribution of expenses by functional area has shifted over the three-year period ended June 30, 2024. Instruction and academic support accounted for 48.2 percent of the operating expenditures in 2024. Most functional areas experienced increases except for a decrease of \$0.9 million in student aid due to the reduction of HEERF student emergency aid. Increases in expense over 2023 reflect additional costs due to higher enrollment.

Free Community College launched in April 2022; the one-time state investment of \$20 million benefited the pandemic-era high school graduates from 2020-2023. This is a last-dollar scholarship, meaning eligible students must first accept state and federal grants (Pell Grant and Maine State Grant) awarded to

them, with any remaining tuition and mandatory fees covered by the Free College Scholarships. In July 2023, Governor Mills signed the budget passed by the legislature which extended Free College to two more graduating high school classes. The \$15 million investment allows students graduating from high school or its equivalent in 2024 and 2025 to attend any Maine community college without paying any tuition or mandatory fees, a value of up to \$4,200 a year.

In July 2021 the Maine State Legislature approved the Maine Jobs and Recovery Plan (MJRP). MJRP included \$35 million in one-time American Rescue Plan Act federal funding under State and Local Fiscal Recovery Funds for workforce development initiatives to provide training for 8,500 Maine residents in the following targeted industry sectors: Healthcare, the Green Economy, Manufacturing, Hospitality, Education, Computer Technology, and the trades. The business plan for the MJRP grant was approved by the state on December 29, 2021. This allowed the work to begin and for the colleges to start implementation and recruitment.

Through FY24, 5,758 Mainers were provided financial assistance for education training programs through MJRP, representing \$17,651,323.17 in funding. Additional training opportunities continue to be developed for completion under MJRP funding throughout the grant award period, which ends December 2026.

Current Enrollment

The Board is pleased to once again report record enrollment in Maine's community colleges.

In 2003, the Maine Technical College System transitioned to the Maine Community College System. This transition maintained our strong focus on the trades while expanding pathways for those who wanted to start their post-secondary education and eventually transfer to a four-year institution to continue their education. This led to a previously all-time high enrollment of 17,911 students by 2011—a 76.9 percent increase. However, beginning in 2010, college enrollment nationwide declined. In Maine that decline was also exacerbated by the state's demographics and a strong job market. The COVID pandemic further weakened our enrollment. We are pleased to announce that our Fall 2024 enrollment is 19,477.

The combination of the Free College initiative, enhanced recruiting and marketing, strong transfer agreements with the University of Maine System, and our increased profile throughout Maine due to our short-term training programs and expansion of high demand programs such as nursing, are what have led to record enrollment this year. Our students, our programs, and our services are different than those offered by other public institutions in Maine, even as we collaborate and synchronize our efforts where possible.

For example:

- We collaborate with the university system to assist high school students transition to higher ed, developing and using a shared early college infrastructure.
- Our seven colleges and the seven public universities in Maine work closely to align academic programs so students can transfer smoothly from a two-year program to a four-year program with no wasted credits.
- At the system level, we signed a historic transfer agreement with the University of Maine System called Transfer ME that guarantees a no-hassle transfer and direct admission to the university for our associate degree graduates. This is expected to grow transfers considerable – and transfers to UMS were already up 30% this past fall even before Transfer ME launched. We have a similar transfer agreement with private colleges in Maine called the Maine Guaranteed Transfer program,

where six private colleges have agreed to guarantee admission to our graduates meeting certain GPA and program requirements. These agreements take out the guesswork, paperwork, and uncertainty from transfer, giving students clarity and support to dream big.

We have also seen a corresponding increase in total credits (181,484, a 27% increase over Fall 2022). In fact, 51% of our Fall 2024 students are studying full-time, compared to 49.9% in Fall 2019 (before COVID-19) and 43.5% during COVID (Fall 2021).

Highest Enrollment in MCCS History!

Headcount is at an all-time high of **19,477** students!

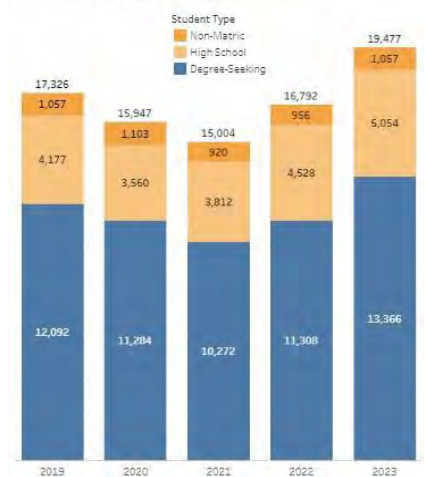
Each major segment of our MCCS Fall enrollment has increased this year.

Overall headcount has increased by **+19%** (+2,685 students)

- Degree-Seeking: **+18%** (+2,058 students)
- Non-Degree-Seeking: **+11%** (+101 students)
- High School (Dual and Concurrent): **+12%** (+526 students)

Maine Free College eligible students make up **61%** of degree-seekers.

Fall Census Headcount:
Disaggregated by Student Type



Specific information about individual programs and their enrollment numbers is attached (Appendix D). It is important to note that the data in Appendix D only covers our for-credit programs. In total, MCCS serves more than 33,000 people a year through a broad range of two-year degree programs, one-year certificate programs, advanced certificates, continuing education, and short-term workforce training courses that take between a few weeks and less than a year to complete.

Free College

The Free College program was proposed by Governor Janet Mills in early 2022 and enacted by the Legislature a few months later. It covers 100% of community college tuition and fees for recent high school graduates. The state funded the program with an initial \$20 million investment in anticipation of enrolling approximately 8,000 pandemic-era students from 2020-23, and a subsequent \$15 million investment to expand the qualifying years to graduates from 2024-25.

A proposal to make Free College permanent is in Governor Mills' biennial budget proposal released Jan. 10, 2025.

The Maine Free College program has been a major success, by multiple measures. Between fall 2022 and fall 2024, 17,151 Free College students¹ have enrolled; that's more than anticipated. Free College is attracting more men to enroll. The retention rate for Free College students is the same as for non-Free College students. The Free College students are enrolling in higher numbers in career and technical programs. The program has boosted overall enrollment, with a ripple effect of increasing the number of students going into the workforce and increasing the number of transfer students to the University of Maine System and elsewhere. All of this is good news.

- **STUDENT REQUIREMENTS:** In order to qualify, Free College students must:
 - Graduate or complete high school equivalency in a qualifying year;
 - File the FAFSA and accept all state and federal aid. As a last-dollar scholarship, students must accept all state and federal aid before receiving Free College funds;
 - Enroll in a degree or certificate program;
 - Live in Maine while enrolled; and
 - Stay on track to complete their degree or certificate, up to 200% of program completion time.
- **STUDENT LIMITATIONS:**
 - Free College students may not earn more than one associate degree under the program;
 - They may earn two stacked, one-year certificate s or a certificate and an associate degree in the following scenarios:
 - If the two certificates are stackable (Ex. Heating certificate, Plumbing certificate)
 - If the certificate leads to the associate degree (Ex. Automotive Chassis certificate + Automotive Technology degree)
 - If the two certificates are directly related (Ex. Construction Technology certificate and Electrician Technology certificate)
- **STUDENT GRANT AID:** Tuition at Maine's community colleges is \$4,156 a year for full-time students, the lowest in New England, but that does not cover the full costs of a college education. Free College students who qualify for maximum grant aid (before any Free College funds are allocated) receive almost \$10,000 a year (up to \$7,395 in [Pell](#) and up to \$2,500 in [Maine State Grant](#) funds) and can use any additional grant funds to cover the cost of books, supplies, and other related educational expenses. Other states with Free College programs have added affiliated grant programs to cover the costs of those other expenses.
- **REQUIRING FAFSA:** Requiring the FAFSA and making Free College a last-dollar program is sound fiscal management of state funds, with the added benefit of helping many students realize that financial challenges or poverty does not mean you can't afford college. We have heard many students say they didn't realize they would get the state and federal aid until they pursued Free College and filled out the FAFSA.
- **ATTRACTING PELL:** As a result of making Free College a last-dollar program, the program has brought more Pell dollars to Maine: \$52 million for Free College students since the program began.

¹ "Free College students" refers to all degree-seeking students who graduated in a qualifying year, whether or not they ultimately received any the last-dollar Free College funds.

In Fall 2024, 48 percent of Free College students only used state and/or federal aid to pay tuition, 45 percent used only Free College funds, and 8 percent used some of both. Of the \$22.5 million in grant aid distributed to Free College students in Fall 2024, 70% (\$15.8 million) was from state and federal grants, and 30% (\$6.7 million) was from Free College funding.

- **ENCOURAGING MAINE HS GRADUATES:** Free College is attracting more graduating seniors from Maine. Before the program was launched, MCCC enrolled about 2,200 direct-from-high-school students each fall. In Fall 2022, MCCC enrolled 2,481 direct-from-high-school graduates; in Fall 2023 we enrolled 3,733; and in Fall 2024 we enrolled 3,165.
- **KEEPING MAINE DOLLARS IN STATE:** Although the program is open to all high school graduates, 95 percent of Free College students have been from Maine, the same as for non-Free College students.
- **ACADEMIC SUCCESS:** Free College students are as academically successful as other community college students. Fall-to-spring retention rates were higher for Maine Free College students (74 percent) than for non-Free College students (72 percent.)

Importantly, the Maine Free College program aligns with Maine's 10-year strategic economic development plan, and the Maine Community College System's strategic vision. It strengthens the connection between the state's high schools and the community colleges, and the link between the community colleges and the public universities. It motivates high school students to graduate from high school and stay in Maine, instead of leaving to pursue college or work elsewhere.

It is also a benefit to Maine employers looking to attract out-of-state workers, by offering a free in-state college benefit for their children. The scholarship, by being open to out-of-state high school graduates, encourages in-migration of young people to Maine, where they contribute to the economy during their college years and likely stay for work after graduation.

New Courses or Curricula

One of the primary responsibilities of the Board of Trustees is to approve the addition or discontinuation of programs at the colleges. The Education subcommittee of the Board meets with program directors, deans, and others to ascertain which programs should be expanded or discontinued and to approve new programs of study. The colleges are required to demonstrate that the program will fill an occupational need, will benefit the students participating in the program, and fits with the mission of the college. Since September 2023, the Board has approved the development of the following programs and certificates:

Academic Year	BOT Meeting	Type of Credential	College	Program	Action
2023/2024	September	Certificate	YCCC	Leadership Certificate	New
2023/2024	November	Certificate	YCCC	Computer Aided Design Technology	New
2023/2024	February	Associate in Science	WCCC	Nursing	New
2023/2024	February	Associate in Applied Science	CMCC	Architectural Studies	Substantive Change

2023/2024	March	Associate in Applied Science	CMCC	Metal Fabrication	New
2023/2024	March	Associate in Applied Science	EMCC	Health Science Pathway	New
2023/2024	March	Certificate	YCCC	Health Studies	New
2023/2024	April	Associate in Applied Science and Certificate	WCCC	Criminal Justice Corrections/Probation Option	New
2023/2024	April	Associate in Applied Science and Certificate	WCCC	Aquaculture Technology	Substantive Change
2023/2024	June	Associate in Applied Science	YCCC	Legal Studies	New
2023/2024	June	Associate in Applied Science	NMCC	Community Paramedicine	Substantive Change
2023/2024	June	Certificate	NMCC	Computer-Aided Machining	Substantive Change

Postsecondary, CTE, Adult Ed and Job training Coordination

Maine's community colleges partner across the state with secondary education, adult education, other institutions of higher education, employers, and state agencies but particularly with the UMS. Without our partners, we would not be able to serve our students or fulfill our mission.

We report annually to the legislature on many of these activities in other reports. Attached to this report is the 2024 Higher Education Coordinating Committee report (Appendix E) and the Maine Quality Center report (Appendix F). The 2025 Higher Education Coordinating Committee report is due to the legislature in February 2025 and will contain further information on our collaboration with the University of Maine System.

Some highlights of our current and past collaboration with the University of Maine System include:

- **Transfer ME** is a system-to-system direct transfer admission program. It is a part of the Guided pathways program with the goal of increasing transfer of students in identified transfer pathways. The University guarantees admission to MCCS students who have earned an associate degree in a transfer program aligned through an articulation agreement to a UMS baccalaureate program. Students are proactively notified about the Transfer ME program upon the completion of 30 credits and once the student has opted in, the UMS and MCCS jointly advise students through to the point of graduation from a MCC and enrollment in a UMS campus. Students do not have to apply or pay application fees.
- **The Black Bear Advantage** is a system-wide collaborative co-enrollment program between the Maine Community College System and the University of Maine (UMaine). The goal of the program is to provide a chance for students whose goal is transfer to UM to experience the full

four-year journey at UMaine, reaping the benefits of attending a flagship university, while leveraging the advantages of the Free College program and the educational offerings available to MCCS students.

- **Math Pathways:** As a part of our ongoing work on Math Pathways and participation in the Launch Year Initiative, MCCS and UMS representatives serve together on a small team which coordinates efforts with the Maine Department of Education to support the scaling of mathematics pathways from high school through postsecondary education and into the workplace. This team, which represents Maine in national forums, is working to ensure that Maine students' math experiences and expectations are aligned across the secondary to college transition and relevant across modern career and post-secondary goals.
- **Guided Pathways:** Students should be able to enroll in college with confidence and move through their educational experience with clear pathways and few obstacles through to graduation. To meet that shared goal, the MCCS and UMS are working together to create *Guided Pathways* between our two systems and from high school. These pathways are highly structured, educationally coherent program maps that align with students' goals for careers and further education. Incoming students are given support to explore careers, choose a program of study, and develop an academic plan early on, have a clear road map of the courses they need to take to complete a credential, and receive guidance and support to help them stay on plan.
- **Dual Enrollment:** As stewards of the Aspirations program, MCCS and UMS have been able to design an online, shared portal for managing statewide activity and work closely to align system procedures so that students and schools have a consistent experience with the program. This collaboration has matured in the past year as staff partnered to build pathways for early college students, advise students across options in both systems, and design ways for the portal to improve the student experience. This collaboration also extends beyond the online portal as MCCS and UMS work closely to align with national best practices and emerging research on early college program quality and outcomes. Because of this strong partnership, in June 2024 Maine was able to host an accreditation workshop with NACEP, the nation's only accreditor for dual and concurrent enrollment.
- **Shared faculty:** MCCS and UMS share faculty at the discretion of the faculty member. Currently, there are 32 full-time MCCS faculty who also teach at UMS as adjunct faculty.
- **CDS Projects:** The University System and Maine Community College System collaborated on requests to Congress that led to funding for \$8 million in joint projects. Also, a \$4 million childcare project at the Katahdin Education Center benefits both systems.
- **RFP Piggybacking:** Both UMS and MCCS have boilerplate RFP language allowing for "piggybacking," or the procurement of goods and services by the other system under equal pricing and terms. The goal is to secure the best possible pricing for each system/institution, reduce duplication of purchases, and reduce time spent on developing RFPs and bidding out for the same services. From food service to photocopy rentals, the two systems have numerous contracts that allow us to share services to create savings and to better serve our students. Among software systems jointly procured are a common LMS, D2L Brightspace, badging software aptly named Badgr, and a dual enrollment registration system, OnCourse.
- **Residential Life:** There are approximately 100 SMCC students living in Portland Hall on the USM campus. These students have expressed an interest in transferring to USM after their time at SMCC.

- **Co-located facilities and faculty:** There are also several arrangements in which faculty or facilities are shared or co-located. For example, the University of Maine at Presque Isle and Northern Maine Community College share a Certified Registered Nurse/Nurse Practitioner to provide health services to their respective campus communities. UMS and MCCS off-campus centers are co-located in East Millinocket, Houlton, and at Brunswick Landing where SMCC's Midcoast campus and UMA's University College at Bath/Brunswick work in close collaboration.
- **Reciprocal student resources:** Finally, universities and community colleges that are in close proximity look for ways to make their resources appropriately available to the other's students. For example, students at NMCC and UMPI can attend student events at no cost on either campus, and EMCC students have access to the University of Maine's Folger Library. CMCC provides its gymnasium free of charge to UMA to play some home games. Our systems also try to coordinate storm and other closings when it is prudent to do so.

In addition to guaranteed transfer and articulation agreements with the University of Maine System's campuses, Maine's community colleges also have numerous articulation agreements and MOUs with private colleges both in and outside of Maine. Below is a representative sample of these collaborations but not an exhaustive list. Our colleges also participate in the Northern New England Transfer Guarantee, an initiative of the New England Board of Higher Education (NEBHE), patterned after a similar initiative in Southern New England, with the goal to increase access and ease transferability of credits for community college students to private institutions of higher education.

- CMCC has articulation/transfer agreements or advising guides with the following non-UMS Institutions of Higher Learning, with continual collaboration to update these: Dunwoody College of Technology, Husson University, Maine College of Health Professionals, Maine Maritime Academy, Norwich University, Purdue University Global, St. Joseph's College of Maine, Southern New Hampshire University, and the University of New England.
- EMCC has transfer agreements with Husson University, New England College, New England Culinary Institute, St. Joseph's College of Maine (online), and Thomas College.
- KVCC collaborates with Vassar College and has articulation agreements with Husson University and St. Joseph's College of Maine.
- NMCC has articulation agreements with Husson University, Thomas College, and Post University.
- SMCC has articulation agreements with the University of New England, St. Joseph's College of Maine, Colby Sawyer, and Purdue Global. SMCC also collaborates with Bowdoin College to identify students who would be a good fit to matriculate upon graduation from SMCC and is part of the community college partnership with Smith, Mount Holyoke, and Wellesley colleges that enables women of nontraditional college age to complete a Bachelor of Arts degree with full tuition and board scholarships.
- WCCC has transfer and articulation agreements with Husson University (8), New England College (3), St. Joseph's College of Maine (1) and the Massachusetts Institute of Technology (1). They also have collaborative agreements with the Maine Department of Corrections and four off-campus locations at DOC facilities.
- YCCC has transfer and articulation agreements with Husson University, St. Joseph's College of Maine, Southern New Hampshire University, University of New England, Northeastern University, Unity Environmental University, Montserrat College of Art, Chamberlain University, Western Governor's University, and UMass Lowell. Articulation agreements with Plymouth State are in process.

In addition to our collaboration with like institutions, we would like to highlight some of our work with secondary schools and the Maine Department of Education.

As part of the **Launch Years Initiative**, led by the Charles A. Dana Center at the University of Texas at Austin, MCCS partnered with the Maine Department of Education and a network of educators to design and launch a Math Pathways toolkit for secondary schools. The toolkit contains educator-curated resources to support Maine schools as they explore and implement elements of math pathway reform. The toolkit, which now lives on the Maine DOE website and has already received national attention, will be a foundational resource for Maine educators in the scaling of mathematics pathways from high school through postsecondary education.

MCCS colleges continue to support education development across the field of secondary education. These educator prep programs, built in collaboration with secondary administrators, support initial Ed Tech certification and CTE instructor certification.

Professional Development in Skilled Trades/CTE: MCCS has been actively involved in supporting professional development for CTE staff statewide. A staff member from MCCS sits on the Professional Development Committee of the CTE Directors Association, which plans and delivers both the annual fall conference and spring trade-specific gatherings. For the past five years, Maine community college faculty have participated in these activities ensuring that secondary and college instructors are aware of industry trends and best practices while also strengthening the connections between the CTE and college programs. EMCC was also able to host the annual summer summit gathering of Maine CTE directors.

Career Paths through CTE Early College: As the MCCS develops robust career pathways statewide, CTEs is an integral partner. Three colleges have already built regional paths in which CTE students are able to earn career path credentials through early college opportunities. The goal is to build career pathways that can be scaled across the state and to have every CTE offer at least one college credential to CTE students within three years. The first statewide pathways offered are Health Sciences, Business and Electrical. Three colleges have had success offering the following pathways: KVCC – Health Science Certificate; EMCC – Business Management, Automotive Technology, Computer Technology – Coding and Computer Technology-Networking; and YCCC – Mechanical Drafting and Design Certificate. Community college certificates are credentials of value in industry and generally equal to the first year of an associate degree.

MCCS and Department of Education, Adult Education: Tuition-Free Courses for Adult Education Students: MCCS and the Maine Department of Education have worked together to design a program in which adult education students can take a free college course with a community college while they are still being supported by their local adult education office. MCCS is funding the tuition and fees for this program while the MDOE will provide textbooks and course materials. The hope is that students can choose courses that align with their individual career goals, making them that much more motivated to continue their education and training once they complete their adult education program. While this is a relatively small program, this opportunity is redefining the transition from adult education to college and has been transformative for these students.

MCCS collaborated with MDOE and their local adult education hubs and placed **adult education navigators at each of the colleges**. The joint, overarching goal of this partnership is to provide learners who are not eligible for or ready for credit bearing classes at each college the opportunity to access Adult Education services on the community college campus, as well as from local adult education programs, and to build pathways for Adult Education students to post-secondary education.

College Needs

MCCS is undergoing a transformation intended to meet the workforce Maine needs in this new generation of technology-enabled change with an aging demographic. As we evolve, we are increasingly focused on student success with the understanding that a “student” is anyone coming to a college to learn – be that in a short-term training program or an associate degree program.

In assessing the priority needs of the seven community colleges, it is important to note the colleges are united in carrying out the work that supports our strategic vision that coordinates with the State’s 10-year plan focusing on growing talent and innovation, increasing wages, and improving productivity and the impact the colleges are having.

The colleges are focusing on three priorities:

Supporting our **Students**: Developing relevant, high-quality, affordable, and accessible life-long learning opportunities for our students and eliminating the barriers to access, supporting a student's educational success, promoting social and emotional well-being, and building a coordinated system of credentialing options.

Engaging and developing our **People**: Attracting and developing a diverse and passionate team committed to finding new ways to build an educated, skilled, and adaptable labor force with competitive compensation, professional development, and flexible work environments - respecting every voice in our community.

Engaging and supporting **Employers**: Building deep, lasting partnerships directly with businesses and industry groups to deliver relevant, high-demand workforce development options from pre-hire training and advanced skill development to credential attainment.

Strong financial support translates directly into sustaining a healthy and robust community college system that educates and trains more people and brings incredibly cost-effective value to the economy. Our colleges are not immune to the pressures of inflation, high energy costs, and the ever increasing need to provide our employees with adequate compensation to encourage retention as well as to recruit good talented employees. In pursuit of our vision, the System will need the support from both the state and federal government.

We operate on lean resources. Senior leadership across the system works collaboratively to find solutions that benefit all the colleges and be as efficient as possible while pursuing our mission. As such, the colleges’ individual needs are focused on finding the best ways to serve their local community, and by extension, the entire state. For example, the state of Maine has a dearth of workers in many fields: healthcare, education, construction trades, commercial drivers; the list goes on. This is our collective need, as a state and as the institution dedicated to training and educating Maine’s workforce. As has become apparent from pandemic-related investments, the more funding we receive, the more we can do to build a strong, relevant workforce for Maine. The Maine Jobs and Recovery funds have allowed us to jump-start programs and help meet current needs. The Free College program has opened the doors to a college education for thousands of Mainers who never thought they could ever go to college. The funding for these programs was built on one-time funding for support.

We believe Maine will be well served by making the Free College program permanent and are encouraged by Governor Mills' inclusion of this initiative in her proposed 2026-2027 Biennial Budget. We are grateful to the Harold Alfond Foundation for their five-year \$75 million grant which allows us to continue our short-term workforce training programs for another five years now that the Maine Jobs and Recovery Program funding is ending.

The Maine Community College System reported to the 129th Legislature that we have \$99.6 million in deferred maintenance, including important health and safety improvements. As your publicly funded institution, we cannot tackle our backlog of maintenance needs without increased state funding. We strive to raise private funds, have used bond funds, and use general operating funds when necessary. However, the Board of Trustees do not feel that raising tuition is a solution to physical plant needs. The increase in tuition would have to be substantial, so other funding options must be explored, including future bond campaigns. To be relevant and effective in this era of change, the MCCS needs a reliable capital improvement fund that enables the colleges to sustain modern technologies in our classrooms and laboratories while appropriately maintaining all our facilities.

We also need to raise the community college profile with the entities that "send" us students: high schools, career centers, CTEs, and employers. Maine's community colleges are still – unfortunately – one of the state's best kept secrets. Free College and our enhanced short-term workforce programs through the Harold Alfond Center for the Advancement of Maine's Workforce has gone a long way towards raising our profile, however we can do more. We offer convenient, low-cost, high-support training and education – delivered by top-notch instructors – with an enduring and passionate commitment to seeing our students succeed.

Financial support, strong partnerships, and collaboration are all ways to help us accomplish these goals and serve more people and help build a strong Maine economy.

Conclusion

The Board of Trustees of Maine's community colleges, your colleges, stand ready to assist the state and her people. Our mission is to serve our students, and in turn, provide the state with the well-educated and trained citizenry needed to move our economy forward and to provide Maine families with a strong financial future. We hope that you will be our partners in this effort and that this report is helpful as you make policy decisions that impact our colleges and their programs.

Appendix A

Statutory Reference

Appendix A—Statutory reference:

§12718. Annual report by trustees

The board of trustees shall prepare an annual report by January 1st of each year, to be submitted to the Governor and joint standing committees of the Legislature having jurisdiction over education and over appropriations and financial affairs. This report must include: [PL 1991, c. 376, §42 (AMD).]

1. Budget expenditures. Budget expenditures for the last complete fiscal year and projected expenditures for the fiscal year in which the report is submitted;
[PL 1985, c. 695, §11 (NEW).]

2. Current enrollments. Current enrollments by program at each college;
[PL 1989, c. 443, §54 (AMD).]

3. Description of new courses or curricula. A description of any new college courses or curricula;
[PL 1989, c. 443, §54 (AMD).]

4. Description of activities. A description of activities undertaken to coordinate postsecondary career and technical training and education throughout the State with secondary career and technical education, adult career and technical education, employment training programs, other employment-related training and other institutions of higher learning;
[PL 1991, c. 376, §42 (AMD); PL 2005, c. 397, Pt. D, §3 (REV).]

5. Analysis.

[PL 1991, c. 376, §42 (RP).]

6. List. A list of needs, in order of priority, of the colleges; and
[PL 1989, c. 443, §54 (AMD).]

7. Other information. Any other information deemed significant by the board of trustees.
[PL 1985, c. 695, §11 (NEW).]

SECTION HISTORY

PL 1985, c. 695, §11 (NEW). PL 1989, c. 443, §54 (AMD). PL 1991, c. 376, §42 (AMD). PL 2005, c. 397, §D3 (REV).

Appendix B

MCCS Financial Statements for 2023 and 2024



Maine Community College System (A Component Unit of the State Of Maine)

FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION AND GOVERNMENT REPORTS

IN ACCORDANCE WITH THE *UNIFORM GUIDANCE*

June 30, 2023 and 2022

With Independent Auditor's Report



**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Maine Community College System

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the Maine Community College System (the System), a component unit of the State of Maine, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the System as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

We did not audit the financial statements of certain foundations within the aggregate discretely-presented component units, which represent 44%, and 55%, respectively, of the assets and revenues of the aggregate discretely-presented component units as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the aggregate discretely-presented component units, insofar as it relates to the amounts included for these certain foundations, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2023, the System adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to these matters.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

U.S. GAAP require that Management's Discussion and Analysis and the information listed under Required Supplementary 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and/or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, 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 System's basic financial statements. The Schedule of Activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Activities 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 audits 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 U.S. GAAS. In our opinion, the Schedule of Activities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 13, 2023

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Introduction

The following report is Management's Discussion and Analysis (MD&A) of the financial results for the year ended June 30, 2023, with comparative information for the prior two years. The MD&A should be read in conjunction with the financial statements and related notes that are presented with this report. The MD&A is unaudited supplemental information required by the Governmental Accounting Standards Board (GASB). The purpose of the MD&A is to enhance the understandability and usefulness of the financial statements by providing an objective analysis of the financial activities based on currently known facts, decisions, and conditions. The financial statements, footnotes, and MD&A are management's responsibility.

General Information about the Maine Community College System

The history of Maine's community colleges dates to 1946 and the creation of the Maine Vocational Technical Institute within the Maine Department of Education. During the 1960s, five more vocational technical institutes were created, and in 1986 the Maine Vocational Technical Institute System was established as a quasi-governmental organization and autonomous public instrumentality. In 1989, the name was changed to the Maine Technical College System. A seventh college was added in 1994, and on July 1, 2003, the Legislature expanded the System's mission and changed its name to the Maine Community College System (MCCS or the System).

Maine's seven community colleges offer more than 300 degree and certificate options in over 140 occupational fields. More than 75 percent are the only ones of their kind in the state. In all, over 28,000 Maine people are served by the state's community colleges each year, through degree programs, customized training, and credit and non-credit offerings.

The seven-college system consists of Central Maine Community College in Auburn (CMCC), Eastern Maine Community College in Bangor (EMCC), Kennebec Valley Community College in Fairfield and Hinckley (KVCC), Northern Maine Community College in Presque Isle (NMCC), Southern Maine Community College in South Portland and Brunswick (SMCC), Washington County Community College in Calais (WCCC), and York County Community College in Wells (YCCC). Off-campus centers are located in East Millinocket, Dover-Foxcroft, Damariscotta, and Houlton. The System's central office, located in Augusta, Maine, was established by legislation to provide statewide coordination and leadership to the seven colleges.

The System also operates two state-wide programs; Embark and the Maine Quality Centers (MQC). Embark is a comprehensive high school-to-college transition program offered in partnership with secondary schools throughout the state. Embark provides selected students with scholarships to community colleges, access to college courses to juniors and seniors in high school, and advising and support throughout a student's high school and community college experience. The MQC program is an economic development program established by the Legislature in 1994. The program provides customized workforce training grants for Maine employers seeking to locate or expand their operations in Maine or who are interested in providing training to their incumbent workers. The training is coordinated and delivered by the seven community colleges through the Alford Center for the Advancement of Maine's workforce.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Using the Financial Statements

In addition to this MD&A, the System's financial report includes a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows, together with related footnotes. These financial statements are presented in accordance with GASB principles, which establish the standard for external financial reporting for public colleges and universities. The GASB standards require that the financial statements focus on the System as a whole.

In order to provide a more comprehensive understanding of the resources supporting the mission of the MCCC, the GASB also requires that the MCCC report on the assets, liabilities, and activities of organizations that are not owned or managed by the MCCC but that exist for the sole purpose of benefiting the System or its colleges. Accordingly, these financial statements include a Balance Sheet and Statement of Activities for the Maine Community College Educational Foundations (MCEE) and a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the Maine Community College System Other Post-Employment Benefit Trust (MCCC OPEB Trust or Trust). The MCEE includes six foundations established to support individual colleges and their students. It also includes The Foundation for Maine's Community Colleges which was established in November of 2009 to provide broad based support to all seven of the state's community colleges. The MCCC OPEB Trust was established under Section 115 of the Internal Revenue Code as an irrevocable trust to manage the assets contributed by the System to fund its long-term obligation to pay the health care and life insurance benefit costs for certain employees after their retirement.

The Statement of Net Position depicts the financial position of the System as of June 30, 2023, with comparative data from June 30, 2022, and includes all of the assets, liabilities, deferred inflows, and deferred outflows of the System. Assets represent what the System owns, plus what is owed to MCCC. Liabilities constitute obligations to make payment to others, plus what the System has collected in advance of providing the related services. Net position represents the residual interest in the MCCC assets after liabilities are deducted, net of deferred inflows and outflows, and the positive or negative change in net position over time is an indicator of the relative financial health of the System. The net position is divided into three primary categories:

Net investment in capital assets represent the land, buildings, and equipment that the System has acquired over its life and still uses. Net capital assets are presented after deductions for accumulated depreciation and the outstanding debt incurred to acquire or construct them. This category includes deposits held with bond trustee to service outstanding debt.

Restricted net position has inherent limitations and can only be expended for the purposes stipulated by the individual, institution, or governmental unit that directed the resources to the System. *Restricted expendable* net position is available to be used for the intended purpose while *nonexpendable* assets are invested in perpetuity, and the investment income is used for the intended purpose.

Unrestricted net position is available for general operations of the System and for dedicated purposes such as capital projects for renewal and replacement, MQC training initiatives, and working capital maintained for departmental and auxiliary enterprise activities. While there are no external constraints on unrestricted net position, MCCC has set aside certain unrestricted net position for future use.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating, non-operating, and other activities of the System for the full fiscal year which runs from July 1st to June 30th. Two years of revenues, expenses, and changes in net position are presented for comparative purposes.

This statement reports the amounts received from tuition, State appropriations, residential life fees, grants, and services and other items of income against all the costs and outlays incurred in order to operate the System. The costs incurred include salaries and benefits, supplies and overhead expenses, insurances, utilities, and depreciation. The expenses are categorized according to the activity that generated the cost.

The Statement of Cash Flows examines the changes in cash position resulting from a year of operations. Cash flows are separated by the nature of the activity and include operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Operating activities involve activities relating to the delivery of education and related services. Common examples of cash flows provided by operating activities include tuition, fees, grants, and bookstore and food service sales. Cash flows used in operating activities include payments to employees, vendors, and suppliers.

Noncapital financing activities include appropriations from state government and noncapital grants and gifts.

Capital and related financing activities include those activities relating to the generation and repayment of funds provided by and paid to lenders as well as grants for acquisition of capital assets. There were a number of capital projects across the system using reserves for renewal and replacement. In FY23 these projects included: instruction lab upgrades and equipment; building automation system, door access, electrical upgrades at Rangeley Hall, and new lighting in instructional labs. Grant funds were utilized to upgrade instructional lab equipment across many programs.

Investing activities include funds used to purchase marketable securities and funds provided from the sale of marketable securities.

Highlights and Trends Impacting Financial Results

As a publicly funded institution of higher education, MCCS receives appropriations from the State of Maine partially subsidizing the cost of attendance at one of the seven community colleges. In 2023 State appropriations for operations increased \$4.7 million, or 6.3 percent. This included a 3.1 percent increase in general appropriation and \$2.5 million of funding to expand the nursing programs system-wide.

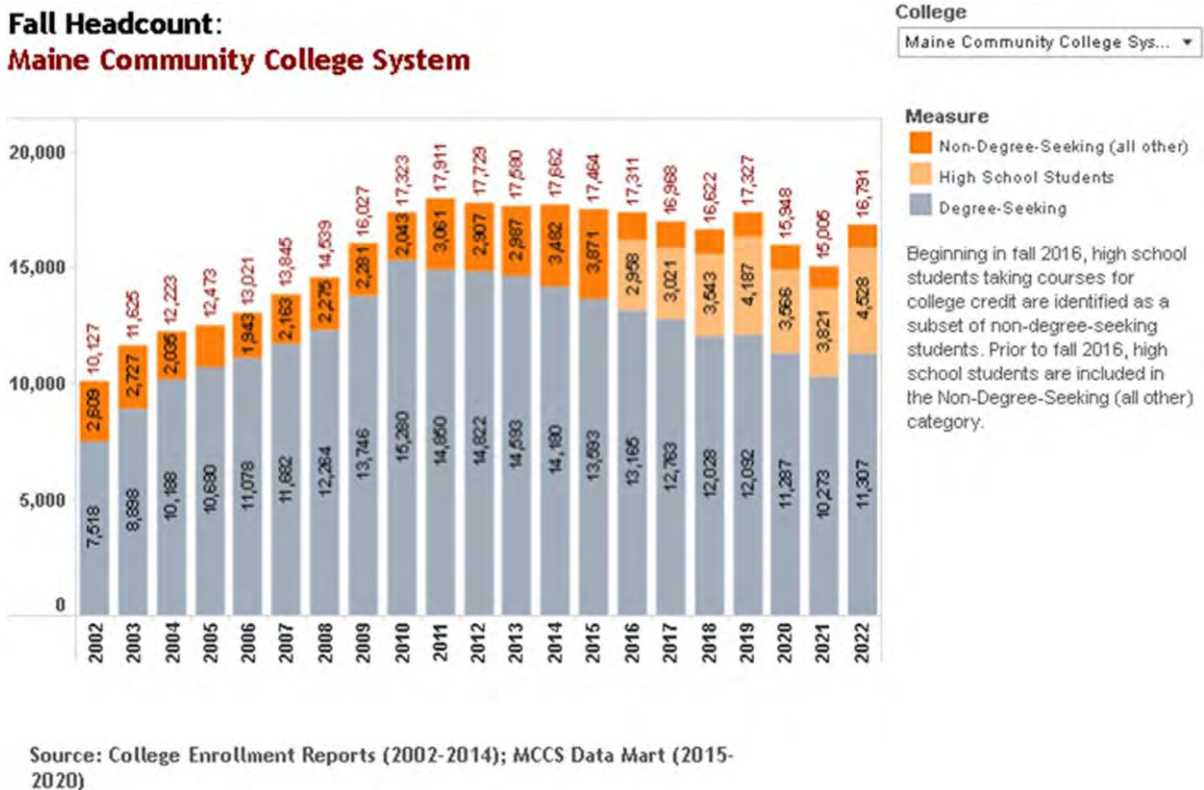
In 2022, State appropriations for operations increased \$2.2 million, or 3 percent, and the general operation curtailment was re-established in the base. The increase in appropriation was offset by the elimination of \$2.5 million in one-time MQC funding that was approved in the supplemental budget passed in March 2020 and received in FY21. Live Fires Service Training Facilities Funds of \$0.25 million were also eliminated in FY22.

**MAINE COMMUNITY COLLEGE SYSTEM
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The effect of Maine Free College on enrollment resulted in headcount of 16,791 in the fall 2022 (fiscal 2023) compared to 15,005 in the fall of 2021, an increase of 12 percent. The increase came across all categories of student: degree seeking, non-degree seeking, and high school students. In 2023, degree seeking and non-degree seeking students increased 10 percent and 5 percent, respectively. High school students taking courses for college credit increased 19 percent.



After making the transition from technical to community colleges in 2003, enrollment system-wide grew to an all-time high in 2011 of 17,911, a 76.9 percent increase. The enrollment growth was partially attributable to the expanded mission of the institutions with more students enrolling in liberal studies programs and taking advantage of transfer agreements to four-year institutions. The decline in recent years in degree seeking enrollments is the result of a fewer students graduating from Maine high schools and a strong job market. The recovery in enrollment in 2023 was due to the State of Maine passing the Maine Free College program which served nearly 6,400 potentially eligible students (unduplicated headcount for Fall and Spring).

The state unemployment rate for June 2023 was a record low of 2.4 percent. The current rate is down from June 2022, when it was 3.0 percent, and lower than the June 2019 pre-pandemic rate of 3.2 percent.

MAINE COMMUNITY COLLEGE SYSTEM
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MCCS implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) in 2015. GASB 68 requires MCCS to report the System's proportionate share of the State's net pension liability. MCCS's proportionate share of the State's net pension liability as of June 30, 2023 was \$39.0 million, compared to \$26.4 million as of June 30, 2022, and \$51.0 million as of June 30, 2021. The System incurred expense related to pension benefits of \$4,074,843 in 2023, \$692,457 in 2022, \$6,323,873 in 2021, and \$6,554,054 in 2020, recognized income related to pension benefits of \$35,891 in 2019 and \$1.2 million in 2018, and incurred expense of \$5.2 million in 2017, and \$7.4 million in 2016.

The impact of GASB 68 results from a change in accounting for pension benefits administered by the Maine Public Employees Retirement System (MainePERS), not a change resulting from operations. MCCS is not directly responsible for the payment of retirement pensions earned by employees who are members of MainePERS.

In 2018, MCCS implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 changed the method of accounting for the System's responsibility to pay for Other Post-employment Benefits (OPEB) for qualified retirees. As a result, the System recorded a reduction in net assets of \$15.1 million and reported a net OPEB liability of \$12.1 million as of June 30, 2018. The net OPEB liability as of June 30, 2019 was \$3.2 million and was \$2.4 million as of June 30, 2020. The System reported a net OPEB liability of \$3.1 million as of June 30, 2023, \$2.6 million as of June 30, 2022, and \$5.3 million as of June 30, 2021, with over funding coming from investment income exceeding expectations and decreasing healthcare costs.

MCCS implemented GASB Statement No. 87, *Leases* (GASB 87) in 2022. GASB 87 changed the method of accounting for the System's capital leases and required a restatement of net position. GASB 87 required MCCS to report leases by lessee and lessor and recognized outflows and inflows of resources based on the payment provisions of the lease contract. The System reported right-of-use asset on System Office space of \$755,484 as of June 30, 2023, \$871,859 as of June 30, 2022, and \$968,422 as of June 30, 2021. Lease obligations were \$781,325 as of June 30, 2023, \$890,103 as of June 30, 2022, and \$979,296 as of June 30, 2021.

In 2023, the implementation of GASB statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* (GASB 96). GASB 96 changed the method of accounting for the System's subscription-based information technology arrangements that convey control of the right to use another party's information technology software. The subscription term includes the period during which MCCS has a noncancellable right to use the underlying assets. GASB 96 required MCCS to recognize a subscription liability and an intangible right-to-use asset associated with the implementation of a new Student Information System (SIS). MCCS reported subscription assets of \$15,619,593 as of June 30, 2023 and \$376,313 as of June 30, 2022. Subscription liabilities were \$11,873,635 as of June 30, 2023 and \$387,913 as of June 30, 2022.

**MAINE COMMUNITY COLLEGE SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

College Results and Combined Operating Results

Maine's seven community colleges serve very different regions of the state. The different locations face very different demographic conditions in their local communities and, as a result, it is difficult to compare the results of operations between the colleges.

In addition, MCCS is quasi-centralized. The System Office provides certain services to all the colleges and administers a pool of expenses that cannot be effectively allocated to the colleges.

Central services, for which the colleges are not charged, or allocated fees include legal, certain human resource functions, and some information technology services. The colleges manage their own budgets based on guidance from the System Office, but cash and investments are managed centrally. Tuition is set by the Board of Trustees as a rate per credit hour.

The colleges are responsible for responding to their community's business and enrollment needs. They also respond to grant opportunities based on the needs of the individual college. The 2023 and 2022 statements of revenues, expenses, and changes in net position for the individual colleges are as follows:



MAINE COMMUNITY COLLEGE SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS

	June 30, 2023							
<u><i>Year ended June 30, 2023</i></u> <i>(in millions)</i>	<u><i>CMCC</i></u>	<u><i>EMCC</i></u>	<u><i>KVCC</i></u>	<u><i>NMCC</i></u>	<u><i>SMCC</i></u>	<u><i>WCCC</i></u>	<u><i>YCCC</i></u>	<u><i>All Colleges</i></u>
Student tuition and fees	\$ 7.8	\$ 5.3	\$ 4.6	\$ 1.8	\$ 15.6	\$ 0.9	\$ 3.1	\$ 39.1
Residential life	3.1	1.9	-	0.6	5.7	0.4	0.3	12.0
Less: scholarships	<u>(10.0)</u>	<u>(6.2)</u>	<u>(5.9)</u>	<u>(2.7)</u>	<u>(16.0)</u>	<u>(1.5)</u>	<u>(3.4)</u>	<u>(45.7)</u>
Tuition and residential life	0.9	1.0	(1.3)	(0.3)	5.3	(0.2)	(0.0)	5.4
Federal grants and contracts	7.5	6.0	5.1	3.8	10.6	2.6	3.2	38.8
Grants and other revenue	<u>2.8</u>	<u>2.7</u>	<u>2.7</u>	<u>1.1</u>	<u>8.5</u>	<u>0.8</u>	<u>2.1</u>	<u>20.7</u>
Total operating revenues	<u>11.2</u>	<u>9.7</u>	<u>6.5</u>	<u>4.6</u>	<u>24.4</u>	<u>3.2</u>	<u>5.3</u>	<u>64.9</u>
Instruction	9.7	10.0	7.2	6.9	21.4	3.3	3.5	62.0
Public service	-	0.1	-	0.1	1.1	-	-	1.3
Academic support	1.9	1.3	2.6	1.0	5.4	1.2	2.2	15.6
Student services	3.3	2.6	1.9	1.7	5.7	1.4	1.2	17.8
Institutional support	1.9	3.3	2.2	2.4	4.4	1.0	2.2	17.4
Operations and maintenance	1.7	2.0	1.7	2.1	5.5	0.9	0.9	14.8
Student aid	0.1	0.6	0.2	0.3	0.1	0.1	-	1.4
Auxiliary enterprises	1.7	1.2	-	0.8	2.3	0.4	0.4	6.8
Depreciation	<u>2.4</u>	<u>1.6</u>	<u>1.6</u>	<u>1.4</u>	<u>4.0</u>	<u>0.7</u>	<u>1.2</u>	<u>12.9</u>
Total operating expenses	<u>22.7</u>	<u>22.7</u>	<u>17.4</u>	<u>16.7</u>	<u>49.9</u>	<u>9.0</u>	<u>11.6</u>	<u>150.0</u>
Operating loss	<u>(11.5)</u>	<u>(13.0)</u>	<u>(10.9)</u>	<u>(12.1)</u>	<u>(25.5)</u>	<u>(5.8)</u>	<u>(6.3)</u>	<u>(85.1)</u>
State appropriations	10.2	10.9	8.5	9.7	17.9	6.3	6.0	69.5
HEERF	2.3	1.6	2.3	0.4	-	0.1	0.2	6.9
Other state revenue	2.2	1.4	0.7	0.6	5.4	0.5	1.0	11.8
Gifts	-	-	-	0.6	0.1	0.1	-	0.8
Net investment loss	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>(0.2)</u>
Net nonoperating revenues	<u>14.6</u>	<u>13.9</u>	<u>11.5</u>	<u>11.3</u>	<u>23.3</u>	<u>7.0</u>	<u>7.2</u>	<u>88.8</u>
Income (loss) before other	<u>3.1</u>	<u>0.9</u>	<u>0.6</u>	<u>(0.8)</u>	<u>(2.2)</u>	<u>1.2</u>	<u>0.9</u>	<u>3.7</u>
Capital grants and gifts	-	-	-	-	0.1	-	-	0.1
Proceeds from State for capital asset acquisition	-	0.4	-	-	-	-	-	0.4
Inter-campus transfers	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.5</u>	<u>0.2</u>	<u>0.3</u>	<u>1.7</u>
Total other revenue and gains	<u>0.3</u>	<u>0.5</u>	<u>0.1</u>	<u>0.2</u>	<u>0.6</u>	<u>0.2</u>	<u>0.3</u>	<u>2.2</u>
Change in net position	3.4	1.4	0.7	(0.6)	(1.6)	1.4	1.2	5.9
Net position-beginning / year	<u>38.6</u>	<u>26.5</u>	<u>29.6</u>	<u>28.1</u>	<u>74.9</u>	<u>17.1</u>	<u>19.4</u>	<u>234.2</u>
Net position-end / year	<u>\$ 42.0</u>	<u>\$ 27.9</u>	<u>\$ 30.3</u>	<u>\$ 27.5</u>	<u>\$ 73.3</u>	<u>\$ 18.5</u>	<u>\$ 20.6</u>	<u>\$ 240.1</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

<u>Year ended June 30, 2023</u> <u>(in millions)</u>	<u>All</u> <u>Colleges</u>	<u>System-</u> <u>Wide</u>	<u>System</u> <u>Office</u>	<u>State's</u> <u>UAAL</u>	<u>MCCS</u>
Student tuition and fees	\$ 39.1	\$ -	\$ -	\$ -	\$ 39.1
Residential life	12.0	-	-	-	12.0
Less: scholarships	<u>(45.7)</u>	<u>(2.8)</u>	<u>(0.1)</u>	<u>-</u>	<u>(48.6)</u>
Net tuition and residential life	5.4	(2.8)	(0.1)	-	2.5
Federal grants and contracts	38.8	-	0.4	-	39.2
Grants and other revenue	<u>20.7</u>	<u>7.6</u>	<u>6.0</u>	<u>-</u>	<u>34.3</u>
Total operating revenues	<u>64.9</u>	<u>4.8</u>	<u>6.3</u>	<u>-</u>	<u>76.0</u>
Instruction	62.0	-	-	(3.8)	58.2
Public service	1.3	-	-	-	1.3
Academic support	15.6	-	6.8	(1.0)	21.4
Student services	17.8	-	0.1	(1.2)	16.7
Institutional support	17.4	3.7	6.1	(1.4)	25.8
Operations and maintenance	14.8	-	0.1	(0.6)	14.3
Student aid	1.4	-	-	-	1.4
Auxiliary enterprises	6.8	-	-	(0.1)	6.7
Depreciation and amortization	<u>12.9</u>	<u>1.8</u>	<u>0.1</u>	<u>-</u>	<u>14.8</u>
Total operating expenses	<u>150.0</u>	<u>5.5</u>	<u>13.2</u>	<u>(8.1)</u>	<u>160.6</u>
Operating (loss) income	<u>(85.1)</u>	<u>(0.7)</u>	<u>(6.9)</u>	<u>8.1</u>	<u>(84.6)</u>
State appropriations	69.5	<u>0.7</u>	8.5	-	78.7
HEERF	6.9	-	-	-	6.9
Other state revenue	11.8	-	-	-	11.8
Gifts	0.8	-	-	-	0.8
Net investment (loss) income	<u>(0.2)</u>	<u>4.2</u>	<u>-</u>	<u>-</u>	<u>4.0</u>
Net nonoperating revenues	<u>88.8</u>	<u>4.9</u>	<u>8.5</u>	<u>-</u>	<u>102.2</u>
Income before other	<u>3.7</u>	<u>4.2</u>	<u>1.6</u>	<u>8.1</u>	<u>17.6</u>
Capital grants and gifts	0.1	-	-	-	0.1
Proceeds from State for capital asset acquisition	0.4	-	-	-	0.4
Inter-campus transfers	<u>1.7</u>	<u>(1.2)</u>	<u>(0.5)</u>	<u>-</u>	<u>-</u>
Total other revenue, gains, or (losses)	<u>2.2</u>	<u>(1.2)</u>	<u>(0.5)</u>	<u>-</u>	<u>0.5</u>
Change in net position	5.9	3.0	1.1	8.1	18.1
Net position-beginning / year	<u>234.2</u>	<u>33.0</u>	<u>11.5</u>	<u>(55.6)</u>	<u>223.1</u>
Net position-end / year	<u>\$240.1</u>	<u>\$ 36.0</u>	<u>\$ 12.6</u>	<u>\$ (47.5)</u>	<u>\$241.2</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

<i>Year ended June 30, 2022</i> <i>(in millions)</i>	<i>CMCC</i>	<i>EMCC</i>	<i>KVCC</i>	<i>NMCC</i>	<i>SMCC</i>	<i>WCCC</i>	<i>YCCC</i>	<i>All Colleges</i>
Student tuition and fees	\$ 6.1	\$ 4.6	\$ 4.4	\$ 1.6	\$ 13.3	\$ 0.9	\$ 2.6	\$ 33.5
Residential life	2.0	1.0	-	0.4	3.8	0.3	-	7.5
Less: scholarships	<u>(6.7)</u>	<u>(4.0)</u>	<u>(4.8)</u>	<u>(2.1)</u>	<u>(9.5)</u>	<u>(1.3)</u>	<u>(2.2)</u>	<u>(30.6)</u>
Tuition and residential life	1.4	1.6	(0.4)	(0.1)	7.6	(0.1)	0.4	10.4
Federal grants and contracts	5.5	3.3	4.3	2.4	8.3	1.3	1.9	27.0
Grants and other revenue	<u>2.2</u>	<u>2.3</u>	<u>2.3</u>	<u>0.8</u>	<u>7.1</u>	<u>0.8</u>	<u>1.7</u>	<u>17.2</u>
Total operating revenues	<u>9.1</u>	<u>7.2</u>	<u>6.2</u>	<u>3.1</u>	<u>23.0</u>	<u>2.0</u>	<u>4.0</u>	<u>54.6</u>
Instruction	8.3	8.0	6.5	6.0	19.1	2.8	3.7	54.4
Public service	-	0.1	-	-	0.8	0.1	-	1.0
Academic support	1.8	1.0	2.1	0.8	4.1	1.1	1.4	12.3
Student services	2.7	2.1	1.7	1.6	4.8	1.3	1.0	15.2
Institutional support	2.3	2.4	2.5	2.5	4.4	1.1	2.7	17.9
Operations and maintenance	1.6	1.8	1.7	1.7	4.8	0.8	0.8	13.2
Student aid	4.0	3.5	2.6	1.2	6.0	0.7	1.2	19.2
Auxiliary enterprises	1.2	1.1	-	0.8	1.5	0.5	-	5.1
Depreciation	<u>2.3</u>	<u>1.7</u>	<u>1.6</u>	<u>1.4</u>	<u>4.0</u>	<u>0.6</u>	<u>1.0</u>	<u>12.6</u>
Total operating expenses	<u>24.2</u>	<u>21.7</u>	<u>18.7</u>	<u>16.0</u>	<u>49.5</u>	<u>9.0</u>	<u>11.8</u>	<u>150.9</u>
Operating loss	<u>(15.1)</u>	<u>(14.5)</u>	<u>(12.5)</u>	<u>(12.9)</u>	<u>(26.5)</u>	<u>(7.0)</u>	<u>(7.8)</u>	<u>(96.3)</u>
State appropriations	9.6	9.8	8.0	9.4	16.7	6.1	5.8	65.4
Higher Education Emergency Relief Funds	6.0	4.8	4.1	2.1	9.8	1.5	2.6	30.9
Gifts	-	-	-	1.7	0.3	-	-	2.0
Net investment loss	<u>(0.2)</u>	<u>(0.4)</u>	<u>-</u>	<u>(0.1)</u>	<u>(0.5)</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>(1.5)</u>
Net nonoperating revenues	<u>15.4</u>	<u>14.2</u>	<u>12.1</u>	<u>13.1</u>	<u>26.3</u>	<u>7.5</u>	<u>8.2</u>	<u>96.8</u>
Income (loss) before other	<u>0.3</u>	<u>(0.3)</u>	<u>(0.4)</u>	<u>0.2</u>	<u>(0.2)</u>	<u>0.5</u>	<u>0.4</u>	<u>0.5</u>
Proceeds from State for capital asset acquisition	0.2	0.4	0.1	-	0.8	0.4	0.3	2.2
Inter-campus transfers	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>	<u>1.1</u>	<u>0.4</u>	<u>0.5</u>	<u>3.5</u>
Total other revenue and gains	<u>0.7</u>	<u>0.7</u>	<u>0.4</u>	<u>0.4</u>	<u>1.9</u>	<u>0.8</u>	<u>0.8</u>	<u>5.7</u>
Change in net position	1.0	0.4	0.0	0.6	1.7	1.3	1.2	6.2
Net position-beginning / year	<u>37.6</u>	<u>26.1</u>	<u>29.6</u>	<u>27.5</u>	<u>73.2</u>	<u>15.8</u>	<u>18.2</u>	<u>228.0</u>
Net position-end / year	<u>\$ 38.6</u>	<u>\$ 26.5</u>	<u>\$ 29.6</u>	<u>\$ 28.1</u>	<u>\$ 74.9</u>	<u>\$ 17.1</u>	<u>\$ 19.4</u>	<u>\$ 234.2</u>

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June 30, 2023

<i><u>Year ended June 30, 2022</u></i> <i><u>(in millions)</u></i>	<i><u>All</u></i> <i><u>Colleges</u></i>	<i><u>System-</u></i> <i><u>Wide</u></i>	<i><u>System</u></i> <i><u>Office</u></i>	<i><u>State's</u></i> <i><u>UAAL</u></i>	<i><u>MCCS</u></i>
Student tuition and fees	\$ 33.5	\$ -	\$ -	\$ -	\$ 33.5
Residential life	7.5	-	-	-	7.5
Less: scholarships	<u>(30.6)</u>	<u>(2.5)</u>	<u>-</u>	<u>-</u>	<u>(33.1)</u>
Net tuition and residential life	10.4	(2.5)	-	-	7.9
Federal grants and contracts	27.0	-	0.2	-	27.2
Grants and other revenue	<u>17.2</u>	<u>3.0</u>	<u>2.4</u>	<u>-</u>	<u>22.6</u>
Total operating revenues	<u>54.6</u>	<u>0.5</u>	<u>2.6</u>	<u>-</u>	<u>57.7</u>
Instruction	54.4	-	-	(4.0)	50.4
Public service	1.0	-	-	-	1.0
Academic support	12.3	-	2.7	(1.2)	13.8
Student services	15.2	-	0.1	(1.3)	14.0
Institutional support	17.9	0.6	6.1	(1.6)	23.0
Operations and maintenance	13.2	-	0.1	(0.9)	12.4
Student aid	19.2	-	-	-	19.2
Auxiliary enterprises	5.1	-	-	(0.2)	4.9
Depreciation and amortization	<u>12.6</u>	<u>0.1</u>	<u>0.1</u>	<u>-</u>	<u>12.8</u>
Total operating expenses	<u>150.9</u>	<u>0.7</u>	<u>9.1</u>	<u>(9.2)</u>	<u>151.5</u>
Operating (loss) income	<u>(96.3)</u>	<u>(0.2)</u>	<u>(6.5)</u>	<u>9.2</u>	<u>(93.8)</u>
State appropriations	65.4	0.7	7.9	-	74.0
HEERF	30.9	-	-	-	30.9
Gifts	2.0	-	-	-	2.0
Net investment loss	<u>(1.5)</u>	<u>(7.0)</u>	<u>-</u>	<u>-</u>	<u>(8.5)</u>
Net nonoperating revenues	<u>96.8</u>	<u>(6.3)</u>	<u>7.9</u>	<u>-</u>	<u>98.4</u>
Income (loss) before other	<u>0.5</u>	<u>(6.5)</u>	<u>1.4</u>	<u>9.2</u>	<u>4.6</u>
Proceeds from State for capital asset acquisition	2.2	-	-	-	2.2
Inter-campus transfers	<u>3.5</u>	<u>(1.5)</u>	<u>(2.0)</u>	<u>-</u>	<u>-</u>
Total other revenue, gains, or (losses)	<u>5.7</u>	<u>(1.5)</u>	<u>(2.0)</u>	<u>-</u>	<u>2.2</u>
Change in net position	6.2	(8.0)	(0.6)	9.2	6.8
Net position-beginning / year	<u>228.0</u>	<u>41.0</u>	<u>12.1</u>	<u>(64.8)</u>	<u>216.3</u>
Net position-end / year	<u>\$234.2</u>	<u>\$ 33.0</u>	<u>\$ 11.5</u>	<u>\$ (55.6)</u>	<u>\$223.1</u>

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In November of 2018, the voters of the State of Maine approved a \$15 million Chap. 465 P.L. 2017 General Purpose Bond. The bond funds were allocated to all seven colleges and, during FY23, the colleges spent \$0.4 million on instruction lab upgrades and equipment, and residence hall ADA renovations.

The colleges are not required to budget for depreciation expenses but do budget for capital expenditures funded through operations. As a result, each of the seven colleges ended 2023 with a surplus. With approval from the System Office, the colleges can reserve a portion of the earned surplus for future capital investments (discussed below, in the section on Net Position), but the unobligated net position is not available to the colleges for discretionary spending.

Colleges in more rural areas of Maine have lower enrollments and, therefore, earn less in student tuition and fees, but the proportion of State appropriation tends to be higher.

Economic Factors Affecting Maine's Community Colleges

Free Community College launched in April 2022, the one-time State investment of \$20 million benefited the pandemic-era high school graduates from 2020 – 2023. This is a last-dollar scholarship, meaning eligible students must first accept grants or scholarship awarded to them, with the last dollar costs of tuition and mandatory fees covered by the free college scholarships. In the first year of the program, 6,400 students attended community college tuition-free. In July 2023, Governor Mills signed the budget passed by the legislature which extended to two more graduating high school classes tuition-free community college in Maine. The \$15 million investment will allow students graduating from high school or its equivalent in 2024 and 2025 to attend any Maine community college without paying any tuition or mandatory fees, a value of more than \$3,800 a year.

Post pandemic, Maine people with education and technical skills have gained economic opportunity. But those lacking the essential skills needed to get a job in the modern economy are losing hope. Data collected by Opportunity Insights indicated that, in Maine, almost 40% of low-income jobs have gone away, while moderate- and high-income jobs that require skills have increased substantially.

Students at the fringe of academic success and students who learn by working with their hands suffered incredible learning loss and emotional setbacks in recent years. For many, mental health and housing and food insecurity challenges their ability to get the education they need.

Pandemic relief funds from both the State of Maine and the federal government were a crucial resource that allowed Maine's community colleges to continue providing education and training as well and expand support for struggling students. These funds are time-limited in nature, and MCCS continues to invest those dollars in short-term training and immediate needs in compliance with state and federal requirements.

In July 2021, the Maine State Legislature approved the Maine Jobs and Recovery Plan (MJRP). LD1733 included \$35 million in one-time American Rescue Plan Act federal funding under State and Local Fiscal Recovery Funds for workforce development initiatives to provide training for 8,500 Maine residents in the following targeted industry sectors: Healthcare, The Green Economy, Manufacturing, Hospitality, Education, Computer Technology, and the trades.

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The business plan for the MJRP grant was approved by the State on December 29, 2021. This allowed the work to begin and for the colleges to start implementation and recruitment. Through FY23, 2,756 Mainers were provided financial assistance for education training programs through MJRP, representing \$6.7 million in funding. Additional training opportunities continue to be developed for completion under MJRP funding throughout the grant award period, which ends December 2024.

In April 2022, the Governor signed the supplemental budget which included a \$2.5 million in ongoing allocation to MCCS for expansion of the nursing programs across the State in FY23. The \$2.5 million was matched by healthcare providers MaineHealth and Northern Light Health. This allows Maine's community colleges to double the number of nursing program graduates from approximately 240 people per year to 480 per year. These funds are a significant investment in addressing the nursing shortage in Maine.

Appropriation

(in millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Base appropriation	\$72.0	\$73.8	\$ 74.0	\$78.8	\$78.8
New funding for ongoing operations	0.0	2.2	2.3	3.5	7.3
New funding for strategic initiatives	<u>2.5</u>	<u>(2.7)</u>	<u>2.4</u>	<u>0.0</u>	<u>0.0</u>
Curtailment	(0.7)	0.7	0.0	0.0	0.0
New appropriation	<u>73.8</u>	<u>74.0</u>	<u>78.8</u>	<u>82.3</u>	<u>86.1</u>
<i>Special one-time MJRP funding</i>	<i>0.0</i>	<i>15.0</i>	<i>20.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Special one-time Free College Funding</i>	<u>0.0</u>	<u>0.0</u>	<u>20.0</u>	<u>7.5</u>	<u>7.5</u>
<i>Appropriation with special one-time funding</i>	<u>\$73.8</u>	<u>\$89.0</u>	<u>\$118.8</u>	<u>\$89.8</u>	<u>\$93.6</u>

MCCS was allocated a total of \$65.7 million in Higher Education Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) disbursed in January 2021, the American Rescue Plan Act (ARPA) passed in March 2021, and most recently the Supplemental Support American Rescue Plan awarded in July 2022. The HEERF allocations included \$26.5 million for emergency financial aid grants to students and \$39.2 million of institutional funds for COVID-19 response expenses. The major change with the ARPA was under the use of institutional funds for lost revenue. This allowed MCCS to recover lost revenue due to COVID-19.

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In 2023, MCCS spent \$6.9 million of the remaining HEERF funds, \$0.9 million in student emergency aid, and \$6.0 million on institutional expenditures, expending all but a small balance of the federal funds. In 2022, MCCS spent \$30.9 million of the HEERF funds, \$18.7 million in student emergency aid, and \$12.2 million on institutional expenditures, including \$7.1 million in lost revenue. When added to the expenditures from 2020 and 2021, the total HEERF expended is \$65.5 million through June 30, 2023. This represents \$38.3 million of institutional aid expended from all three pieces of funding, and a total of \$27.2 million disbursed in student emergency aid since the start of the pandemic.

Statement of Revenues, Expenses, and Changes in Net Position

In 2023, MCCS saw an increase in net position of \$18.1 million. This increase is due to \$6.9 million in HEERF during the fiscal year, down from \$30.9 million in 2022. Operating revenue increased \$18.3 million due to an increase in federal grants of \$12.0 million, increase in residential life of \$4.5 million due to more students returning to campus from the previous year, an increase in state and local grants of \$0.9 million, and \$5.7 million increase in nongovernmental grants and contracts attributed to the Harold Alfond Foundation (HAF) grant. Operating expenses increased \$9.1 million due to increased enrollment and inflationary increases in operating expenses. Year-over-year, nonoperating revenue increased in 2023 by \$3.8 million due to a \$12.5 million increase in investment income, \$4.7 million increase in appropriation, and \$11.8 in new Free Community College funding from the State, offset by a \$24.0 million decrease in HEERF and \$1.2 million decrease in gifts. Other revenue decreased \$1.7 million with a decline in Chap. 465 P.L. 2017 General Purpose Bond funds.

In 2022, MCCS recorded an increase in net position of \$6.8 million. This increase is due to \$30.9 million in HEERF during the fiscal year, up from \$25.0 million in 2021. Operating revenue increased \$4.6 million due to an increase in residential life of \$3.5 million due to more students returning to campus from the previous year, an increase in state and local grants of \$4.8 million and \$1.2 million increase in nongovernmental grants and contracts. Operating expenses increased \$14.3 million with \$12.6 million of the increase in HEERF student emergency aid. Year-over-year, nonoperating revenue decreased in 2022 by \$11.1 million due to a \$18.1 million decrease in investment income, offset by a \$5.9 million increase in HEERF and \$1 million increase in gifts. Other revenue decreased \$2.8 million with a decline in Chap. 465 P.L. 2017 General Purpose Bond funds.

MCCS saw an increase in net position of \$30.4 million in 2021. This increase was due largely to an increase in nonoperating revenue of \$30.4 million. The nonoperating revenue growth is predominantly from an increase of \$22.3 million in HEERF and higher investment income of \$7.1 million over 2020.

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Statement of Revenues, Expenses, and Changes in Net Position

(in millions)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 76.0	\$ 57.7	\$ 53.1
Operating expenses	<u>160.6</u>	<u>151.5</u>	<u>137.2</u>
Operating loss	<u>(84.6)</u>	(93.8)	(84.1)
Nonoperating revenues	<u>102.2</u>	<u>98.4</u>	<u>109.5</u>
Income before other revenue	17.6	4.6	25.4
Other revenue, net	<u>0.5</u>	<u>2.2</u>	<u>5.0</u>
Increase in net position	<u>\$ 18.1</u>	<u>\$ 6.8</u>	<u>\$ 30.4</u>

Operating Revenues

In 2023, operating revenues increased by \$18.3 million, or 31.7 percent. Net tuition and residential life fees declined \$5.4 million as enrollment grew 12 percent during the first year of Free Community College funding. Student tuition and fees were up \$5.6 million or 16.7 percent, residential life fees increase \$4.5 million or 60.0 percent with students returning to on campus housing and increased occupancy rates from 2022. Scholarship allowances also increased \$15.5 million or 46.8 percent with the Free Community College program.

Federal grants and contracts increased \$12.0 million due to increased activity in federal State and Local Fiscal Recovery Funds (SLFRF) available through the Maine Jobs and Recovery Program, and higher enrollments driving higher financial aid grants. State and local grants and contracts increased by \$0.9 million due to increases in Maine State Grants, Racino, and Aspirations revenue. Nongovernmental grants and contracts increased \$5.7 million with HAF grant activity. Sales and service, auxiliary enterprises revenue, and other operating revenues increase \$4.9 million.

In 2022, operating revenues decreased by \$4.6 million, or 8.7 percent. Net tuition and residential life fees declined \$0.7 million as enrollment declined 6 percent. Student tuition and fees were down \$2.3 million or 6.4 percent, residential life fees increase \$3.5 million or 87.5 percent with students returning to on campus housing and increased occupancy rates from 2021. Scholarship allowances also increased \$1.9 million or 6.1 percent.

Federal grants and contracts decreased \$1.1 million due to federal financial aid declined with lower enrollments. State and local grants and contracts increased by \$4.8 million due to increases in Maine State Grants, Racino, and Aspirations revenue. Nongovernmental grants and contracts, sales and service, and other operating revenues increase \$1.8 million, offset by \$0.2 million decline in auxiliary enterprises revenue.

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Operating revenues decreased by \$6.4 million in 2021. Net tuition and residential life fees were down \$3.0 million. This was due to enrollment declines which resulted in student tuition and fees being down \$4.3 million. Residential life fees were down \$6.6 million as colleges reduced occupancy to enable social distancing. These decreases along with \$7.8 million decrease in scholarship allowances resulted in the 25.6% decrease in net tuition and residential life fees.

Federal grants and contracts decreased \$3 million due to federal financial aid declining with smaller enrollments and lower awards. Decreases in state and local grants and contracts account for the balance of the decrease in operating revenues experienced in 2021.

Changes in the sources of grants fluctuate between Federal, state, and nongovernment entities based on the opportunities the colleges pursue, but in the current environment do not reflect any meaningful pattern or strategic change beyond the HEERF allocated in response to COVID-19, which are included in the nonoperating revenue section of the Statement of Revenues, Expenses, and Changes in Net Assets. Workforce development training funds were received in 2022 from the Maine Jobs and Recovery Fund and HAF, and work under these grants increased significantly in 2023.

Nonoperating Revenue

Nonoperating revenues are primarily comprised of the appropriations from the State of Maine, HEERF, gifts, and investment gains and losses. In 2023, nonoperating revenue increased \$3.8 million due to \$4.7 million increase in appropriation for general operations and expanding MCCS nursing programs. \$11.8 million in Free Community College state revenue was also reported in 2023. Investment income increased \$13.2 million with favorable market returns. Increases were offset by a decrease of \$24.0 million in HEERF revenue, a \$1.2 million decrease in gifts received at colleges for renovations and program equipment. Interest on capital asset debt also decreased \$0.6 million.

In 2022, nonoperating revenue decreased \$11.1 million due to \$18.1 million decrease in investment income caused by market volatility. The loss in investment income was offset by an increase of \$5.9 million in HEERF revenue, a \$1 million increase in gifts received at colleges for renovations and program equipment, and small increases in appropriation and interest on capital asset debt. State appropriation increased in 2022 \$0.1 million general fund appropriation, net of the additional \$2.5 million in one-time workforce development funds that was received in 2021, and the elimination of \$0.25 million in one-time Live Fire Service Training Facilities Funds. State appropriation for on-going funding increased \$2.9 million in general fund appropriation with the re-established curtailment added back to the base, and a 3% increase approved in the Governor's Change Package LD221.

In 2021, nonoperating revenue increased \$30.4 million due largely to an expansion of HEERF. The addition of two relief packages passed during calendar year 2020 and the beginning of calendar year 2021 allocated additional funding to the colleges and modifications to allowable uses now include lost revenue. This provided the colleges with a vehicle to recapture some operating revenue lost due to the pandemic in 2021 and resulted in an increase of \$22.3 million in HEERF revenue. Investment income increased \$7.1 million in 2021 due to market gains and realized gains due to capital asset allocation changes.

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State appropriation increased in 2021 \$1.8 million after a one percent curtailment in general fund appropriation and an additional \$2.5 million in one-time workforce development funds. Gifts decreased \$0.9 million in 2021.

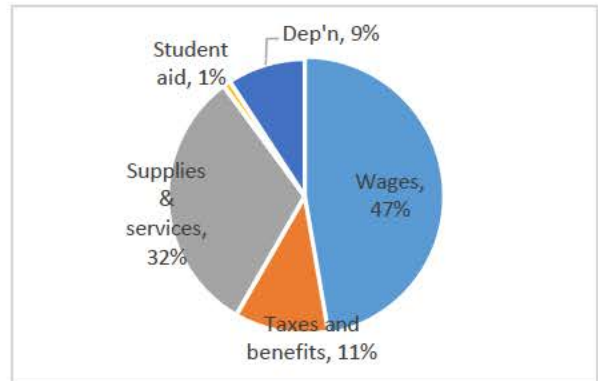
Operating Expenses

Like most colleges and universities, MCCS's largest expense is payroll. Wages, benefits, and wage-related taxes accounted for between 55 and 64 percent of expenditures in each of the last three years. Over 90 percent of MCCS employees are represented by one of six collective bargaining agreements. Contractually, wages increased an average of 4.5 percent in 2023 to bring wages closer to market level. Wages increased 4.5 percent in 2022, and 3 percent in 2021. In 2023, positions were added to address increased enrollment and student support. Additional positions for increased grant activity were also filled in 2023. In 2022, vacant positions remained open longer as labor market pressures reduced qualified applicant pools which had a slight effect on the aggregate increase and reduced it to 4.4 percent. In 2021, vacant positions were unfilled due to the unknown financial effect of the pandemic, which reduced the aggregate effect to one percent. The adjustment for GASB 75 pension expense reduced the overall cost of benefits offsetting a healthcare increase of 2.6 percent in 2023. Taxes and benefits increased \$3.4 million in 2023 due to the GASB 75 adjustment and the State of Maine Health Commission implementation of four months of health insurance premium holiday, in which neither the employee or employer paid health insurance premiums. Taxes and benefits decreased \$6.8 million in 2022 due to the GASB 75 adjustment and the State of Maine Health Commission implementation of two months of health insurance premium holiday. Taxes and benefits decreased \$3.9 million in 2021.

Pension plans for MCCS retirees represent the largest benefit expense for the System. Two-thirds of the System's employees participate in the State Employee and Teacher Retirement Plan, a multiple-employer, cost-sharing plan administered by MainePERS. For employees enrolled in the MainePERS, the System was required to contribute 22.24 percent of payroll for 2023. Healthcare benefits for current members and retirees purchased from the Maine Bureau of Employee Health also contributed to the cost of benefits which added 16.5 percent (up from 15 percent) to the cost of compensation for these employees.

Expenses by natural class are as follows:

(in millions)	<u>2023</u>	<u>2022</u>	<u>2021</u>
Wages	\$ 75.9	\$ 69.1	\$ 66.2
Taxes and benefits	<u>17.8</u>	<u>14.4</u>	<u>21.2</u>
Wages and benefits	93.7	83.5	87.4
Supplies and services	50.7	36.0	31.1
Student aid	1.4	19.2	6.6
Depreciation	<u>14.8</u>	<u>12.8</u>	<u>12.1</u>
Total expenses	<u>\$160.6</u>	<u>\$151.5</u>	<u>\$137.2</u>



**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

The distribution of expenses by functional area has shifted over the three-year period ending June 30, 2023. Instruction and academic support accounted for 50 percent of the operating expenditures in 2023. Most functional areas experienced increases except for a decrease of 92.7 percent in student aid due to the reduction of HEERF student emergency aid. Increases in expense over 2022 reflect increased expenditures in response to enrollment increases.

Auxiliary enterprises saw a 37 percent increase, or \$1.8 million, due to the return of dorm occupancy and the number of students living and dining on campus.

In 2023, expenses were offset by \$8.1 million of GASB adjustments to record decreased pension liability for OPEB and MainePERS. GASB adjustments accounted for decreases in instruction of \$3.8 million, academic support \$1.0 million, student services \$1.2 million, instructional support \$1.4 million, and operations and auxiliary enterprises \$0.7 million.

Instruction and academic support accounted for 42 percent of the operating expenditures in 2022. Most functional areas experienced increases except for a decrease of 2.3 percent in instruction and 6.9 percent in institutional support, or \$2.9 million together. The decrease in expense is from 2021 inflated spending for remote learning supports. Auxiliary enterprises saw a 44 percent increase, or \$1.5 million, due to the return of dorm occupancy and the number of students living and eating on campus. Student aid increased \$12.6 million due to HEERF student emergency aid disbursed in response to the COVID-19 pandemic.

In 2022, expenses were offset by \$9.2 million of GASB adjustments to record decreased pension liability for OPEB and MainePERS. GASB adjustments accounted for decreases in instruction of \$4 million, academic support \$1.2 million, student services \$1.3 million, instructional support \$1.6 million, and operations and auxiliary enterprises \$1.1 million.

Instruction and academic support account for 46.6 percent of the operating expenditures in 2021. An increase of 13.8 percent in instructional support is due in large part to continued spending required by the system to pivot to remote work and learning. This work started in 2020 with an 8.6 percent increase in instruction and 17.8 percent increase in institutional support. These expenditures included technology and equipment. Student aid increased \$6.1 million due to HEERF student emergency aid disbursed in response to the COVID-19 pandemic. Auxiliary enterprises saw a sharp decline of \$2.3 million, or 40.4 percent, due to the reduction in dorm occupancy and the number of students living and eating on campus.

Expense was offset by \$4.1 million of GASB adjustments to record decreased liability for OPEB. GASB adjustments account for decreases in instruction of \$1.9 million, academic support \$0.5 million, student services \$0.6 million, instructional support \$0.7 million, and operations and auxiliary enterprises \$0.4 million.

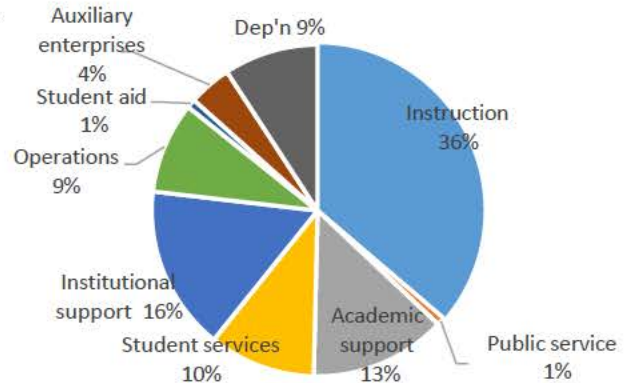
MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Expenses by function are as follows:

<i>(in millions)</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Instruction	\$ 58.2	\$ 50.4	\$ 51.6
Public service	1.3	1.0	0.8
Academic support	21.4	13.8	12.3
Student services	16.7	14.0	13.5
Institutional support	25.8	23.0	24.8
Operations	14.3	12.4	12.1
Student aid	1.4	19.2	6.6
Auxiliary enterprises	6.7	4.9	3.4
Depreciation	<u>14.8</u>	<u>12.8</u>	<u>12.1</u>
Total	<u>\$160.6</u>	<u>\$151.5</u>	<u>\$137.2</u>



Other Revenues, Expenses, Gains, and Losses

Other revenues, expenses, gains, and losses are primarily the net result of capital activity paid through state-funded bonds, which the System has no obligation to repay, and capital gifts and grants, including the transfer of land and buildings from other public entities.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Other revenues, net	\$ 0.5	\$ 2.2	\$ 5.0

The System generated proceeds from the State for grants and capital asset acquisition of \$0.4 million in 2023, \$2.2 million in 2022, and \$5.0 million in 2021, as some colleges continued spending the Chap. 465 P.L. 2017 General Purpose Bond.

Capital grants and gifts increased \$122,000 in 2023, decreased \$17,000 in 2022, and decreased in 2021 by \$1.0 million, due to fluctuations in donor activity.

Statement of Net Position

In 2023, net position increased \$18.1 million. Assets and deferred outflows increased \$37.9 million while liabilities and deferred inflows increased \$19.8 million in 2023 with the implementation of GASB 96 Subscription Based Information Technology Agreements (SBITA). The assets increase was from noncurrent assets increasing \$25.9 million, the result of increases in prepaid post-employment benefit plans of \$9.7 million, endowment investments of \$0.8 million, and capital assets of \$0.2 million. Current assets also increased \$15.8 million from cash and cash equivalents increasing \$11.8 million, short-term investments increasing \$3.9 million, and accounts receivable increasing \$5.3 million. Asset increases were offset by a decrease in HEERF receivable of \$7 million, a decrease in deferred outflows of resources from the defined benefit pension plan of \$2.5 million, and other post-retirement benefit plans decrease of \$1.2 million.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

The \$19.8 million increase in liabilities and deferred inflows of resources was the result of liabilities increasing \$35.4 million and deferred inflows of resources decreasing \$15.6 million. Increases of \$12.6 million in net pension liability, \$11.5 million in subscription liabilities, \$9.3 million in unearned revenue, and \$2.5 million in accrued expense, including accounts payable were offset by decreases of \$1 million in long-term debt and small decreases in lease obligations. Decreases in deferred inflows of resources were the result of \$19.6 million of defined benefit pension plan offset by other post-employment benefit plan increase of \$4.0 million.

In 2022, net position increased \$6.8 million. Assets and deferred outflows increased \$5.1 million while liabilities and deferred inflows decreased \$1.7 million in 2022. The assets increase was the result of an increase in deferred outflows of resources from the defined benefit pension plan of \$6.0 million and other post-retirement benefit plans of \$4.2 million. The noncurrent assets decreased \$8.1 million, the result of decreases in prepaid post-employment benefit plans of \$2.8 million, endowment investments of \$3.6 million, and capital assets of \$1.6 million.

The \$1.7 million decrease in liabilities and deferred inflows of resources was the result of liabilities decreasing \$24.9 million and deferred inflows of resources increasing \$23.3 million. Decreases of \$24.6 million in net pension liability, \$1 million in long-term debt, \$0.4 million in other post-employment benefit plans, and \$0.1 million in lease obligations were offset by \$1 million increase in accrued expenses. Increases in deferred inflows of resources were from \$24 million of defined benefit pension plan increases offset by other post-employment benefit plan decreased of \$0.7 million

Net position increased in 2021 \$30.4 million. Assets and deferred outflows increased \$39.1 million while liabilities and deferred inflows increased \$8.7 million in 2021. The assets increase was the result of a \$22.3 million increase in HEERF, \$7.7 million increase in prepaid post-employment benefit plans, an increase in investment income of \$7.1 million, and \$0.9 million in lease obligations. The State appropriation increase of \$1.8 million was offset by a \$0.9 million decrease in gift revenue. Increases in deferred inflows of resources from other post-employment benefit plans were \$8.6 million offset by a decrease in deferred inflows of resources from the defined benefit pension plan of \$2.8 million. Noncurrent liabilities increased by \$1.9 million, the result of a \$2.8 million increase in net pension liability offset by a decrease of \$1 million in long-term debt.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

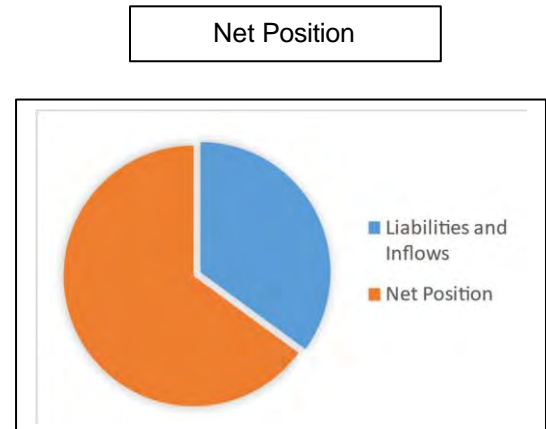
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Net Position

(In millions)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$117.7	\$101.9	\$ 99.0
Noncurrent assets	230.7	204.8	212.5
Deferred outflows	<u>22.9</u>	<u>26.7</u>	<u>16.4</u>
Total assets and deferred outflows	<u>\$371.3</u>	<u>\$333.4</u>	<u>\$327.9</u>
Current liabilities	\$ 32.7	\$ 19.9	\$ 18.5
Noncurrent liabilities	67.0	44.5	70.5
Deferred inflows	<u>30.4</u>	<u>45.9</u>	<u>22.6</u>
Total liabilities and deferred inflows	<u>\$130.1</u>	<u>\$110.3</u>	<u>\$111.6</u>
Investment in capital assets	\$172.7	\$167.6	\$168.2
Net restricted position	25.7	24.2	26.7
Net unrestricted position	<u>42.8</u>	<u>31.3</u>	<u>21.4</u>
Total net position	<u>\$241.2</u>	<u>\$223.1</u>	<u>\$216.3</u>



Current Assets and Current Liabilities

Current assets increased \$15.8 million, and current liabilities increased \$12.8 million, in 2023, improving liquidity. Cash increased \$11.8 million and short-term investments increased \$3.9 million due to favorable returns realized in 2023.

Accounts receivable increased \$5.3 million in 2023, due in large part to the MJRP training program and HAF grant activity. Due from state decreased \$0.3 million and other assets each increased \$2.2 million.

In 2023, the \$12.8 million increase in current liabilities is related to a \$9.3 million increase in unearned revenue due largely to Free Community College funding, \$1.6 million increase in accrued expenses, \$0.9 million increase in accounts payable, and \$0.9 million due to adoption of GASB 96.

Current assets increased \$2.9 million, and current liabilities increased \$1.3 million, in 2022, improving liquidity. Cash increased \$8.9 million and short-term investments decreased \$4.3 million. Cash was generated from operations and noncapital financing activities, while the decrease in investments is related to negative returns. Accounts receivable increased \$1.1 million and HEERF receivable decreased \$3.4 million in 2022. Due from state and other assets increased \$0.4 million and \$0.4 million, respectively.

In 2022, the \$1.3 million increase in current liabilities is related to increases in accrued expenses of \$1.1 million. The balance is from small increases in current portion of long-term liabilities, accounts payable, and unearned revenue.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Current assets increased \$21.7 million, and current liabilities increased \$0.2 million, in 2021, improving liquidity. Cash increased \$0.3 million and short-term investments increased \$12.7 million, generated from favorable returns realized in 2021 and capital asset allocation changes.

Accounts receivable increased \$10.8 million in 2021. Revenue recognized at year-end from HEERF caused this increase. Due from State and other assets each decreased \$1.4 million and \$0.6 million, respectively.

In 2021, the increase in current liabilities is related to small increases in accrued liabilities and the current portion of long-term liabilities of \$0.5 million in total, offset by a decrease of \$0.4 million in accounts payable and unearned revenue combined.

Noncurrent Assets and Long-term Liabilities

Noncurrent assets increased \$25.9 million and long-term liabilities increased \$22.5 million in 2023. The increase in noncurrent assets is due to the adoption of GASB 96 resulting in \$15.2 million increase. In 2023, increases in prepaid post-employment benefit plans of \$9.7 million and endowment investments and capital assets of \$0.8 million and \$0.2 million, respectively, were also reported.

Long-term liabilities increased in 2023, the result of a \$12.6 million increase in net pension liability, \$10.5 million increase in SBITA obligations, and \$0.5 million other post-employment benefit plans offset by a \$1.0 million decrease in long-term debt. MCCS made scheduled payments on existing debt and did not incur any new debt.

In 2022, noncurrent assets decreased \$8.1 million and long-term liabilities decreased \$26.2 million. The decrease in noncurrent assets is due to a \$3.6 million decrease in endowment investments, \$2.8 million in prepaid post-employment benefit plans, and a \$1.6 million decrease in capital assets due in part to less spending of Chap. 465 P.L. 2017 General Purpose Bond. Long-term liabilities decreased \$24.7 million in net pension liability, \$0.4 million in OPEB liability, \$1.0 million in long-term debt, and \$0.1 million in lease obligations. MCCS made scheduled payments on existing debt (see Note 8) and did not incur any new debt.

Noncurrent assets increased \$12.4 million and long-term liabilities increased \$2.8 million in 2021. The increase in noncurrent assets is due to an increase of \$7.7 million in prepaid post-employment benefit plans, \$0.9 million in newly recognized lease obligations, a \$3.5 million increase in endowment investments, and an increase in MCCS investment in capital assets due in part to spending of Chap. 465 P.L. 2017 General Purpose Bond of \$0.2 million.

Long-term liabilities increase in 2021 was the result of a \$2.9 million increase in net pension liability offset by a \$1.0 million decrease in long-term debt. MCCS made scheduled payments on existing debt and did not incur any new debt.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Costs and Obligations of Retirement Plans

Regular employees of the System have two retirement plan options: participation in TIAA/CREF, a defined contribution plan, and MainePERS, a defined benefit plan. MainePERS is an independent public agency of the State of Maine that administers retirement programs for State employees and other public entities including MCCS. MainePERS is responsible for the payment of retirement benefits to participants in that plan.

Participants in both the defined benefit and the defined contribution plan are eligible for retiree health insurance after vesting.

In 2015, the System implemented GASB 68. As a result, MCCS's proportionate share of the State's Unfunded Actuarially Accrued Liability (UAAL) for pension benefits was \$39.0 million as of June 30, 2023, \$26.4 million as of June 30, 2022, \$51.0 million as of June 30, 2021, and \$48.2 million as of June 30, 2020. The plan is administered by MainePERS. The System does not manage the defined benefit plan assets or directly control the benefits, but the System is required to fund its share of the plan so that it remains viable and able to honor the commitments made to retired employees. Therefore, the presentation of MCCS's proportionate share of the MainePERS UAAL, 4.21 percent as of the last reporting date, an increase of 0.12 percent from the proportion measured as of June 30, 2021, chronicles an important understanding of the System's fully formed financial condition and the totality of its obligations.

The UAAL is determined by actuaries, not staff or the System's auditors. Certain estimates used by actuaries, including investment returns, salary increases, mortality rates, and cost of living benefits will impact the valuation of the liability. Note 9 to the financial statements includes a required disclosure that demonstrates the impact of changing one assumption (the discount rate) by an increase or decrease of one percent.

In 2018, the System adopted GASB 75 which requires recognition of the total OPEB liability and retroactive restatement of net position. In 2009, the System created the MCCS OPEB Trust. The Trust Agreement allows the Trust to accept contributions from MCCS to fund future retiree benefits and limits the trustees to prudent investment of trust assets and payment of retiree health and life insurance benefit costs. MCCS's recognized income for other post-employment benefits was \$2.1 million in 2023, \$0.8 million in 2022, \$1.9 million in 2021, and \$0.3 million in 2020. MCCS's total expense for other post-employment benefits was \$.8 million in 2019, \$2.1 million in 2018, and \$1.7 million in 2017. The actuarially accrued obligation for retiree health and life insurance in 2023 was \$36.8 million, a decrease of \$4.7 million from 2022 obligation of \$41.5 million. In 2022, the actuarially accrued obligation was \$41.5 million, a \$6.3 million decrease from 2021 obligation of \$47.8 million. The 2021 obligation was up \$4.1 million from \$43.7 million in 2020, and 2020 was an increase of \$1.3 million from 2019. In 2019 it was \$42.4 million, down \$6.8 million from 2018. The actuarially accrued obligation was \$49.2 million in 2018.

Trust assets were valued at \$52.0 million on June 30, 2023, \$47.0 million on June 30, 2022, \$56.1 million on June 30, 2021, \$44.3 million on June 30, 2020, \$42.2 million on June 30, 2019, and \$39.9 million on June 30, 2018. Accordingly, the net OPEB (asset) liability was \$(15,195,636) on June 30, 2023, \$(5,500,483) on June 30, 2022, \$(8,315,520) on June 30, 2021, \$(629,822) on June 30, 2020, \$240,950 on June 30, 2019, and \$9.3 million on June 30, 2018.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Endowments

Noncurrent assets also include \$15.7 million in endowment investments; an increase of \$0.8 million, or 5.3 percent from 2022. In 2022, noncurrent assets included \$14.9 million in endowment investments; a decrease of \$3.6 million, or 19.6 percent from 2021. In 2021, endowment investment were \$18.6 million, an increase from 2020 of \$3.5 million, or 23.2 percent.

Endowment investments earned 10.9 percent in 2023, lost 15.5 percent in 2022, and earned 28.2 percent in 2021.

The largest shares of the endowment are comprised of gifts from the Bernard Osher Foundation. The Osher Endowments are comprised of four donations that total \$7.0 million. The State and the System have added \$3.0 million in matching funds. The gifts support scholarships and emergency financial assistance for full-time matriculated associate degree students.

The Board of Trustees adopted an investment policy using a long-term investment strategy, and investment results are compared to a blended benchmark index that is a composite made up of 40 percent Morgan Stanley Capital International—All Country World Index (MSCI-ACWI), 12.5 percent S&P 500, 15 percent of the Bloomberg Barclays US Aggregate Bond Index (BC Agg), 15 percent Bloomberg Barclays Intermediate US Government/Credit, 10 percent of the Russell 2000, and 2.5 percent Morgan Stanley Capital International Emerging Markets, and 5 percent Russell 1000 value. Endowment investments are pooled with the System's long-term investments and are allocated based upon a percentage of the total investment pool.

Net Position

MCCS's net position represents the value of its assets and deferred outflows of resources after subtracting its liabilities and deferred inflows of resources. Net investment in capital assets is the value of nonexpendable, capital assets after subtracting the related debt on facilities and equipment. Restricted net assets are assets owned by MCCS, but, by agreement with grantors or donors, the assets can only be used for purposes specified in grant or donor agreements. As such, those assets are not available to meet the general obligations of operations. Unrestricted net assets are those assets, net of liabilities, which have accumulated over time, are free of restrictions and are expendable at the Trustees' direction. MCCS has designated unrestricted net position as follows (in millions):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Funds committed to OPEB	\$ 3.1	\$ 2.6	\$ (3.0)
Funds carried from prior years for programs	24.5	25.0	20.0
Funds committed to property, plant, and equipment renewal	34.4	28.3	29.2
Funds on deposit with bond trustee	1.2	1.2	1.2
Unobligated net position	11.4	10.5	16.9
Proportionate share of the State's net pension liability	<u>(31.8)</u>	<u>(36.3)</u>	<u>(42.9)</u>
Total unrestricted net position	<u>\$ 42.8</u>	<u>\$ 31.3</u>	<u>\$ 21.4</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

The narrative on costs and obligations of retirement plans notes that MCCS has appropriately recorded its proportionate share of the net pension liability (NPL) administered by MainePERS, but that the System does not manage any aspect of the plan. The results of operations and impact of GASB 68 are as follows:

(in millions)	<u>2023</u>			<u>2022</u>		
	<i>Before NPL</i>	<i>State's NPL</i>	<i>MCCS</i>	<i>Before NPL</i>	<i>State's NPL</i>	<i>MCCS</i>
Current assets	\$117.7	\$ -	\$117.7	\$101.9	\$ -	\$101.9
Noncurrent assets	230.7	-	230.7	204.8	-	204.8
Deferred outflows—pension	<u>8.7</u>	<u>14.2</u>	<u>22.9</u>	<u>10.0</u>	<u>16.7</u>	<u>26.7</u>
Total assets and deferred outflows	<u>\$357.1</u>	<u>\$ 14.2</u>	<u>\$371.3</u>	<u>\$316.7</u>	<u>\$ 16.7</u>	<u>\$333.4</u>
Current liabilities	\$ 32.7	\$ -	\$ 32.7	\$ 19.9	\$ -	\$ 19.9
Noncurrent liabilities	28.0	39.0	67.0	18.1	26.4	44.5
Deferred inflows	<u>23.4</u>	<u>7.0</u>	<u>30.4</u>	<u>19.3</u>	<u>26.6</u>	<u>45.9</u>
Total liabilities and deferred inflows	<u>\$ 84.1</u>	<u>\$ 46.0</u>	<u>\$130.1</u>	<u>\$ 57.3</u>	<u>\$ 53.0</u>	<u>\$110.3</u>
Investment in capital assets	\$172.7	\$ -	\$172.7	\$167.6	\$ -	\$167.6
Net restricted position	25.7	-	25.7	24.2	-	24.2
Net unrestricted position	<u>74.6</u>	<u>(31.8)</u>	<u>42.8</u>	<u>67.6</u>	<u>(36.3)</u>	<u>31.3</u>
Total net position	<u>\$273.0</u>	<u>\$(31.8)</u>	<u>\$241.2</u>	<u>\$259.4</u>	<u>\$(36.3)</u>	<u>\$223.1</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Net Position

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 47,604,737	\$ 35,849,801
Short-term investments	53,971,488	50,114,804
Accounts receivable, net	10,866,329	5,599,360
Higher Education Emergency Relief Funds receivable	547,275	7,526,932
Due from State of Maine	1,373,674	1,730,981
Prepaid expenses and other current assets	<u>3,331,352</u>	<u>1,123,381</u>
Total current assets	<u>117,694,855</u>	<u>101,945,259</u>
Noncurrent assets		
Prepaid post-employment benefit plans	15,195,636	5,500,483
Deposit with bond trustee	1,233,528	1,196,459
Endowment investments	15,742,192	14,949,873
Right-of-use asset, net	755,484	871,859
Subscription assets, net	15,619,593	376,313
Capital assets, net	<u>182,129,243</u>	<u>181,869,564</u>
Total noncurrent assets	<u>230,675,676</u>	<u>204,764,551</u>
Total assets	<u>\$ 348,370,531</u>	<u>\$ 306,709,810</u>

DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension plan	\$ 14,215,505	\$ 16,747,677
Other post-retirement benefit plans	<u>8,688,214</u>	<u>9,924,570</u>
Total deferred outflows of resources	<u>\$ 22,903,719</u>	<u>\$ 26,672,247</u>

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

LIABILITIES

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 4,501,656	\$ 3,609,616
Accrued expenses	13,631,010	12,043,482
Unearned revenue	12,445,251	3,082,885
Current portion of lease obligation	111,373	131,246
Current portion of subscription liabilities	1,118,958	187,913
Current portion of long-term debt	<u>935,000</u>	<u>895,000</u>
Total current liabilities	<u>32,743,248</u>	<u>19,950,142</u>
Long-term liabilities		
Long-term debt, excluding current portion	13,453,768	14,516,188
Lease obligation, excluding current portion	669,952	758,857
Subscription liabilities, excluding current portion	10,754,677	200,000
Net pension liability	39,038,376	26,390,375
Other post-employment benefit plans	<u>3,109,401</u>	<u>2,591,142</u>
Total long-term liabilities	<u>67,026,174</u>	<u>44,456,562</u>
Total liabilities	<u>\$ 99,769,422</u>	<u>\$ 64,406,704</u>

DEFERRED INFLOWS OF RESOURCES

Defined benefit pension plan	\$ 6,996,200	\$ 26,566,421
Other post-employment benefit plans	22,985,174	18,914,086
Deferred gain on bond refunding	<u>363,087</u>	<u>391,017</u>
Total deferred inflows of resources	<u>\$ 30,344,461</u>	<u>\$ 45,871,524</u>

NET POSITION

Net investment in capital assets	\$ 172,682,519	\$ 167,624,994
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	11,848,038	11,847,820
Expendable:		
Scholarships and fellowships	10,296,322	9,155,863
Instructional department uses	3,515,248	3,169,093
Other	57,315	59,588
Unrestricted	<u>42,760,925</u>	<u>31,246,471</u>
Total net position	<u>\$ 241,160,367</u>	<u>\$ 223,103,829</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Student tuition and fees	\$ 39,142,117	\$ 33,516,812
Residential life fees	11,954,305	7,476,022
Less scholarship allowances	<u>(48,569,764)</u>	<u>(33,089,253)</u>
Net tuition and residential life fees	2,526,658	7,903,581
Federal grants and contracts	39,223,304	27,197,747
State and local grants and contracts	14,599,096	13,664,566
Nongovernmental grants and contracts	12,181,774	6,499,623
Sales and services of educational departments	634,019	488,251
Auxiliary enterprises	454,586	362,532
Other operating revenues	<u>6,336,383</u>	<u>1,566,542</u>
Total operating revenues	<u>75,955,820</u>	<u>57,682,842</u>
Operating expenses		
Instruction	58,204,592	50,372,111
Public service	1,325,546	1,020,804
Academic support	21,458,871	13,835,165
Student services	16,686,823	13,990,796
Institutional support	25,760,123	22,972,630
Operations and maintenance	14,302,155	12,365,984
Student aid	1,382,428	19,162,755
Auxiliary enterprises and residential life	6,695,058	4,936,412
Depreciation and amortization	<u>14,766,376</u>	<u>12,847,787</u>
Total operating expenses	<u>160,581,972</u>	<u>151,504,444</u>
Operating loss	<u>(84,626,152)</u>	<u>(93,821,602)</u>
Nonoperating revenues (expenses)		
State appropriations	78,663,179	73,982,507
Higher Education Emergency Relief Funds	6,861,420	30,851,315
State appropriations - Maine Free College Program	11,797,184	-
Gifts	772,320	1,997,989
Investment income (loss), net of investment expenses	5,286,462	(7,873,988)
of \$281,973 in 2023 and \$346,295 in 2022	<u>(1,184,933)</u>	<u>(552,202)</u>
Interest on capital asset-related debt	<u>(1,184,933)</u>	<u>(552,202)</u>
Net nonoperating revenues	<u>102,195,632</u>	<u>98,405,621</u>
Income before other revenues, gains, or (losses)	17,569,480	4,584,019

(Continued next page)

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Statements of Revenues, Expenses, and Changes in Net Position (Concluded)

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Other revenues, gains, or (losses)		
Capital grants and gifts	\$ 132,250	\$ 10,575
Appropriation from State for grants and capital asset acquisition	369,659	2,254,307
Loss on disposals of capital assets—other	(15,069)	(64,839)
Additions to permanent endowments	<u>218</u>	<u>68</u>
Net other revenues, gains, or (losses)	<u>487,058</u>	<u>2,200,111</u>
Increase in net position	18,056,538	6,784,130
Net position, beginning of year	<u>223,103,829</u>	<u>216,319,699</u>
Net position, end of year	<u>\$ 241,160,367</u>	<u>\$ 223,103,829</u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Receipts from tuition and residential life fees	\$ 3,004,750	\$ 4,619,176
Receipts from grants and contracts	69,540,776	47,543,868
Receipts from bookstore	138,965	385,683
Payments to suppliers and vendors	(52,982,708)	(43,876,114)
Payments for employees' salaries and benefits	(97,796,956)	(100,709,102)
Payments for funding of Other Post-Employment Benefit Trust (OPEB)	(1,713,730)	(1,541,526)
Other sales and services	597,345	484,551
Other receipts	<u>5,932,609</u>	<u>2,338,296</u>
Net cash used by operating activities	<u>(73,278,949)</u>	<u>(90,755,168)</u>
Cash flows from noncapital financing activities		
State appropriations	78,663,179	73,982,507
Gifts and grants received for other than capital purposes		
Nonoperating private gifts	311,326	1,378,279
Higher Education Emergency Relief Funds	<u>13,841,077</u>	<u>34,277,222</u>
Net cash provided by noncapital financing activities	<u>92,815,582</u>	<u>109,638,008</u>
Cash flows from capital and related financing activities		
Payments on long-term liabilities	(2,089,501)	(939,193)
Proceeds from state grants for capital asset acquisition	12,223,260	3,008,403
Capital grants and gifts received	36,050	-
Purchase of capital assets	(12,785,934)	(11,525,244)
Purchase of subscription assets	(4,404,430)	-
Proceeds from sale of capital assets	201	48,666
Increase in deposit with bond trustee	(37,069)	(25,320)
Interest paid on capital debt and leases	<u>(1,361,733)</u>	<u>(705,110)</u>
Net cash used by capital and related financing activities	<u>(8,419,156)</u>	<u>(10,137,798)</u>
Cash flows from investment activities		
Proceeds from sales and maturities of investments	1,065,461	1,197,548
Investments purchased	(2,288,649)	(2,232,127)
Interest and dividends received	<u>1,860,647</u>	<u>1,154,956</u>
Net cash provided by investing activities	<u>637,459</u>	<u>120,377</u>
Net increase in cash and cash equivalents	11,754,936	8,865,419
Cash and cash equivalents, beginning of year	<u>35,849,801</u>	<u>26,984,382</u>
Cash and cash equivalents, end of year	<u>\$ 47,604,737</u>	<u>\$ 35,849,801</u>

(Continued next page)

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Statements of Cash Flows (Concluded)

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (84,626,152)	\$ (93,821,602)
Adjustments to reconcile operating loss to net cash used		
by operating activities		
Bad debts provision	1,137,661	188,929
Depreciation and amortization	14,766,376	12,847,787
Noncash pension credit	(4,390,048)	(6,693,577)
Noncash OPEB expense (credit)	5,825,703	(5,331,943)
Noncash donations of supplies	461,212	619,778
Decrease (increase) in		
Accounts receivable, net	(6,404,630)	(1,243,881)
Due from State of Maine	300,891	(1,160,819)
Prepaid expenses and other current assets	(2,207,971)	(414,853)
Prepaid post-employment benefit plans	(9,695,153)	2,815,036
Increase in		
Accounts payable	581,820	265,261
Accrued expenses, net of accrued interest on capital debt	1,608,976	1,081,284
Unearned revenue	<u>9,362,366</u>	<u>93,432</u>
Net cash used by operating activities	<u><u>\$ (73,278,949)</u></u>	<u><u>\$ (90,755,168)</u></u>
Supplemental disclosure of noncash capital and related financing activities		
Donated capital assets	<u><u>\$ 96,200</u></u>	<u><u>\$ 10,575</u></u>
Capital asset purchases recorded in accounts payable	<u><u>\$ 380,834</u></u>	<u><u>\$ 70,614</u></u>
Summary of noncash investing activities		
Net gains (losses) related to investments	<u><u>\$ 3,425,815</u></u>	<u><u>\$ (9,028,944)</u></u>

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

**MAINE COMMUNITY COLLEGE EDUCATIONAL FOUNDATIONS
(Component Units)**

Balance Sheets

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 9,426,144	\$ 9,497,290
Investments	16,976,144	15,061,687
Pledges receivable, current portion	4,350,290	3,163,403
Beneficial interest in assets held by others	1,241,609	1,175,195
Other assets	<u>36,815</u>	<u>6,629</u>
Total current assets	32,031,002	28,904,204
Pledges receivable, net of allowance for uncollectible pledges and discounts to net present value	<u>2,290,789</u>	<u>9,741,824</u>
Total assets	<u>\$ 34,321,791</u>	<u>\$ 38,646,028</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accruals	\$ <u>1,237,101</u>	\$ <u>1,255,274</u>
Net assets		
Without donor restrictions	3,601,344	2,746,978
With donor restrictions	<u>29,483,346</u>	<u>34,643,776</u>
Total net assets	<u>33,084,690</u>	<u>37,390,754</u>
Total liabilities and net assets	<u>\$ 34,321,791</u>	<u>\$ 38,646,028</u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MAINE COMMUNITY COLLEGE EDUCATIONAL FOUNDATIONS
(Component Units)

Statement of Activities

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Gifts and contributions	\$ 208,777	\$ 3,787,934	\$ 3,996,711
Contributed services	158,955	-	158,955
Contributed nonfinancial assets	177,764	-	177,764
Net investment income	332,986	1,240,090	1,573,076
Other	<u>405,615</u>	<u>40,845</u>	<u>446,460</u>
	1,284,097	5,068,869	6,352,966
Net assets released from restrictions	<u>10,229,299</u>	<u>(10,229,299)</u>	<u>-</u>
Total revenues, gains, and other support	<u>11,513,396</u>	<u>(5,160,430)</u>	<u>6,352,966</u>
Expenses			
Program expenses			
Scholarships	1,809,258	-	1,809,258
Support	7,809,887	-	7,809,887
Fundraising			
Personnel costs	104,206	-	104,206
Special events	56,509	-	56,509
Miscellaneous	157,426	-	157,426
Management and general			
Wages and benefits	417,414	-	417,414
Professional services	97,010	-	97,010
General operating	138,418	-	138,418
Miscellaneous	<u>68,902</u>	<u>-</u>	<u>68,902</u>
Total expenses	<u>10,659,030</u>	<u>-</u>	<u>10,659,030</u>
Change in net assets	854,366	(5,160,430)	(4,306,064)
Net assets, beginning of year	<u>2,746,978</u>	<u>34,643,776</u>	<u>37,390,754</u>
Net assets, end of year	<u>\$ 3,601,344</u>	<u>\$ 29,483,346</u>	<u>\$ 33,084,690</u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MAINE COMMUNITY COLLEGE EDUCATIONAL FOUNDATIONS
(Component Units)

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Gifts and contributions	\$ 294,094	\$ 17,846,243	\$ 18,140,337
Contributed nonfinancial assets	151,561	-	151,561
Net investment loss	(76,083)	(1,919,188)	(1,995,271)
Other	<u>400,086</u>	<u>37,896</u>	<u>437,982</u>
	769,658	15,964,951	16,734,609
Net assets released from restrictions	<u>5,818,383</u>	<u>(5,818,383)</u>	<u>-</u>
Total revenues, gains, and other support	<u>6,588,041</u>	<u>10,146,568</u>	<u>16,734,609</u>
Expenses			
Program expenses			
Scholarships	1,804,108	-	1,804,108
Support	3,871,011	-	3,871,011
Fundraising			
Special events	143,310	-	143,310
Miscellaneous	153,496	-	153,496
Management and general			
Wages and benefits	256,709	-	256,709
Professional services	88,395	-	88,395
General operating	104,676	-	104,676
Miscellaneous	<u>36,299</u>	<u>-</u>	<u>36,299</u>
Total expenses	<u>6,458,004</u>	<u>-</u>	<u>6,458,004</u>
Increase in net assets	130,037	10,146,568	10,276,605
Net assets, beginning of year	<u>2,616,941</u>	<u>24,497,208</u>	<u>27,114,149</u>
Net assets, end of year	<u>\$ 2,746,978</u>	<u>\$ 34,643,776</u>	<u>\$ 37,390,754</u>

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MAINE COMMUNITY COLLEGE SYSTEM POST-EMPLOYMENT BENEFIT TRUST

Statements of Fiduciary Net Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 147,669	\$ 2,000
Investments	<u>51,865,699</u>	<u>47,018,753</u>
Total assets	<u>52,013,368</u>	<u>47,020,753</u>
Net position held in trust for benefits	<u>\$ 52,013,368</u>	<u>\$ 47,020,753</u>

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MAINE COMMUNITY COLLEGE SYSTEM POST-EMPLOYMENT BENEFIT TRUST

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Additions (losses)		
Interest income	\$ 21	\$ 3
Employer contributions	1,713,730	1,541,526
Investment income (loss), net of investment expense of \$293,571 in 2023 and \$375,714 in 2022	<u>4,846,947</u>	<u>(9,015,803)</u>
Total additions (losses)	<u>6,560,698</u>	<u>(7,474,274)</u>
Deductions		
Benefits	1,513,083	1,583,221
Administrative expenses	<u>55,000</u>	<u>55,015</u>
Total deductions	<u>1,568,083</u>	<u>1,638,236</u>
Net increase (decrease)	4,992,615	(9,112,510)
Fiduciary net position held in trust for benefits, beginning of year	<u>47,020,753</u>	<u>56,133,263</u>
Fiduciary net position held in trust for benefits, end of year	<u><u>\$ 52,013,368</u></u>	<u><u>\$ 47,020,753</u></u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Maine Community College System (the System) are set forth below:

Basis of Presentation

The System is Maine's comprehensive two-year college system and offers certificate, diploma, and associate degree programs. The financial statements of the System include the activity of its seven colleges and the central administrative office.

The System is included in the financial statements of the State of Maine (the State) as a discretely-presented component unit. This financial performance is based primarily on the State's appointment of the System Board of Trustees, the level of revenues derived from State appropriations, and the ability of the State to influence the operational decisions of the System.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resources measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the System follows all applicable GASB pronouncements.

The following elements are included with these general purpose financial statements:

- Management's Discussion and Analysis (as required supplementary information);
- Basic financial statements, which include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, Balance Sheets & Statements of Activities for the Maine Community College System Educational Foundation, and Statements of Fiduciary Net Position & Changes in Fiduciary Net Position for the Maine Community College System Post-employment Benefit Trust;
- Notes to the Financial Statements;
- Required Supplementary Information; and
- Schedule of Activities.

The System follows the "business-type activities" (BTA) requirements of GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

The financial statements are reported on a consolidated basis and the System classified resources into the following net position categories:

- **Net investment in capital assets**—Capital assets, at historical cost or fair market value on the date of gift, net of accumulated depreciation, plus deposit with trustee; reduced by outstanding principal balances of debt; increased by deferred outflows of resources, and decreased by deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

- **Restricted nonexpendable**—Net position subject to externally-imposed stipulations that is invested permanently by the System. The amount is affected by new nonexpendable gifts.
- **Restricted expendable**—Net position whose use by the System is subject to externally-imposed stipulations. Such assets include the accumulated net gains/losses on true endowment funds as well as the fair market value of restricted funds functioning as endowments, restricted funds loaned to students, restricted gifts and endowment income, and other similar restricted funds.
- **Unrestricted**—All other categories of net position. Unrestricted net position may be designated by actions of the System's Board of Trustees.

The System determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. However, the System generally encourages the use of restricted resources first.

Reporting Entity

The financial reporting entity consists of the primary government (the System), its component units, which consist of the seven Foundations of the System's Colleges (the Foundations), and the Maine Community College System Post-Employment Benefit Trust (the Trust).

The Trust is a separate legal entity established in 2009 to accumulate funds to pay, at least in part, the System's obligations under the post-employment healthcare plan. See Note 10 for more information.

The Foundations are legally separate, tax-exempt component units of the System. The Foundations act primarily as fundraising organizations to supplement the resources that are available to the System by raising money for endowed scholarships, technology, and teaching resources. The Foundations are self-perpetuating and their donors consist of graduates and friends of the Colleges. Although the System does not control the timing or amount of receipts from the Foundations, the majority of resources, and income thereon, that the Foundations hold and invest are restricted to the activities of the System by the donors. Because these resources held by the Foundations can only be used by, or for the benefit of, the System, the Foundations are considered component units of the System. The Foundations are reported in separate financial statements.

The Foundations are private, not-for-profit organizations that report their financial results in accordance with private, non-governmental accounting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the System's financial reporting entity for these differences. Significant note disclosures to the Foundations' financial statements have been incorporated into the System's notes to the financial statements in Note 16.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Cash Equivalents

Cash equivalents are carried at cost, which approximates fair value, and consist principally of money market funds and other pooled funds with maturities of three months or less at the date of purchase.

Investments

Investments are reported at fair value. Realized gains and losses are calculated on a specific identification basis.

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Endowment Investments

Endowed investments consist of funds received from donors with the stipulation that the original principal remain invested in perpetuity to produce income, which is to be expended for the purposes specified by the donor. All endowments have been established for the purpose of granting scholarships to students.

Individual endowment funds are invested on a pooled basis. Total endowment investment yield received for the year is ratably allocated to fund accounts.

Accounts Receivable

Accounts receivable consist principally of tuition receivable from students and third-party payors and various state and federal grants.

Student accounts receivable are carried at the unpaid balance of the original amount billed to students, net of an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

A student account receivable is generally considered to be past due if any portion of the receivable balance is outstanding at the beginning of a semester, at which point late charges may be assessed and are recognized when charged. Interest is not charged on past-due accounts.

Capital Assets

Capital assets funds, derived from appropriations and the System funds so designated by the Board of Trustees, may be used to meet expenditures for construction of additional facilities, major renovations, and retirement of indebtedness arising there from. Designated funds are unrestricted funds for which the Board of Trustees or administration stipulates a specific use, thereby designating them for that purpose. However, the Board of Trustees may at any time redesignate the funds for other use. Total designated capital assets funds included in unrestricted net position amounted to \$31,326,532 and \$28,308,189 at June 30, 2023 and 2022, respectively.

Land, buildings, equipment, and fixtures are stated at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Expenditures for maintenance, repairs, and assets with a cost of under \$5,000 are expensed as incurred. Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statements of revenues, expenses, and changes in net position. Assets are depreciated on a straight-line basis according to the following estimated useful lives:

Buildings	40 years
Improvements	10 years
Furniture and equipment	3—10 years
Library books and periodicals	5 years

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employee and Teacher Retirement Plan (the SET Pension Plan), and additions to/deductions from the SET Pension Plan's fiduciary net position, has been determined on the same basis as it is reported by the SET Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Group Life Insurance Plan for Retired State Employees and Teachers (the SET OPEB Plan), and additions to/deductions from the SET OPEB Plan's fiduciary net position, has been determined on the same basis as it is reported by the SET OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the System has recorded deferred outflows and inflows of resources relative to its pension plan and OPEB plans and deferred gain on bond refunding.

An analysis of deferred outflows of resources, deferred inflows of resources, and net position at June 30 is as follows:

	2023		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Asset) Liability</u>
Maine Public Employees Retirement System Pension Plan	\$ 14,215,505	\$ 6,996,200	\$ 39,038,376
Maine Community College System Post-employment Health Insurance Plan	7,912,001	22,683,458	(15,195,637)
Maine Public Employees Retirement System OPEB Plan	776,213	301,716	3,109,401
Deferred gain on bond refunding	-	363,087	-
Total	<u>\$ 22,903,719</u>	<u>\$ 30,344,461</u>	<u>\$ 26,952,140</u>
	2022		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Asset) Liability</u>
Maine Public Employees Retirement System Pension Plan	\$ 16,747,677	\$ 26,566,421	\$ 26,390,375
Maine Community College System Post-employment Health Insurance Plan	9,352,081	18,255,882	(5,500,484)
Maine Public Employees Retirement System OPEB Plan	572,489	658,204	2,591,142
Deferred gain on bond refunding	-	391,017	-
Total	<u>\$ 26,672,247</u>	<u>\$ 45,871,524</u>	<u>\$ 23,481,033</u>

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The System accrues amounts for compensated absences as earned. As of June 30, 2023 and 2022, the System had accrued \$3,435,835 and \$3,397,937, respectively. These accrued balances represent vacation and earned time amounts available to be used or payable to employees upon termination of employment.

Revenue Recognition

Tuition and fees revenues are recognized when the services are performed. Unrestricted gifts of securities and other noncash assets are recognized as revenue based on the fair value at the date of donation; restricted grants and gifts are recognized as revenue based on the fair value when eligibility requirements have been met; state appropriations are recognized in the year the State appropriates the funds.

Unearned revenue consists primarily of unrestricted tuition and student fees related to future fiscal years.

Investment income consists of interest and dividend income recognized on the accrual method, as well as realized and unrealized gains or losses on investments.

Auxiliary enterprises furnish goods or services to students, faculty, or staff, and charge a fee directly related to the cost of the goods or services. Revenues from auxiliary enterprises are primarily earned from college stores and are recognized as the services are performed or the goods are delivered.

Operating Revenues and Expenses

Operating revenues substantially consist of tuition and fees; federal, state, and other grants and contracts for noncapital purposes; sales and services of education activities; and auxiliary enterprises revenues. Operating expenses include instruction, public service, academic support, student services, institutional support, operations and maintenance, student aid, auxiliary enterprises and residential life, and depreciation and amortization. All other revenues and expenses of the System are reported as other or nonoperating revenues and expenses, including state general appropriations, noncapital gifts, investment income, interest expense, and capital additions and deductions. Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only to the extent eligibility requirements have been met, primarily representing funds spent for expenditure driven grants.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Tax Status

The System is exempt from income taxes because it is an instrumentality of the State of Maine. The Foundations are exempt from income taxes because they are 501(c)(3) organizations. The Trust is exempt from income taxes by virtue of the exempt status of the System.

If an exempt organization regularly carries on a trade or business not substantially related to its exempt purpose, except that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business. The System has evaluated the positions taken on its business activities and has concluded no unrelated business income tax exists at June 30, 2023 and 2022.

Custodial Funds

Custodial funds are cash held by an institution acting as custodian or fiscal agent, but not assets or liabilities of the institution. The cash is deposited with the institution for safekeeping, to be used or withdrawn by the depositor at will. As of June 30, 2023 and 2022, the System held assets totaling \$1,694,684 and \$1,504,192, respectively, consisting primarily of Student Union Activity Funds, which are not reflected in the accompanying statements of net position.

Risk Management

The System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses. These estimates include, but are not limited to, the valuation of accounts and pledges receivable and the actuarial assumptions used in determining the post-employment benefit expenses and related balances. Actual results could differ from those estimates.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements Not Yet Effective

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB No. 62*. This Statement provides guidance on accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes and outlines parts of the description for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. This Statement requires disclosure in notes to the financial statements of descriptive information about the changes and error corrections, such as their nature and the quantitative effects on the beginning balances. Furthermore, the Statement addresses how information is affected by the change in accounting principle or error correction should be presented in the required supplementary information (RSI), and supplementary information (SI). This Statement is effective for reporting periods beginning after June 15, 2023, and earlier application is encouraged. Management is currently evaluating the impact this Statement will have on the System's financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Compensated absences including parental leave, military leave, and jury duty leave, are not to be recognized until the leave commences. For financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditure be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement is effective for reporting periods beginning after December 15, 2023, and earlier application is encouraged. Management is currently evaluating the impact this Statement will have on the System's financial statements.

New Accounting Pronouncement

As of June 30, 2023, the System adopted new accounting guidance, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The adoption of the statement and related guidance during the year ended June 30, 2023 did not have a material impact of the financial statements of the System.

As of June 30, 2023, the System adopted the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement was applied retrospectively resulting in restatement of the 2022 balances.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Concluded)

Subscription-Based Information Technology Arrangements

The System is party to five SBITAs. The System recognizes a subscription liability and an intangible right-of-use subscription asset (subscription asset) in the statements of net position. The System reports SBITA current expenditures in the statements of revenues, expenditures, and changes in net position. The System recognizes subscription liabilities with an initial term greater than 12 months. Remaining subscription terms range from 1 to 11 years with fixed payments due monthly and annually. For SBITAs with a maximum possible term of 12 months or less at commencement, the System recognizes expenses/expenditures based on the provisions of the arrangement.

At the commencement of a SBITA, the System initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the SBITA asset or subscription term.

Key estimates and judgments related to SBITAs include how the System determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

The System uses prime rate at the commencement date of the contract as the discount rate. The subscription term includes the noncancellable period during which the System has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the System or vendor will exercise that option or to terminate if it is reasonably certain that the System or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments only.

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

Subscription assets are reported with noncurrent assets and subscription liabilities are reported with long-term liabilities on the statements of net position.

The impact of the adoption of the new accounting standards as of June 30, 2022 was as follows:

Net position at June 30, 2022, as previously reported before	
adoption of new accounting principle	\$ 223,115,429
Cumulative effect of change in accounting principle	<u>(11,600)</u>
Net position at June 30, 2022, after adoption of the accounting principle	<u>\$ 223,103,829</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2023 and 2022

2. Cash and Cash Equivalents

The carrying amounts, which represent both cost and fair value, of cash and cash equivalents for the System at June 30, 2023 and 2022 are presented below:

	<u>2023</u>	<u>2022</u>
Cash in bank	\$ 19,159,634	\$ 9,375,836
Deposits in transit (outstanding checks)	20,305	(31,187)
State Treasurer's Cash Pool	<u>28,424,798</u>	<u>26,505,152</u>
	<u>\$ 47,604,737</u>	<u>\$ 35,849,801</u>

The bank account balances are covered by depository insurance up to \$250,000 at each bank at June 30, 2023 and 2022. The cash in bank in excess of depository insurance is collateralized by a \$1,000,000 stand-by letter of credit with the Federal Home Loan Bank. Cash in bank in excess of \$1,250,000 is uncollateralized. The System has established internal procedures to monitor credit risk relating to deposits in financial institutions.

The State Treasurer's Cash Pool (the Pool), established by the Maine State Treasurer, is not rated by a nationally recognized statistical rating organization. However, the Pool is limited by State law to invest in obligations of the U.S. Treasury and its agencies and instrumentalities that mature within 36 months; repurchase agreements that are secured by obligations of the U.S. Government and its agencies and instrumentalities and mature within 12 months; prime commercial paper; tax-exempt municipal obligations rated no less than AA; corporate bonds rated AAA; money market funds; bankers' acceptances not exceeding 180 days; and time certificates of deposit not exceeding two years.

The System's management considers this investment to be a money market instrument and carries the amounts at cost, which approximates fair value.

3. Investments

The fair value of investments for the System at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Management account investments		
Investments at net asset value (NAV)		
Equity	\$ 29,973,621	\$ 26,357,971
Fixed-income	<u>39,733,620</u>	<u>38,701,294</u>
Total management account investments	69,707,241	65,059,265
Other investments	<u>6,439</u>	<u>5,412</u>
Total investment balance	<u>\$ 69,713,680</u>	<u>\$ 65,064,677</u>

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

3. Investments (Continued)

The System's investments are reported in the financial statements at June 30, 2023 and 2022 as follows, based on the portfolios underlying fund investments:

	<u>2023</u>	<u>2022</u>
Short-term investments	\$ 53,971,488	\$ 50,114,804
Endowment investments	<u>15,742,192</u>	<u>14,949,873</u>
	<u>\$ 69,713,680</u>	<u>\$ 65,064,677</u>

Interest Rate Risk

The System manages interest rate risk according to its investment policy by maintaining investments that are both liquid, as determined by a readily available market, and highly diversified, using institutional class mutual funds or exchange-traded funds.

Credit Risk

The System limits its exposure to credit risk in its investment policy by investing in highly diversified fixed-income funds. Collectively taken, the majority of the underlying holdings in these funds in which the System may invest are investment grade as rated by a nationally recognized statistical rating organization (NRSRO). The System further reduces potential credit risk by not investing directly in individual fixed-income securities. Management periodically reviews the exposure to securities that are unrated or below investment grade in its portfolios to ensure the System limits its credit risk.

A summary of fixed-income investments and their related interest rate and credit risks as of June 30, 2023 and 2022 are as follows:

<u>Rating</u>	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Maturity</u>	<u>Amount</u>	<u>Maturity</u>
AA	<u>\$ 39,733,620</u>	6.1 years	<u>\$ 38,701,294</u>	4.9 years

The ratings are, and the maturities are the weighted averages of, the debt securities in which the funds invest.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

3. Investments (Continued)

Concentration of Credit Risk

The System has not defined a limit in its investment policies regarding the amount that can be placed in one issuer. However, the investment policy defines that the portfolio should be well diversified as to limit exposure to one issuer or security. Also, within the individual funds, the net credit exposure to any single issuer is not to represent 5% or more of the fund with the exception of U.S. Treasuries and Agencies and investment grade Organization for Economic Co-operation and Development member countries and their instrumentalities. As of June 30, 2023 and 2022, individual investments representing more than 5% of the System's investments were as follows:

	<u>Percentage of Investments</u>	
	<u>2023</u>	<u>2022</u>
Wellington Trust Co. (WTC)-Common Trust Funds (CTF)		
Ultra Short Duration	10.8 %	21.9 %
WTC-CTF Intermediate Bond	28.5	18.7
WTC-CTF Global Opportunities Equity Fund	18.1	16.2
WTC-CTF Enduring Assets Equity Fund	4.8	5.1
WTC-CTF Core Bond Plus	17.7	18.8
WTC-CTF Research Equity	9.7	8.9

Custodial Credit Risk

All of the System's investments are held with a third-party custodian in the System's name.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB No. 72 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

3. Investments (Continued)

At June 30, 2023 and 2022, certain investments were measured at NAV, which is fair value estimated by management using values provided by the investment managers. Management does not anticipate that these funds will be liquidated, although relative positions are rebalanced periodically.

Assets measured at fair value on a recurring basis are summarized below:

<u>Fair Value Measurements at June 30, 2023, Using:</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and short-term investments	\$ 6,439	\$ <u>6,439</u>	\$ <u>-</u>	\$ <u>-</u>
Investments at NAV				
Equity funds	29,973,621			
Fixed-income funds	<u>39,733,620</u>			
	<u>\$ 69,713,680</u>			
<u>Fair Value Measurements at June 30, 2022, Using:</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and short-term investments	\$ 5,412	\$ <u>5,412</u>	\$ <u>-</u>	\$ <u>-</u>
Investments at NAV				
Equity funds	26,357,971			
Fixed-income funds	<u>38,701,294</u>			
	<u>\$ 65,064,677</u>			

Assets measured at NAV at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>Redemption</u>	<u>Redemption</u>
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Frequency</u>	<u>Notice Period</u>
Equity funds:				
CTF Enduring Assets (a)	\$ 3,361,263	\$ 3,307,626	Daily	On redemption date
CTF Global Quality Growth (b)	2,808,702	2,583,917	Daily	On redemption date
CTF Global Opportunities (c)	12,601,296	10,522,167	Daily	On redemption date
CTF Quality Value (d)	2,188,588	2,049,759	Daily	On redemption date
CTF Emerging Markets Research				10 days prior to
Equity (e)	400,118	424,654	Weekly	redemption date
CTF Research Equity (f)	6,743,651	5,765,161	Daily	On redemption date
CTF Small Cap Opportunities (g)	<u>1,870,003</u>	<u>1,704,687</u>	Daily	On redemption date
	<u>\$ 29,973,621</u>	<u>\$ 26,357,971</u>		

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

3. Investments (Continued)

	<u>2023 Fair Value</u>	<u>2022 Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fixed-income funds:				
CTF Core Bond Plus (h)	\$12,346,403	\$12,223,132	Daily	On redemption date
CTF Intermediate Bond (i)	19,854,148	12,198,757	Daily	On redemption date
CTF Ultra Short Duration (j)	<u>7,533,069</u>	<u>14,279,405</u>	Daily	On redemption date
	<u>\$39,733,620</u>	<u>\$38,701,294</u>		

- (a) This fund invests in companies with long-lived physical assets that exhibit low levels of earnings volatility and is managed on a total return basis.
- (b) This fund invests in high quality growth companies to provide long-term total returns above the Morgan Stanley Capital International (MSCI) Index and is managed on a total return basis.
- (c) This fund invests primarily in common stock to provide long-term total return in excess of the MSCI All Country World Index and is managed on a total return basis.
- (d) This fund invests primarily in large-capitalization companies to provide long-term total return in excess of the Russell 1000 Value Index over full market cycles and it managed on a total return basis.
- (e) This fund invests in real estate securities, convertible bonds, preferred stock, exchange-traded funds, and similar liquid investments and is managed to provide a long-term total return in excess of the MSCI Emerging Markets Index.
- (f) This fund invests primarily in equity securities issued by companies incorporated or exercising a predominant part of their economic activities in the U.S. The fund may also invest up to 10% of the fund's assets in non-U.S. companies.
- (g) This fund invests in common stocks of U.S. companies with a market cap between \$100 million and \$3 billion. Up to 15% of the Portfolio's assets may be invested in non-US securities and less than 5% will be invested in cash (maximum of 10%).
- (h) This fund invests in U.S. Government and Agency securities, mortgage securities, municipal securities, and other similar assets to provide long-term total return in excess of the U.S. bond market represented by the Barclays Aggregate Bond Index. The fund also purchases debt obligations meeting similar risk and is managed on a total return basis.
- (i) This fund invests in investment-grade, U.S. dollar-denominated debt obligations of U.S. and non-U.S. issuers to provide long-term return in excess of the Barclays Capital Intermediate Government/Credit Bond Index and is managed on a total return basis.

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

3. Investments (Concluded)

(j) This fund invests in investment grade, U.S. dollar-denominated debt obligations of U.S. and non-U.S. issuers to provide long-term total return in excess of the Barclays Capital 9 – 12 Month Treasury Index while maintaining liquidity and preserving capital. It is managed on a total return basis.

4. Accounts Receivable

Accounts receivable at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Grants and contracts	\$ 7,724,784	\$ 3,980,839
Student and general	4,651,126	2,395,057
Allowance for doubtful accounts	<u>(1,509,581)</u>	<u>(776,536)</u>
Total accounts receivable, net	<u>\$ 10,866,329</u>	<u>\$ 5,599,360</u>

5. Capital Assets

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>
Non-depreciated assets:				
Land	\$ 3,963,348	\$ -	\$ -	\$ 3,963,348
Construction in process	<u>3,826,591</u>	<u>3,866,404</u>	<u>(1,739,984)</u>	<u>5,953,011</u>
	<u>7,789,939</u>	<u>3,866,404</u>	<u>(1,739,984)</u>	<u>9,916,359</u>
Depreciated assets:				
Buildings	155,653,701	-	-	155,653,701
Improvements	139,346,940	6,434,550	-	145,781,490
Furniture and equipment	86,126,669	4,583,735	(204,044)	90,506,360
Library books and periodicals	<u>3,758,755</u>	<u>36,498</u>	<u>(4,898)</u>	<u>3,790,355</u>
	<u>384,886,065</u>	<u>11,054,783</u>	<u>(208,942)</u>	<u>395,731,906</u>
Accumulated depreciation:				
Buildings	\$ (85,130,793)	\$ (3,239,149)	\$ -	\$ (88,369,942)
Improvements	(48,782,435)	(4,352,324)	-	(53,134,759)
Furniture and equipment	(73,233,472)	(5,267,369)	188,326	(78,312,515)
Library books and periodicals	<u>(3,659,740)</u>	<u>(46,964)</u>	<u>4,898</u>	<u>(3,701,806)</u>
	<u>(210,806,440)</u>	<u>(12,905,806)</u>	<u>193,224</u>	<u>(223,519,022)</u>
Capital assets, net	<u>\$ 181,869,564</u>	<u>\$ 2,015,381</u>	<u>\$ (1,755,702)</u>	<u>\$ 182,129,243</u>

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

5. Capital Assets (Concluded)

Capital assets activity for the year ended June 30, 2022 is summarized as follows:

	Balance July 1, 2021	Additions	Retirements/ Reductions	Balance June 30, 2022
Non-depreciated assets:				
Land	\$ 3,830,705	\$ 132,643	\$ -	\$ 3,963,348
Construction in process	<u>6,698,413</u>	<u>3,740,710</u>	<u>(6,612,532)</u>	<u>3,826,591</u>
	<u>10,529,118</u>	<u>3,873,353</u>	<u>(6,612,532)</u>	<u>7,789,939</u>
Depreciated assets:				
Buildings	155,404,620	249,081	-	155,653,701
Improvements	131,179,513	8,316,881	(149,454)	139,346,940
Furniture and equipment	82,221,930	5,275,269	(1,370,530)	86,126,669
Library books and periodicals	<u>3,811,622</u>	<u>25,384</u>	<u>(78,251)</u>	<u>3,758,755</u>
	<u>372,617,685</u>	<u>13,866,615</u>	<u>(1,598,235)</u>	<u>384,886,065</u>
Accumulated depreciation:				
Buildings	\$ (81,943,129)	\$ (3,253,096)	\$ 65,432	\$ (85,130,793)
Improvements	(44,679,477)	(4,135,754)	32,796	(48,782,435)
Furniture and equipment	(69,400,700)	(5,098,022)	1,265,250	(73,233,472)
Library books and periodicals	<u>(3,681,376)</u>	<u>(56,616)</u>	<u>78,252</u>	<u>(3,659,740)</u>
	<u>(199,704,682)</u>	<u>(12,543,488)</u>	<u>1,441,730</u>	<u>(210,806,440)</u>
Capital assets, net	<u>\$ 183,442,121</u>	<u>\$ 5,196,480</u>	<u>\$ (6,769,037)</u>	<u>\$ 181,869,564</u>

6. Leases

The System entered into a 10-year operating lease, effective February 1, 2020, for the building in which the central administrative office of the System is currently located. Each year the annual rent may be adjusted by an inflation factor. There was a 6% and 2% adjustment in 2023 and 2022, respectively. The amount of rent paid in excess of amortization for 2023 was \$10,294. There were no amounts of rent paid in excess of amortization for 2022.

The following table presents the lease-related assets and liabilities as of the years ended June 30:

	<u>2023</u>	<u>2022</u>
Right-of-use asset	\$ 1,100,615	\$ 1,100,615
Accumulated amortization on right of use asset	<u>(345,131)</u>	<u>(228,756)</u>
Right-of-use asset, net	<u>\$ 755,484</u>	<u>\$ 871,859</u>
Lease obligation—current portion	\$ 111,373	\$ 131,246
Lease obligation—long-term portion	<u>669,952</u>	<u>758,857</u>
Total lease obligation	<u>\$ 781,325</u>	<u>\$ 890,103</u>

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

6. Leases (Concluded)

A maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the lease obligation, and certain other statistical data related to these leases, follows:

2024	\$ 128,673
2025	128,673
2026	128,673
2027	128,673
2028	128,673
Thereafter	<u>201,198</u>
Total	844,563
Less discount	<u>(63,238)</u>
Total	<u>\$ 781,325</u>
Weighted-average discount rate	2.00 %
Weighted average remaining lease term	7 years

7. Software Subscriptions

The total subscription assets were \$15,619,593 and \$376,313 as of June 30, 2023 and 2022, respectively. In 2022, the System had one SBITA subject to GASB Statement No. 96. In 2023, the System initiated four additional SBITAs increasing the SBITA right-to-use assets by \$17,751,701 and included implementation costs of \$4,404,430. During the years ended June 30, 2023 and 2022, the System incurred \$1,744,196 and \$188,157, respectively, in SBITA amortization expense.

The following is a schedule by year of future minimum SBITA payments as of June 30, 2023:

<u>Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2024	\$ 1,800,603	\$ 681,645	\$ 1,118,958
2025	1,610,484	622,163	988,321
2026	1,544,049	557,649	986,400
2027	1,567,508	492,770	1,074,738
2028	1,591,354	422,185	1,169,169
2029 – 2033	<u>7,460,531</u>	<u>924,482</u>	<u>6,536,049</u>
Total minimum lease payments	<u>\$ 15,574,529</u>	<u>\$ 3,700,894</u>	<u>\$ 11,873,635</u>

**MAINE COMMUNITY COLLEGE SYSTEM
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8. Long-Term Debt

Long-term debt activity for the year ended June 30, 2023 is summarized as follows:

	2023					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Premium Accretion</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	<u>\$15,411,188</u>	<u>\$ -</u>	<u>\$ 895,000</u>	<u>\$ 127,420</u>	<u>\$14,388,768</u>	<u>\$ 935,000</u>

Long-term debt activity for the year ended June 30, 2022 is summarized as follows:

	2022					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Premium Accretion</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	<u>\$16,388,609</u>	<u>\$ -</u>	<u>\$ 850,000</u>	<u>\$ 127,421</u>	<u>\$15,411,188</u>	<u>\$ 895,000</u>

Notes payable consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Notes payable to Maine Health and Higher Educational Facilities Authority (MHHEFA) in conjunction with revenue bonds:		
Series 2016A (including original issue premium of \$2,548,411), which bears interest at rates ranging from 3.00% to 5.00%; annual principal payments due in amounts ranging from \$245,000 to \$1,470,000. The notes will be paid in full in fiscal 2036.	<u>\$ 14,388,768</u>	<u>\$ 15,411,188</u>

In June of 2016, the System issued revenue bonds with a par value of \$19,010,000 through MHHEFA (direct borrowing) with an average annual interest rate of 4.7% and a final maturity in July 2035. MHHEFA requires that \$1,527,700 of the bond proceeds be transferred to a debt reserve fund. The amount transferred to the debt reserve fund is retained by MHHEFA in an interest bearing account and is to be used by MHHEFA to make the final payment of principal and interest in 2035. Accordingly, funds transferred to MHHEFA are not included as assets and are deducted from the amounts owed in the System's statement of net position. The bonds were issued at a premium of \$2,548,411. These revenue bonds were used to refund the MHHEFA Series 2006F revenue bonds originally issued in September 2006.

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8. Long-Term Debt (Concluded)

The notes are collateralized by the gross receipts of the System. The System is required to make monthly deposits of principal and interest of amounts sufficient to make the semi-annual interest payments and annual principal payments and to maintain a ratio of income available for debt service to annual debt service of at least 1.20 for each fiscal year. At June 30, 2023, the System met the debt service ratio.

At June 30, 2023, future payments in conjunction with the notes payable to MHHEFA related to the Series 2016A revenue bonds are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 935,000	\$ 567,750	\$ 1,502,750
2025	980,000	525,350	1,505,350
2026	960,000	485,800	1,445,800
2027	1,050,000	441,900	1,491,900
2028	1,070,000	390,450	1,460,450
2029 – 2033	6,130,000	1,167,225	7,297,225
2034 – 2037	<u>1,607,300</u>	<u>105,825</u>	<u>1,713,125</u>
Total payments	12,732,300	<u>\$ 3,684,300</u>	<u>\$ 16,416,600</u>
Unamortized premium	<u>1,656,468</u>		
Total	<u>\$ 14,388,768</u>		

9. Other Long-Term Liabilities

A summary of changes in other long-term liabilities for the years ended June 30, 2023 and 2022 is as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Lease obligation (Note 6)	\$ 890,103	\$ -	\$ (108,778)	\$ 781,325	\$ 111,373
Subscription liabilities (Note 7)	387,913	12,571,445	(1,085,723)	11,873,635	1,118,958
Net pension liability (Note 10)	26,390,375	12,648,001	-	39,038,376	-
Net OPEB liability (Note 11)	<u>2,591,142</u>	<u>518,259</u>	<u>-</u>	<u>3,109,401</u>	<u>-</u>
	<u>\$ 30,259,533</u>	<u>\$ 25,737,705</u>	<u>\$(1,194,501)</u>	<u>\$ 54,802,737</u>	<u>\$ 1,230,331</u>

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9. Other Long-Term Liabilities (Concluded)

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Current <u>Portion</u>
Lease obligation (Note 6)	\$ 979,296	\$ -	\$ (89,193)	\$ 890,103	\$ 131,246
Subscription liabilities (Note 7)	-	564,470	(176,557)	387,913	187,913
Net pension liability (Note 10)	51,040,842	-	24,650,467	26,390,375	-
Net OPEB liability (Note 11)	<u>2,992,572</u>	<u>-</u>	<u>(401,430)</u>	<u>2,591,142</u>	<u>-</u>
	<u>\$ 55,012,710</u>	<u>\$ 564,470</u>	<u>\$25,317,647</u>	<u>\$ 30,259,533</u>	<u>\$ 319,159</u>

10. Retirement Plans

Defined Benefit Pension Plan

The System participates in the SET Pension Plan, a multiple-employer cost sharing plan administered by the Maine Public Employees Retirement System (the MainePERS). The MainePERS provides pension benefits to its members, which include employees of the State, certain public school employees, and employees of local municipalities and other public entities in Maine. There are approximately 239 employers in the SET Pension Plan. All state employees and teachers become members of the SET Pension Plan as a condition of their employment.

The MainePERS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C.421, 423, and 425. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the SET Pension Plan. That report is available online at www.maineopers.org or may be obtained by writing to the Maine Public Employees Retirement System, PO Box 349, Augusta, Maine 04332-0349.

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Notes to Financial Statements

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10. Retirement Plans (Continued)

The SET Pension Plan provides defined retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age (prior to October 1, 1999, the service credit requirement is ten years); normal retirement age for the SET Pension Plan is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by Maine statute.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits. The annual rate of interest credited to members' accounts is set by the MainePERS Board of Trustees and is currently 1.52%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost and by earnings on investments. In accordance with Maine statute, members are required to contribute 7.65% of their earnable compensation to the SET Pension Plan. The System is required to contribute at an actuarially-determined rate (22.24% and 22.11% of annual payroll for fiscal years 2023 and 2022, respectively) that, when combined with the contributions of other reporting entities, will be adequate to fund the SET Pension Plan.

The contribution rate is determined using an entry-age normal actuarial funding method for retirement benefits and a term-cost method for ancillary benefits. The System may be required to make contributions to fund the SET Pension Plan's pooled unfunded actuarial liability, if any. The contribution requirements of the SET Pension Plan members and the System are established by, and may be amended by, the State legislature.

Total System and employee contributions (which equal the actuarially-required contributions) to the SET Pension Plan are as follows:

	<u>2023</u>	<u>2022</u>
System	\$ 8,466,766	\$ 7,386,034
Employee	<u>2,826,199</u>	<u>2,475,957</u>
Total	<u>\$ 11,292,965</u>	<u>\$ 9,861,991</u>

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

10. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to the SET Pension Plan

At June 30, 2023 and 2022, the System reported a liability for its proportionate share of the net pension liability of the SET Pension Plan. At June 30, 2023 and 2022, the net pension liability was measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The System's proportionate share of the net position liability was based on a projection of the System's long-term share of contributions to the SET Pension Plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the System's proportion was 4.21%, which was an increase of 0.12% from its proportion measured as of June 30, 2021.

The System recognized pension expense of \$4,074,843 and \$692,457 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the System reported deferred outflows of resources and deferred inflows of resources related to the SET Pension Plan from the following sources:

	2023		2022	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 589,790	\$ -	\$ 893,136	\$ -
Changes in assumptions	4,358,523	-	8,468,507	-
Net difference between projected and actual earnings on SET Pension Plan investments	-	6,227,073	-	23,880,796
Changes in proportion and differences between System contributions and proportionate share of contributions	800,426	769,127	-	2,685,625
System contributions subsequent to the measurement date	<u>8,466,766</u>	<u>-</u>	<u>7,386,034</u>	<u>-</u>
	<u>\$ 14,215,505</u>	<u>\$ 6,996,200</u>	<u>\$ 16,747,677</u>	<u>\$ 26,566,421</u>

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10. Retirement Plans (Continued)

The deferred outflows of resources resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SET Pension Plan will be recognized as a reduction of or addition to pension expense as follows for the years ending June 30:

2024	\$ 1,698,754
2025	(1,993,255)
2026	(3,898,513)
2027	2,945,553

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method—The entry age normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the SET Pension Plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his/her expected future salary.

The normal cost for each member is the product of his/her pay and his/her normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses (i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions) affect the unfunded actuarial-accrued liability.

Asset Valuation Method—The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization—The net pension liability is amortized on a level percentage of payroll over the amortization period then in effect under Maine statutory and constitutional requirements.

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Notes to Financial Statements

June 30, 2023 and 2022

10. Retirement Plans (Continued)

Significant actuarial assumptions employed by the actuary in the actuarial valuation and for funding purposes as of June 30, 2022 and 2021 are as follows:

Investment Rate of Return—6.50% per annum for the years ended June 30, 2022 and 2021, compounded annually.

Salary Increases, Merit and Inflation—3.26% – 9.43%, including inflation of 2.75%.

Mortality Rates—For active members and non-disabled retirees, the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table is used, for males and females, projected generationally using the REC_2020 model.

Cost of Living Benefit Increases—2.20% per annum. All service and disability retirement and survivor benefits are adjusted each year that there is a percentage change in the Consumer Price Index, based on the index. The maximum annual increase is 3%. If the percentage change is negative, then no adjustment is made in that year. In subsequent years, the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. The process of adjustments may occur over a multi-year period if needed to recoup the full value of the negative changes in the index.

The long-term expected rate of return on the SET Pension Plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. 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 geometric real rates of return for each major asset class included in the SET Pension Plan's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	30.0 %	6.0 %
U.S. Government	7.5	2.3
Private equity	15.0	7.6
Real assets		
Real estate	10.0	5.2
Infrastructure	10.0	5.3
Natural resources	5.0	5.0
Traditional credit	7.5	3.2
Alternative credit	5.0	7.4
Diversifiers	10.0	5.9

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Notes to Financial Statements

June 30, 2023 and 2022

10. Retirement Plans (Continued)

Discount Rate—The discount rate used to measure the collective total pension liability was 6.50% for 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that SET Pension Plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the SET Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SET Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the System's proportionate share of the net pension liability as of June 30, 2022 and 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2022</u>			
The System's proportionate share of the net pension liability	<u>\$ 68,641,773</u>	<u>\$ 39,038,376</u>	<u>\$ 15,480,918</u>
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2021</u>			
The System's proportionate share of the net pension liability	<u>\$ 53,787,170</u>	<u>\$ 26,390,375</u>	<u>\$ 3,384,107</u>

Changes in the net pension liability are recognized in pension expense with the following exceptions:

Differences between Expected and Actual Experience—The differences between expected and actual experience with regard to economic or demographic factors are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. For the 2022 and 2021 actuarial valuations, this was three years.

Differences between Projected and Actual Investment Earnings—Differences between projected and actual investment earnings are recognized in pension expense using a straight-line amortization method over a closed five-year period.

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10. Retirement Plans (Concluded)

Changes in Assumptions—Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions—Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer-specific liability.

Rationale for Assumptions—The assumptions were adopted by the SET Pension Plan trustees as a result of the latest experience study covering the period July 1, 2015 through June 30, 2020.

Defined Contribution Plan

Certain employees participate in an optional defined contribution plan with TIAA-CREF, a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed, plus investment earnings. Only confidential employees and, as of July 1999, Maine Education Association (MEA) Administrators and faculty are eligible to participate in the TIAA-CREF defined contribution plan. The System contributes 12.88% and 6.04% of total salaries for eligible confidential and MEA employees, respectively. The System contribution is funded as it accrues and, along with the contributions of the employees, is immediately vested. Employees make contributions at an average of 7.49% of total salaries (7.75% in 2022). Total employer contributions to the TIAA-CREF program in fiscal years 2023 and 2022, respectively, amounted to \$1,836,846 and \$1,724,615, which consisted of \$569,800 and \$553,385 for confidential employees and \$1,267,046 and \$1,171,230 for MEA employees, respectively. MEA employee contributions amounted to \$1,902,526 and \$1,552,792 in 2023 and 2022, respectively.

Total salaries and wages for covered employees participating in TIAA-CREF were \$25,401,490 and \$23,687,690 for fiscal years 2023 and 2022, respectively. Subject to applicable bargaining agreements, the Board of Trustees of the System is the authority under which benefits and contribution rates are established and may be amended.

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11. OPEB—Maine Public Employees Retirement System

Plan Description

In addition to providing pension benefits, MainePERS administers cost-sharing multiple-employer defined post-employment life insurance plans. The SET OPEB Plan is a multiple-employer cost sharing plan. As of June 30, 2022 there were approximately 228 employers, including the State, participating in the plan. The Group Life Insurance Plan provides basic group life insurance benefits, during retirement, to retirees who participated in the SET OPEB Plan prior to retirement for a minimum of 10 years. The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life insurance is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500. For participants who become disabled, the 10-year participation requirement does not apply and the amount of basic life insurance will be in full force until retirement age then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500. The MainePERS Board of Trustees is the authority under which benefit terms and contribution rates are established or may be amended.

Contributions

Premium rates are those determined by the MainePERS' Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. The rate for fiscal year 2023 was \$0.42 per \$1,000 of coverage.

Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution.

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the SET OPEB Plan

At June 30, 2023 and 2022, the System reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability is measured as of June 30, 2022 and 2021, and was determined by an actuarial valuation performed as of June 30, 2022 and 2021. The System's proportionate share of the net OPEB liability was based on a projection of the System's long-term share of contributions to the SET OPEB Plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, the System's proportion of the net OPEB liability was as follows:

	2023	2022
SET OPEB Plan net OPEB liability	\$ 73,371,797	\$ 63,274,101
The System's share of the net OPEB liability	\$ 3,109,401	\$ 2,591,142
The System's proportion of the net OPEB liability	4.24 %	4.10 %

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11. OPEB—Maine Public Employees Retirement System (Continued)

The System recognized OPEB expense of \$241,719 and \$129,109 for the years ended June 30, 2023 and 2022, respectively. The System reported deferred outflows of resources and deferred inflows of resources related to the SET OPEB Plan from the following sources at June 30:

	2023		2022	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on SET OPEB Plan investments	\$ 147,809	\$ -	\$ -	\$ 293,483
Difference between expected and actual experience	31,098	30,754	42,664	-
Changes in proportion	110,742	270,962	46,003	364,721
Changes in assumption	135,259	-	162,258	-
System contributions subsequent to the measurement date	<u>351,305</u>	<u>-</u>	<u>321,564</u>	<u>-</u>
	<u>\$ 776,213</u>	<u>\$ 301,716</u>	<u>\$ 572,489</u>	<u>\$ 658,204</u>

The deferred outflows of resources resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SET OPEB Plan will be recognized as a reduction of (increase in) SET OPEB Plan expense as follows for the years ending June 30:

2024	\$ (4,303)
2025	21,133
2026	1,584
2027	94,839
2028	1,720
Thereafter	8,219

Actuarial Methods and Assumptions

The total SET OPEB Plan liability in the June 30, 2022 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

Inflation: 2.75%

Salary increases: Individual and aggregate salary increases 3.26% – 9.43%

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11. OPEB—Maine Public Employees Retirement System (Continued)

Mortality rates: For active members and non-disabled retirees of the SET OPEB Plan, the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table is used, for males and females, projected generationally using the REC_2020 model.

The long-term expected rate of return on SET OPEB Plan assets of 6.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of SET OPEB Plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the SET OPEB Plan's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	70 %	6.0 %
Real estate	5	5.2
Traditional credit	15	3.0
U.S. Government securities	10	2.3

Discount rate: The discount rate used to measure the total SET OPEB liability was 6.50% in 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that SET OPEB Plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current SET OPEB Plan members. Therefore, the long-term expected rate of return on SET OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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11. OPEB—Maine Public Employees Retirement System (Concluded)

The following table shows how the System's proportionate share of the SET OPEB plan liability as of June 30, 2022 and 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2022</u>			
The System's proportionate share of the net OPEB liability	<u>\$ 3,831,818</u>	<u>\$ 3,109,401</u>	<u>\$ 2,519,879</u>
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2021</u>			
The System's proportionate share of the net OPEB liability	<u>\$ 3,256,343</u>	<u>\$ 2,591,142</u>	<u>\$ 2,048,393</u>

Rationale for Assumptions: The assumptions were adopted by the SET OPEB Plan trustees as a result of the latest experience study covering the period June 30, 2015 through June 30, 2020.

The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the SET OPEB Plan. That report is available online at www.maineopers.org or may be obtained by writing to the Maine Public Employees Retirement System, PO Box 349, Augusta, Maine 04332-0349.

12. Other Post-Employment Health Insurance Benefit Plan and Trust

The System established and administers a defined benefit post-employment healthcare plan, a single employer defined benefit plan, used to provide post-employment benefits other than pensions. This plan covers all employees who retire and participate in MainePERS or TIAA-CREF and provides healthcare benefits for retirees. Benefits are provided through a third-party insurer and the full cost of the benefits is covered by the plan.

The System records an expense for the post-employment healthcare plan as costs are incurred for current employees while the employees are performing services for the System. The amount in future years will be based on a calculation related solely to the System's employees and retirees. The System's contributions cover retirees only; additional family members are paid for by the retirees. Subject to applicable bargaining agreements, the Board of Trustees of the System is the authority under which benefits and contribution rates are established and may be amended. The System is required to contribute at an actuarially determined rate that will be adequate to fund the Plan. The System does not issue a stand-alone financial report for this plan.

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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Employees covered by benefit terms: At December 31, 2022 (the census date), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Active employees	875
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	398

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the Plan

The System's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System recognized OPEB income of \$2,113,767 and \$848,018 for the years ended June 30, 2023 and 2022, respectively. The System reported deferred outflows of resources and inflows of resources related to the OPEB plan from the following sources at June 30:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ -	\$ 20,546,522	\$ -	\$ 15,459,511
Change in assumptions	5,547,178	2,136,936	4,489,596	2,796,371
Net difference between projected and actual earnings in OPEB plan investments	<u>2,364,823</u>	<u>-</u>	<u>4,862,485</u>	<u>-</u>
	<u>\$ 7,912,001</u>	<u>\$ 22,683,458</u>	<u>\$ 9,352,081</u>	<u>\$ 18,255,882</u>

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized as a reduction of OPEB plan expense as follows for the years ending June 30:

2024	\$ (3,257,579)
2025	(3,354,317)
2026	(1,126,482)
2027	(2,339,047)
2028	(1,807,028)
Thereafter	(2,887,004)

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases: Individual and aggregate salary increases 3.00%—Annual Service Cost is a constant percentage of a participant's salary that is assumed to increase according to the salary increases.

Healthcare cost trend rates: 7.5% in the first year, trending down to 4.5% by fiscal year 2032 for Pre-65. 6.5% in the first year, trending down to 4.5% by fiscal year 2032 for Post-65.

Mortality Table: In 2023, the Mortality table for healthy retirees has been updated from SOA RPH-2006 Total Dataset Mortality Table fully generational using Scale MP-2020 to SOA RPH-2006 Total Dataset Mortality Table fully generational using Scale MP-2021.

Discount rate: The discount rate used to measure the total OPEB liability was 6.07% and 6.18% for June 30, 2023 and June 30, 2022, respectively. The System is expected to continue contributing the Actuarially Determined Contribution and paying the pay-as-you-go cost from the OPEB Trust. Under this arrangement, the OPEB Trust is expected to be able to pay for all future benefit payments.

Rationale for Assumptions: The assumptions were adopted by the trustees as a result of the latest experience study covering the period July 1, 2005 through June 30, 2009.

The long-term expected rate of return on plan assets was 6.07% and 6.18% for June 30, 2023 and June 30, 2022, respectively, and was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense) are developed for each major class of assets. 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	35.0 %	7.2 %
U.S. large cap equities	17.5	6.6
U.S. small cap equities	10.0	8.0
Emerging market equities	2.5	8.1
Infrastructure equities	5.0	7.2
Intermediate bonds	15.0	3.4
Core bonds	15.0	3.5

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Changes in the net OPEB liability (asset) for the year ended June 30, 2023 are as follows:

	<u>Increases (Decreases)</u>		
	<u>Total OPEB</u> <u>Liability</u>	<u>Plan Fiduciary</u> <u>Net Position</u>	<u>Net OPEB</u> <u>Liability</u> <u>(Asset)</u>
Balance as of June 30, 2021	\$ <u>47,817,743</u>	\$ <u>56,133,263</u>	\$ <u>(8,315,520)</u>
Change for the year:			
Service cost	1,421,779	-	1,421,779
Interest	2,956,037	-	2,956,037
Changes in assumptions	(423,017)	-	(423,017)
Differences between expected and actual experience	(8,669,051)	-	(8,669,051)
Benefit payments	(1,583,221)	(1,583,221)	-
Employer contributions	-	1,541,526	(1,541,526)
Net investment loss	-	(9,015,815)	9,015,815
Administrative expenses	-	(55,000)	55,000
Net changes	<u>(6,297,473)</u>	<u>(9,112,510)</u>	<u>2,815,037</u>
Balance as of June 30, 2022	<u>41,520,270</u>	<u>47,020,753</u>	<u>(5,500,483)</u>
Change for the year:			
Service cost	1,217,391	-	1,217,391
Interest	2,595,134	-	2,595,134
Changes in assumptions	2,063,826	-	2,063,826
Differences between expected and actual experience	(9,065,806)	-	(9,065,806)
Benefit payments	(1,513,083)	(1,513,083)	-
Employer contributions	-	1,713,730	(1,713,730)
Net investment income	-	4,846,968	(4,846,968)
Administrative expenses	-	(55,000)	55,000
Net changes	<u>(4,702,538)</u>	<u>4,992,615</u>	<u>(9,695,153)</u>
Balance as of June 30, 2023	<u>\$ 36,817,732</u>	<u>\$ 52,013,368</u>	<u>\$ (15,195,636)</u>

At June 30, 2023 and 2022, the plan fiduciary net position as a percentage of the total OPEB liability was 141.3% and 113.2%, respectively.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

The net OPEB liability (asset) of the System, as well as what the System's net OPEB asset would be if it were calculated using a discount rate that is 1% point lower or 1% point higher, follows:

	1% Decrease (5.07%)	Current Discount Rate (6.07%)	1% Increase (7.07%)
<u>2023</u>			
Net OPEB liability (asset)	<u>\$ (10,302,703)</u>	<u>\$ (15,195,636)</u>	<u>\$(19,254,181)</u>
		Current	
	1% Decrease (5.18%)	Discount Rate (6.18%)	1% Increase (7.18%)
<u>2022</u>			
Net OPEB liability (asset)	<u>\$ 295,811</u>	<u>\$ (5,500,483)</u>	<u>\$(10,277,374)</u>

The net OPEB asset of the System, as well as what the System's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than current healthcare cost trend rates, follows:

	1% Decrease (6.50% Decreasing to 3.50%)	Trend Rate (7.50% Decreasing to 4.50%)	1% Increase (8.50% Decreasing to 5.50%)
<u>2023</u>			
Net OPEB (asset)	<u>\$ (19,079,916)</u>	<u>\$ (15,195,636)</u>	<u>\$ (10,400,807)</u>
	1% Decrease (6.00% Decreasing to 3.50%)	Trend Rate (7.00% Decreasing to 4.50%)	1% Increase (8.00% Decreasing to 5.50%)
<u>2022</u>			
Net OPEB (asset) liability	<u>\$ (10,489,821)</u>	<u>\$ (5,500,483)</u>	<u>\$ 722,821</u>

Post-Employment Benefit Trust

The System established the Post-Employment Benefit Trust as an irrevocable trust for the sole purpose of accumulating assets to provide funding for certain of the System's post-employment benefits. The System was named Trustee of the Trust. The effective date of the establishment of the Trust was June 30, 2009.

Plan assets include amounts in the Post-Employment Benefit Trust relating to current year annual required contributions.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

The significant accounting policies followed by the Trust are set forth below:

Basis of Accounting

The Trust follows the accrual basis of accounting as set forth by GASB.

Cash

Cash held by the trust in a financial institution at June 30, 2023 was fully covered by federal depository insurance. Bank balances were \$147,669 and \$2,000 at June 30, 2023 and 2022, respectively.

Investments

The fair value of investments in the Trust at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Investments measured at NAV		
Fixed-income	\$ 14,232,618	\$ 14,135,655
Equity	<u>37,633,081</u>	<u>32,883,098</u>
	<u>\$ 51,865,699</u>	<u>\$ 47,018,753</u>

Revenue Recognition

Contributions are recognized as additions in the period when they become due, pursuant to formal commitments or statutory or contractual requirements; supplemental contributions are recognized when received. Investment and interest income and loss are recognized on the accrual basis when earned or incurred.

Net Position

Net position at June 30, 2023 and 2022 was for funding certain post-employment benefits.

Administrative Expenses

Substantially all administrative expenses of the Trust are paid by the Trust.

Interest Rate Risk

The Trust manages interest rate risk according to its investment policy by maintaining investments that are both liquid, as determined by a readily available market, and highly diversified, using institutional class mutual funds and exchange-traded funds.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Credit Risk

The Trust limits its exposure to credit risk in its investment policy by investing in highly diversified fixed-income funds. Collectively taken, the majority of the underlying holdings in these funds in which the Trust may invest are investment grade as rated by an NRSRO. The Trust further reduces potential credit risk by not investing directly in individual fixed-income securities. Management periodically reviews the exposure to securities that are unrated or below investment grade in its portfolio to ensure the Trust limits its credit risk.

A summary of fixed-income investments and their related interest rate and credit risks follows:

<u>Rating</u>	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Maturity</u>	<u>Amount</u>	<u>Maturity</u>
A	<u>\$14,232,618</u>	9.07 years	<u>\$14,135,655</u>	4.97 years

The ratings are, and maturities are the weighted averages of, the debt securities in which the funds invest.

Concentration of Credit Risk

The Trust has not defined a limit in its investment policies regarding the amount that can be placed in one issuer. However, the investment policy states that the portfolio should be well-diversified as to limit exposure to one issuer or security.

Custodial Credit Risk

All of the Trust's investments are held with a third-party custodian in the Trust's name.

Fair Value Measurement

Assets measured at fair value on a recurring basis are summarized below according to the level of input described in Note 3.

At June 30, 2023, all investments were measured at NAV, which is fair value estimated by management using values provided by the investment managers. Management does not anticipate that these funds will be liquidated, although relative positions are rebalanced periodically.

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Concluded)

Assets measured at NAV are as follows at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash	\$ 147,669	\$ 2,000
Fixed-income:		
CTF Core Bond Plus	7,118,561	7,070,153
CTF Intermediate Bond	7,114,057	7,065,502
Equity:		
CTF Enduring Assets	2,434,709	2,396,120
CTF Global Quality Growth	8,030,379	7,078,532
CTF Global Opportunities	11,194,727	9,318,500
CTF Quality Value	2,526,896	2,355,100
CTF Research Equity	6,954,332	5,901,696
CTF Emerging Markets Research Equity	1,149,976	1,163,177
CTF Small Cap Opportunities	<u>5,342,062</u>	<u>4,669,973</u>
	<u>\$ 52,013,368</u>	<u>\$ 47,020,753</u>

See Note 3 for additional disclosures.

Rate of Return

All of the Trust's investments are held with a third-party custodian in the Trust's name. For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

13. Commitments and Contingencies

The System is covered by a commercial insurance policy for workers' compensation. The State of Maine has the primary obligation for self-insured claims and reimburses the System for payments made. In 2023 and 2022, the System made payments of \$49,796 and \$47,328, respectively, which were reimbursed by the State of Maine. The contingent liability for estimated unpaid workers' compensation claims at June 30, 2023 and 2022 is \$1,152,000 and \$1,082,000, respectively.

The System owns property with a book value of approximately \$14.9 million in Brunswick, Maine for the use of the Southern Maine Community College. This property must be used solely and continuously for educational programs until November 2041 under the terms by which the property was donated.

From time-to-time, the System is named as a defendant in legal actions and other claims incident to the normal conduct of its operations. Management does not expect to suffer any material liability by reason of such actions, nor does it expect that such actions will have a material effect on the financial position of the System.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

13. Commitments and Contingencies (Concluded)

The System has entered into various construction and renovation contracts. The System has outstanding commitments under these contracts of approximately \$1.7 million at June 30, 2023.

The System participates in various federally-funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time.

The System entered into a three-year contract on July 1, 2019 to receive net energy billing credits. This contract is to be completed no later than June 30, 2022, with two one-year extensions. The first one-year extension was executed for fiscal year 2023.

14. Proceeds from State for Grants and Capital Asset Acquisition

In November 2017, a State of Maine general-purpose bond issue was authorized; the System's portion of the bond is \$15,000,000 and is to be used for facility repairs, improvements, information technology infrastructure upgrades, and capital equipment. The System is not required by the State of Maine to assume the bond liability when activities are complete. Through June 30, 2023, the System has spent \$14,684,275 on these projects. Revenues recognized from the State in fiscal years 2023 and 2022 amounted to \$369,659 and \$2,254,307, respectively, and are included as other revenues in the statements of revenues, expenses, and changes in net position.

15. State Appropriations

During the years ended 2023 and 2022, the System's State appropriations revenue was unrestricted. These appropriations include general appropriations as well as special appropriations.

16. Maine Community College Educational Foundations

The significant accounting policies followed by the Maine Community College Educational Foundations (the Foundations), as set forth below, are governed by the Financial Accounting Standards Board (FASB). As such, certain revenue and expense recognition criteria and presentation requirements differ from GASB. No modifications have been made to the Foundations' financial information included here for these differences.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Continued)

Basis of Accounting

The Foundations follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and all liquid investments with an original maturity of three months or less, except for cash to be invested in funds of perpetual duration. The Foundations maintain cash accounts with various financial institutions. At times, amounts held exceed federally insured limits.

Subsequent Events

For the purposes of recognition and disclosure in these financial statements, management of the Foundations has evaluated subsequent events through October 13, 2023, which is the date these financial statements were available to be issued.

Pledges

Pledges receivable are recorded at their net present value and net of allowance for uncollectible amounts. Pledges receivable at June 30, 2023 and 2022 are substantially all due within five years. Pledges receivable are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 4,350,290	\$ 3,163,403
Due after one year and within five years	<u>2,637,123</u>	<u>10,770,383</u>
	6,987,413	13,933,786
Less allowance for uncollectible pledges	(167,312)	(363,696)
Less discount to reflect present value	<u>(179,022)</u>	<u>(664,863)</u>
Net pledges receivable	\$ <u>6,641,079</u>	\$ <u>12,905,227</u>

Appreciation on Endowments

The Boards of Directors have interpreted State of Maine law as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The expendable portion of income on such assets is reported in the statement of activities as investment income with donor restrictions and reclassified to net assets without donor restrictions when the stipulated donor restriction is accomplished.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Continued)

Investments

Investments held by the Foundations at June 30, 2023 and 2022, which are carried at fair value, consisted of the following:

	<u>2023</u>	<u>2022</u>
U.S. government securities	\$ 3,074,467	\$ 1,483,108
Corporate bonds	3,201,910	2,904,352
Common stock	5,953,379	5,644,129
Mutual funds	2,706,092	2,301,814
Investments measured at NAV		
Fixed-income	392,502	391,570
Equity	1,034,961	904,897
Money market funds and certificates of deposit	<u>612,833</u>	<u>1,431,817</u>
	<u>\$ 16,976,144</u>	<u>\$ 15,061,687</u>

The fair value of investments is primarily based on quoted prices in active markets; certificates of deposit are carried at cost which approximates fair value.

The Foundations each have their own investment policies that allow for a range of investment options.

Endowment investments by class of net assets at June 30 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
<u>2023</u>		
Donor-restricted	\$ -	\$ 15,784,796
Board designated	<u>1,081,141</u>	<u>-</u>
	<u>\$ 1,081,141</u>	<u>\$ 15,784,796</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
<u>2022</u>		
Donor-restricted	\$ -	\$ 14,414,012
Board designated	<u>647,675</u>	<u>-</u>
	<u>\$ 647,675</u>	<u>\$ 14,414,012</u>

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Continued)

Changes in endowment net assets and a summary of investment return for the years ended June 30 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Investments</u>
Endowment net assets, June 30, 2022	\$ 647,675	\$ 14,414,012	\$ 15,061,687
Investment income, net	97,143	1,179,882	1,277,025
Deposits	63,254	1,888,618	1,951,872
Appropriated withdrawals	<u>273,069</u>	<u>(1,697,716)</u>	<u>(1,424,647)</u>
Endowment net assets, June 30, 2023	<u>\$ 1,081,141</u>	<u>\$ 15,784,796</u>	<u>\$ 16,865,937</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Investments</u>
Endowment net assets, June 30, 2021	\$ 712,844	\$ 16,598,121	\$ 17,310,965
Investment loss, net	(108,874)	(1,783,989)	(1,892,863)
Deposits	24,689	1,505,203	1,529,892
Appropriated withdrawals	<u>19,016</u>	<u>(1,905,323)</u>	<u>(1,886,307)</u>
Endowment net assets, June 30, 2022	<u>\$ 647,675</u>	<u>\$ 14,414,012</u>	<u>\$ 15,061,687</u>

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Continued)

Fair Value Measurement

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements.

FASB ASC Subtopic 820-10-20 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Subtopic 820-10-20 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below.

	Fair Value Measurements at June 30, 2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>1,241,609</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,241,609</u>
Money market funds and certificates of deposit	\$ 612,833	\$ 612,833	\$ -	\$ -
Common stock	5,953,379	5,953,379	-	-
Fixed income				
Corporate bonds	3,201,910	2,263,148	938,762	-
U.S. government securities	3,074,467	1,028,866	2,045,601	-
Mutual funds	<u>2,706,092</u>	<u>2,706,092</u>	<u>-</u>	<u>-</u>
	15,548,681	\$ <u>12,564,318</u>	\$ <u>2,984,363</u>	\$ <u>-</u>
Pooled investments at NAV as a practical expedient	<u>1,427,463</u>			
Total investments measured at fair value on a recurring basis	\$ <u>16,976,144</u>			

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Continued)

	Fair Value Measurements at June 30, 2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>1,175,195</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,175,195</u>
Money market funds and certificates of deposit	\$ 1,431,817	\$ 1,431,817	\$ -	\$ -
Common stock	5,644,129	5,644,129	-	-
Fixed income				
Corporate bonds	2,904,352	2,096,802	807,550	-
U.S. government securities	1,483,108	857,065	626,043	-
Mutual funds	<u>2,301,814</u>	<u>2,301,814</u>	<u>-</u>	<u>-</u>
	13,765,220	\$ <u>12,331,627</u>	\$ <u>1,433,593</u>	\$ <u>-</u>
Pooled investments at NAV as a practical expedient	<u>1,296,467</u>			
Total investments measured at fair value on a recurring basis	\$ <u>15,061,687</u>			

Assets measured at fair value on a recurring basis consist of investments which are valued using Level 1 inputs with the exception of corporate bonds which are valued using Level 2 inputs and the market approach, investments measured at NAV and beneficial interest in assets held by others. Beneficial interest in assets held by others is valued based on the fair value of underlying assets reported by the trustee. Investments measured at NAV represent the Foundation for Maine's Community College Educational Foundations' allocable portion of the System's portfolio (generally 5.5%). Assets measured at NAV are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Fixed-income:		
CTF Core Bond Plus	196,302	195,847
CTF Intermediate Bond	196,200	195,723
Equity:		
CTF Enduring Assets	66,790	65,929
CTF Global Quality Growth	220,784	194,785
CTF Global Opportunities	308,202	256,436
CTF Quality Value	70,951	64,809
CTF Research Equity	189,784	162,420
CTF Emerging Markets Research Equity	31,452	32,012
CTF Small Cap Opportunities	<u>146,998</u>	<u>128,506</u>
	<u>\$ 1,427,463</u>	<u>\$ 1,296,467</u>

See Note 3 for additional disclosures.

**MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Continued)

Investments in general are exposed to various risks, such as interest rates, credit, and overall market volatility. As such, it is reasonably possible that changes could materially affect the amounts reported in the balance sheets.

Net Assets

The net assets of the Foundations are reported as follows:

Net Assets without Donor Restrictions—Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundations. These net assets may be used at the discretion of the Foundations' management and the Boards of Directors.

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundations or by the passage of time, at which time they are reclassified to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Gifts and Contributions

Gifts and contributions are recorded when an unconditional promise to give is received, or when assets are received in a contribution, whichever comes first. Contributed assets are recorded at fair value.

Related Party Transactions

Support consists of amounts paid to the System in support of the System's various programs. At June 30, 2023 and 2022, substantially all accounts payable and accruals are payable to the System for such support. The System also provides funding and in-kind support to the Foundations. This support totaled approximately \$352,000 and \$342,000 in 2023 and 2022, respectively, which is included in gifts and contributions revenue on the statement of activities.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Scholarships	\$ 14,946,188	\$ 20,554,503
Programs	1,735,488	1,798,885
Appreciation on funds of perpetual duration		
without purpose restrictions	1,123,843	624,970
Contributions receivable for endowment	238,225	495,907
Funds of perpetual duration	<u>11,439,602</u>	<u>11,169,511</u>
	<u>\$ 29,483,346</u>	<u>\$ 34,643,776</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2023 and 2022

16. Maine Community College Educational Foundations (Concluded)

Liquidity and Availability of Financial Assets

The Foundations regularly monitor the availability of resources required to meet operating needs, while also striving to maximize the investment of its available funds. The Foundations have various sources of liquidity at their disposal, including cash and cash equivalents, investments, and pledges receivable.

The following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures, which includes grants to the System:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,426,144	\$ 9,497,290
Investments	16,976,144	15,061,687
Pledges receivable	6,641,079	12,905,227
Beneficial interest in assets held by others	<u>1,241,609</u>	<u>1,175,195</u>
	34,284,976	38,639,399
Less net assets with donor restrictions	<u>(29,483,346)</u>	<u>(34,643,776)</u>
Financial assets available to meet cash needs for general expenditures in one year	<u>\$ 4,801,630</u>	<u>\$ 3,995,623</u>

Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 122,137	\$ 104,654
Rent	42,530	33,810
Software support	<u>13,097</u>	<u>13,097</u>
	<u>\$ 177,764</u>	<u>\$ 151,561</u>

The Foundations recognized contributed nonfinancial assets within revenue and are substantially utilized within the same fiscal year the contribution occurred. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services from salaries and benefits consist primarily of services provided from the System and are valued based on an estimate of fair value of current rates for similar services. The Foundations utilize space in South Portland, which is rent free, and is valued based on similar property in South Portland. Finally, software support is support paid for by the System, which is valued based on the estimated cost of the software.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Required Supplementary Information

**Schedule of the System's Proportionate
Share of the Net Pension Liability**

State Employee and Teacher Plan—State Employee Portion

Last 10 Fiscal Years*

**Measurement Date as of June 30
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The System's proportion of the net pension liability	4.21 %	4.09 %	4.30 %	4.61 %	4.70 %	4.61 %	4.97 %	6.64 %
The System's proportionate share of the net pension liability	\$ 39,038,376	\$ 26,390,375	\$ 51,040,842	\$ 48,215,367	\$ 49,279,510	\$ 52,462,480	\$ 66,740,128	\$ 68,006,887
The System's covered employee payroll	\$ 33,294,996	\$ 32,075,165	\$ 31,982,861	\$ 31,133,842	\$ 30,421,527	\$ 29,200,966	\$ 30,244,628	\$ 32,008,027
The System's proportionate share of the net pension liability as a percentage of its covered employee payroll	117.3 %	82.3 %	160.2 %	154.9 %	162.0 %	179.7 %	220.7 %	212.5 %
Plan fiduciary net position as a percentage of the total pension liability	84.1 %	88.6 %	77.0 %	79.4 %	78.7 %	76.1 %	76.2 %	81.2 %

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year. Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Required Supplementary Information

Schedule of the System's Pension Contributions

State Employee and Teachers Plan

Last 10 Fiscal Years

Year Ended June 30
(UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 8,466,766	\$ 7,386,034	\$ 7,035,912	\$ 7,029,833	\$ 7,414,754	\$ 7,347,216	\$ 6,862,506	\$ 7,367,698	\$ 8,328,072	\$ 7,805,573
Contributions in relation to the contractually-required contribution	<u>(8,466,766)</u>	<u>(7,386,034)</u>	<u>(7,035,912)</u>	<u>(7,029,833)</u>	<u>(7,414,754)</u>	<u>(7,347,216)</u>	<u>(6,862,506)</u>	<u>(7,367,698)</u>	<u>(8,328,072)</u>	<u>(7,805,573)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The System's covered employee payroll	\$38,069,990	\$33,294,996	\$ 32,075,165	\$31,982,861	\$31,133,842	\$30,421,527	\$29,200,966	\$30,244,628	\$32,008,027	\$30,256,649
Contributions as a percentage of covered employee payroll	22.24 %	22.18 %	21.94 %	21.98 %	23.82 %	24.15 %	23.50 %	24.36 %	26.02 %	25.80 %

See accompanying independent auditor's report.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Required Supplementary Information

**Schedule of the System's Proportionate
Share of the Net OPEB Liability**

Retired State Employees and Teachers Plan

Last 10 Fiscal Years*

**Measurement Date as of June 30
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Plan total OPEB liability	\$ 119,403,083	\$ 115,123,392	\$ 106,398,135	\$ 102,240,873	\$ 98,707,399
Less: Plan net fiduciary position	<u>(46,031,286)</u>	<u>(51,849,291)</u>	<u>(38,587,121)</u>	<u>(36,961,097)</u>	<u>(34,638,335)</u>
Plan net OPEB liability	<u>\$ 73,371,797</u>	<u>\$ 63,274,101</u>	<u>\$ 67,811,014</u>	<u>\$ 65,279,776</u>	<u>\$ 64,069,064</u>
The System's proportionate share of the net OPEB liability	\$ 3,109,401	\$ 2,591,142	\$ 2,992,572	\$ 2,998,031	\$ 2,849,172
The System's proportion of the net OPEB liability	4.24 %	4.10 %	4.41 %	4.59 %	4.45 %
The System's covered employee payroll	\$ 30,935,681	\$ 28,824,906	\$ 30,231,881	\$ 28,188,961	\$ 26,565,023
The System's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	10.1 %	9.0 %	9.9 %	10.6 %	10.7 %
Plan fiduciary net position as a percentage of the total OPEB liability	38.6 %	45.0 %	36.3 %	36.2 %	35.1 %

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year. Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine) Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios
Post-Employment Health Insurance Plan

Last 10 Fiscal Years*

June 30, 2023
(UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability							
Service cost	\$ 1,217,391	\$ 1,421,779	\$ 1,233,815	\$ 1,221,424	\$ 1,624,172	\$ 1,607,490	\$ 1,431,234
Interest	2,595,134	2,956,037	3,082,496	2,993,988	3,498,015	3,484,152	3,315,490
Differences between expected and actual experience	(9,065,806)	(8,669,051)	(4,348,283)	(1,157,551)	(5,346,242)	(3,243,432)	(3,617,568)
Changes of assumptions	2,063,826	(423,017)	5,986,128	-	(4,852,463)	-	5,915,472
Benefit payments	<u>(1,513,083)</u>	<u>(1,583,221)</u>	<u>(1,845,275)</u>	<u>(1,767,775)</u>	<u>(1,675,995)</u>	<u>(1,658,023)</u>	<u>(1,647,873)</u>
Net change in total OPEB liability	(4,702,538)	(6,297,473)	4,108,881	1,290,086	(6,752,513)	190,187	5,396,755
Total OPEB liability, beginning of year	<u>41,520,270</u>	<u>47,817,743</u>	<u>43,708,862</u>	<u>42,418,776</u>	<u>49,171,289</u>	<u>48,981,102</u>	<u>43,584,347</u>
Total OPEB liability, end of year	<u>36,817,732</u>	<u>41,520,270</u>	<u>47,817,743</u>	<u>43,708,862</u>	<u>42,418,776</u>	<u>49,171,289</u>	<u>48,981,102</u>
Plan fiduciary net position							
Contributions—System	1,713,730	1,541,526	1,493,107	1,525,122	2,142,140	2,096,898	2,090,345
Net investment income (loss)	4,846,968	(9,015,815)	12,201,762	2,458,551	1,873,651	2,836,346	4,769,443
Benefit payments	(1,513,083)	(1,583,221)	(1,845,275)	(1,767,775)	(1,675,995)	(1,658,023)	(1,647,873)
Administrative expense	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,015)</u>	<u>(55,040)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,150)</u>
Net change in plan fiduciary net position	4,992,615	(9,112,510)	11,794,579	2,160,858	2,284,796	3,220,221	5,156,765
Plan fiduciary net position, beginning of year	<u>47,020,753</u>	<u>56,133,263</u>	<u>44,338,684</u>	<u>42,177,826</u>	<u>39,893,030</u>	<u>36,672,809</u>	<u>31,516,044</u>
Plan fiduciary net position, end of year	<u>52,013,368</u>	<u>47,020,753</u>	<u>56,133,263</u>	<u>44,338,684</u>	<u>42,177,826</u>	<u>39,893,030</u>	<u>36,672,809</u>
Net OPEB (asset) liability—end of year	<u>\$ (15,195,636)</u>	<u>\$ (5,500,483)</u>	<u>\$ (8,315,520)</u>	<u>\$ (629,822)</u>	<u>\$ 240,950</u>	<u>\$ 9,278,259</u>	<u>\$ 12,308,293</u>
Plan fiduciary net position as a percentage of the total OPEB liability	141.3 %	113.2 %	117.4 %	101.4 %	99.4 %	81.1 %	74.9 %
Covered employee payroll	\$ 55,376,047	\$ 49,593,349	\$ 48,762,264	\$ 47,919,193	\$ 46,733,530	\$ 47,627,297	\$ 46,240,094
Net OPEB (asset) liability as a percentage of covered employee payroll	(27.4)%	(11.1)%	(17.1)%	(1.3)%	0.5 %	19.5 %	26.6 %

* Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine) Required Supplementary Information

Required Supplementary Information

Schedule of Contributions
Post-Employment Health Insurance Plan

June 30, 2023
(UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 954,936	\$ 1,016,104	\$ 1,280,107	\$ 1,413,409	\$ 2,303,706	\$ 2,456,206	\$ 2,289,969	\$ 1,814,116
Contributions in relation to the actuarially determined contribution	<u>1,713,730</u>	<u>1,541,526</u>	<u>1,493,107</u>	<u>1,525,122</u>	<u>2,142,140</u>	<u>2,096,898</u>	<u>2,090,345</u>	<u>2,187,091</u>
Contribution (excess) deficiency	\$ <u>(758,794)</u>	\$ <u>(525,422)</u>	\$ <u>(213,000)</u>	\$ <u>(111,713)</u>	\$ <u>161,566</u>	\$ <u>359,308</u>	\$ <u>199,624</u>	\$ <u>(372,975)</u>
Covered employee payroll	\$ 55,376,047	\$ 49,593,349	\$ 48,762,264	\$ 47,919,193	\$ 46,733,530	\$ 47,627,297	\$ 46,240,094	\$ 46,887,000
Contributions as a percentage of covered employee payroll	3.1 %	3.1 %	3.1 %	3.2 %	4.6 %	4.4 %	4.5 %	4.7 %

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM

Required Supplementary Information

**Schedule of Investment Returns
Post-Employment Health Insurance Plan**

Last 10 Fiscal Years*

**June 30, 2023
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return (loss), net of investment expense	10.97 %	(15.45)%	29.78 %	5.45 %	4.70 %	7.73 %	15.15 %

* Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Required Supplementary Information

June 30, 2023
(UNAUDITED)

Factors that significantly affect the identification of trends in the amounts reported in the schedules are:

Schedule of System's Proportionate Share of the Net Pension Liability and Schedule of the System's Pension Contributions

The discount rate decreased to 6.50% in 2021, down from 6.75% in 2020 through 2018, 7.5% in 2017 and 7.125% in both 2016 and 2015.

Schedules of Funding Progress and Employer's Contributions—Post-Employment Health Insurance Plan

The Plan was established in 2009.

In 2023, the per capita costs were calculated using current enrollment and aging factors and the mortality table was changed from SOA RPH-2006 Total Dataset Mortality Table fully generational using Scale MP-2021. Actuarially determined contributions were determined using a discount rate of 6.07%, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2021, the per capita costs were calculated using current enrollment and aging factors and the mortality table was changed from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2020. This change caused a decrease in liabilities. Actuarially determined contributions were determined using a discount rate of 6.10%, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2019, the per capita costs were increased using current enrollment and aging factors and the mortality table was changed from RPH-2015 Total Dataset Mortality Table Fully Generational using Scale MP-2015 to RPH-2018 Total Dataset Mortality Table Fully Generational using Scale MP-2018. Actuarially determined contributions were determined using a discount rate of 7.00%, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2017, the per capita costs were increased using current enrollment and aging factors and the mortality table was changed from RPH-2014 Total Dataset Mortality Table Fully Generational using Scale MP-2014 to RPH-2015 Total Dataset Mortality Table Fully Generational using Scale MP-2015. Actuarially determined contributions were determined using a discount rate of 7.00% as of July 1, 2021 and 6.10% as of June 30, 2020, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2015, the per capita costs were increased using current enrollment and aging factors and the mortality table was changed from RP-2000 Combined Mortality Table Fully Generational using Scale AA to RPH-2014 Total Dataset Mortality Table Fully Generational using Scale MP-2014. There were no changes in 2016.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Schedule of Activities

Year Ended June 30, 2023

(Dollars in Thousands)

Functions/Programs	Program Revenues					Net Revenue (Expense) and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Investment Income	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary government									
Business-type activities									
Education	\$ 161,766	\$ 3,615	\$ -	\$ 66,004	\$ 502	\$ -	\$ (91,645)	\$ (91,645)	\$ -
Total primary government	<u>\$ 161,766</u>	<u>\$ 3,615</u>	<u>\$ -</u>	<u>\$ 66,004</u>	<u>\$ 502</u>	<u>-</u>	<u>(91,645)</u>	<u>(91,645)</u>	<u>-</u>
Component units	<u>\$ 10,659</u>	<u>\$ -</u>	<u>\$ 1,573</u>	<u>\$ 4,780</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,306)</u>
General revenues									
Unrestricted interest and investment gains						-	5,286	5,286	-
Non-program specific grants, contributions, and appropriations						-	98,094	98,094	-
Miscellaneous income						-	6,321	6,321	-
Total general revenues and extraordinary items						-	109,701	109,701	-
Change in net position						-	18,056	18,056	(4,306)
Net position, beginning of year						-	223,104	223,104	37,391
Net position, end of year						<u>\$ -</u>	<u>\$ 241,160</u>	<u>\$ 241,160</u>	<u>\$ 33,085</u>

See accompanying independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Maine Community College System

We have audited, in accordance with U.S. generally accepted auditing standards 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, the aggregate discretely-presented component units, and the fiduciary fund of Maine Community College System (the System), a component unit of the State of Maine, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 13, 2023. Our report includes a reference to other auditors who audited the financial statements of certain foundations within the aggregate discretely-presented component units, which represent 44%, and 55%, respectively, of the assets and revenues of the aggregate discretely-presented component units as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. The audit of the financial statements of the aggregate discretely-presented component units was not conducted in accordance with *Governmental Auditing Standards*, and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance or other matters for the certain foundations within the aggregate discretely-presented component units of the System.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 13, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Maine Community College System

Report on Compliance for Each Major Federal Program

Opinion for Each Major Federal Program

We have audited the compliance of Maine Community College System (the System), a component unit of the State of Maine, with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2023. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements for each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of the System as of and for the year ended June 30, 2023, and the related notes to the financial statements and have issued our report thereon dated October 13, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
February 1, 2024

**MAINE COMMUNITY COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF MAINE)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Project Title	Grant/Contract Number	Pass-through To Subrecipients	Federal Expenditures
Research and Development Cluster:					
U.S. Department of Health & Human Services (DHHS):					
National Institutes of Health:					
Passed-through MDI Biological Laboratory: Biomedical Research and Research Training	93.859	Comparative Functional Genomics INBRE in Maine	P20GM103423-22/SMCC	\$ -	\$ 85,429
Total National Institutes of Health				-	85,429
National Science Foundation:					
Passed-through St. Joseph's College: Education and Human Resources	47.076	Education and Human Resources of NSF; NSF 17-541, Robert Noyce Teacher Scholarship Program. "Growing Future Science Teachers in Maine".	FAIN 1949892	-	13,126
Passed-through University of Maine System: Integrative Activities	47.083	NSF 18-558 EPSCoR Research Infrastructure Improvement Program Track-1	OIA-1849227	-	49,147
Total National Science Foundation				-	62,273
Total Research and Development Cluster				-	147,702
U.S. Department of Education:					
Student Financial Assistance Cluster:					
Direct Programs:					
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	SEOG Program	P007A221694	-	117,958
	84.007	SEOG Program	P033A221690	-	4,800
	84.007	SEOG Program	P007A221690	-	104,600
	84.007	SEOG Program	P007A221711	-	17,325
	84.007	SEOG Program	P007A221685	-	94,397
	84.007	SEOG Program	P007A228366	-	60,886
	84.007	SEOG Program	P007A211688	-	413
	84.007	SEOG Program	P007A221688	-	48,637
	84.007	SEOG Program	P007A211699	-	152,639
Total Federal SEOG Program				-	601,655
Federal Work-Study Program	84.033	Federal Work Study Program	P033A222694	-	49,528
	84.063	Federal Work Study Program	P033A221690	-	23,599
	84.033	Federal Work Study Program	P033A221711	-	15,295
	84.033	Federal Work Study Program	P033A221685	-	85,219
	84.033	Federal Work Study Program	P033A228366	-	5,724
	84.033	Federal Work Study Program	P033A201688	-	76,324
	84.033	Federal Work Study Program	P033A211699	-	147,580
Total Federal Work-Study Program				-	403,269
Federal Pell Grant Program	84.063	PELL Grant Program	P063P221782	-	1,364,797
	84.063	PELL Grant Program	P063P213247	-	12,070
	84.063	PELL Grant Program	P063P223247	-	2,841,656
	84.063	PELL Grant Program	P063Q213247	-	3,630
	84.063	PELL Grant Program	P063Q203247	-	200
	84.063	PELL Grant Program	P063P223166	-	818,284
	84.063	PELL Grant Program	P063P212623	-	71,565
	84.063	PELL Grant Program	P063P222623	-	5,027,313
	84.063	PELL Grant Program	P063P214794	-	71,950
	84.063	PELL Grant Program	P063P224794	-	1,514,829
	84.063	PELL Grant Program	P063Q214794	-	135
	84.063	PELL Grant Program	P063Q224794	-	2,005
	84.063	PELL Grant Program	P063Q192624	-	170
	84.063	PELL Grant Program	P063Q202624	-	605
	84.063	PELL Grant Program	P063Q212624	-	160
	84.063	PELL Grant Program	P063P212624	-	44,394
	84.063	PELL Grant Program	P063P212733	-	7,347,837
	84.063	PELL Grant Program	P063P222624	-	2,985,342
Total Federal Pell Grant Program				-	22,106,942
Federal Direct Student Loans	84.268	Stafford Loans	N/A	-	13,338,601
	84.268	Parents' Loans for Undergraduate Students	N/A	-	331,868
Total Federal Direct Student Loans				-	13,670,469
Total Student Financial Assistance Cluster				-	36,782,335

The accompanying notes are an integral part of this schedule.

**MAINE COMMUNITY COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF MAINE)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Project Title	Grant/Contract Number	Pass-through To Subrecipients	Federal Expenditures
Carl D. Perkins:					
Passed-through Maine Department of Education:					
Career and Technical Education -- Basic Grants to States	84.048	Title 1C - Basic Grant	N/A	-	2,375,838
	84.048	Title 1C - Basic Grant - FY22 Encumbrance	N/A	-	353,690
	84.048	Targeted Area Reserve - Gender Equity & Child Care	N/A	-	169,553
Total Carl D. Perkins				-	2,899,081
TRIO Cluster:					
Higher Education Act of 1965:					
Direct Programs:					
TRIO Student Support Services	84.042	TRIO Student Support Services Program	P042A201386	-	228,907
	84.042	TRIO Student Support Services Program	P042A200285	-	250,687
	84.042	TRIO Student Support Services Program	P042A200285-21	-	15,496
	84.042	TRIO Student Support Services Program	P042A200300	-	365,316
	84.042	TRIO Student Support Services Program	P042A200813	-	256,089
	84.042	TRIO Student Support Services Program	P042A200190	-	298,615
	84.042	TRIO Student Support Services Program	P042A200783	-	249,531
	84.042	TRIO Student Support Services Program	P042A200202	-	248,726
	84.042	TRIO Student Support Services Program	P042A200409	-	250,644
Total TRIO Cluster and Higher Education Act of 1965				-	2,164,011
Direct Programs:					
Fund for the Improvement of Postsecondary Education	84.116Z	Windpower Safety	P116Z220041	-	147,276
Child Care Access Means Parents in School	84.335A	Childcare Access Means Parents in School	P335A220145	-	28,368
Education Stabilization Fund					
Passed-through Maine Department of Education:					
COVID-19 - Education Stabilization Fund	84.425C	CARES Act Governor's Emergency Education Relief (GEER) Fund	S425C200004	-	551,345
Direct Programs:					
COVID-19 - Education Stabilization Fund	84.425E	CARES Act Student Funding	P425T220331	-	203,632
COVID-19 - Education Stabilization Fund	84.425F	CARES Act Institutional Funding	P425F201190-20B	-	150,000
	84.425F	CARES Act Institutional Funding	P425F200694	-	1,966,009
	84.425F	CARES Act Institutional Funding	P425F204201	-	2,021,534
	84.425F	CARES Act Institutional Funding	P425F203263	-	186,808
	84.425F	CARES Act Institutional Funding	P425F204090-20B	-	1,160,813
Subtotal 84.425F				-	5,485,164
COVID-19 - Education Stabilization Fund	84.425M	CARES Act SIP Funding	P425M200997	-	93,088
	84.425M	CARES Act SIP Funding	P425M200571	-	19,908
	84.425M	CARES Act SIP Funding	P425T220568	-	79,941
	84.425M	CARES Act SIP Funding	P425M200512	-	263,328
	84.425M	CARES Act SIP Funding	P425T220192	-	440,372
Subtotal 84.425M				-	896,637
COVID-19 - Education Stabilization Fund	84.425P	CARES Act Institutional Resilience and Expanded Postsecondary Opportunity Program	P425P200160	-	472,838
COVID-19 - Education Stabilization Fund	84.425T	CARES Act Supplemental Support under American Rescue Plan Program	P425T220189	-	291,069
Total Education Stabilization Fund				-	7,900,685
Total U.S. Department of Education				-	49,921,756
U.S. Department of Homeland Security:					
Direct Programs:					
Assistance to Firefighters Grant	97.044	Assistance to Firefighters Grant	EMW-2019-FG-04983	-	90,623
	97.044	Assistance to Firefighters Grant	EMW-2020-FG-11038	-	131,644
	97.044	Assistance to Firefighters Grant	EMW-2021-FG-06820	-	28,523
Total U.S. Department of Homeland Security				-	250,790
U.S. Department of Justice:					
Direct Program:					
Antiterrorism Emergency Reserve	16.321	National Fire Training Academy	EMW-2020-GR-00083	-	11,691
Total U.S. Department of Justice				-	11,691
Department of Labor-Employment & Training Administration					
Passed-through State of Maine Department of Labor					
Apprenticeship USA Grants	17.285	Maine Apprenticeship Navigator	AP-36526-21-60-A-23	-	62,895
Direct Programs:					
Community Project Funding/Congressionally Directed Spending	17.289	Maintenance Program	23A60CP000047-01-00	-	58,307
Total Department of Labor-Employment & Training Administration				-	121,202

The accompanying notes are an integral part of this schedule.

MAINE COMMUNITY COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF MAINE)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Project Title	Grant/Contract Number	Pass-through To Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:					
Passed-through University of New England:					
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	Point of Service Maintenance and Enhancement Awards	23004E-05	-	18,326
Total U.S. Department of Health and Human Services				-	18,326
National Aeronautics and Space Administration					
Passed-through Maine Space Grant Consortium					
Office of Stem Engagement (OSTEM)	43.008	Engaging Maine Community Colleges in the Maine Space Grant Community	80NSSC20M0120	-	15,863
Total National Aeronautics and Space Administration				-	15,863
U.S. Department of Treasury:					
Passed-through Maine Department of Administrative and Financial Services					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	State and Local Fiscal Recovery Funds- Workforce Development	SLFRP0144	-	8,436,569
Passed-through Maine Department of Labor					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	State and Local Fiscal Recovery Funds- Workforce Development	SLFRP0144	-	452,279
Total U.S. Department of Treasury				-	8,888,848
U.S. Department of Commerce:					
Passed-through Maine Manufacturing Extension Partnership Program					
Manufacturing Extension Partnership	11.611	Maine Manufacturing Extension Partnership	70NANB17H004	-	15,000
Total U.S. Department of Commerce				-	15,000
U.S. Department of Housing and Urban Development:					
Direct Programs:					
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	Economic Development Initiative, Community Project Funding	B-22-CP-ME-0424	-	220,364
Total U.S. Department of Housing and Urban Development				-	220,364
Total Expenditures - Federal Awards				\$ -	\$ 59,611,542

The accompanying notes are an integral part of this schedule.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Maine Community College System (the System), a component unit of the State of Maine, under programs of the federal government for the year ended June 30, 2023. The information in the 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 System, it is not intended to and does not present the financial position, changes in net position, or cash flows of the System.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rates

The System has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified that are not
considered to be material weaknesses?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified that are not
considered to be material weaknesses?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR Section 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

AL Number

Name of Federal Program
or Cluster

84.007, 84.033, 84.063, 84.268

U.S. Department of Education - Student
Financial Assistance Cluster

84.042

U.S. Department of Education -
TRIO Student Support Services

84.048

U.S. Department of Education -
Career and Technical Education --
Basic Grants to States

84.425

U.S. Department of Education -
COVID-19 Education Stabilization
Fund

21.027

Coronavirus State and Local Fiscal
Recovery Funds

Dollar threshold used to distinguish between Type A and
Type B programs:

\$1,788,346

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Schedule of Findings and Questioned Costs (Concluded)

Year Ended June 30, 2023

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None.



Maine Community College System

(A Component Unit of the State of Maine)

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

June 30, 2024 and 2023
With Independent Auditor's Report



**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Financial Statements

Years Ended June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Maine Community College System

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the Maine Community College System (the System), a component unit of the State of Maine, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the System as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

We did not audit the financial statements of certain foundations within the aggregate discretely-presented component units, which represent 57% and 44% of the assets, and 75% and 55% of the revenues, respectively, of the aggregate discretely-presented component units as of June 30, 2024 and 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the aggregate discretely-presented component units, insofar as it relates to the amounts included for these certain foundations, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2024, the System adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB No. 62*. Our opinion is not modified with respect to that matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern within 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

U.S. GAAP require that Management's Discussion and Analysis and the information listed under Required Supplementary 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and/or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, 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 System's basic financial statements. The Schedule of Activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Activities 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 audits 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 U.S. GAAS. In our opinion, the Schedule of Activities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024 on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 15, 2024

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Introduction

The following report is Management's Discussion and Analysis (MD&A) of the financial results for the year ended June 30, 2024, with comparative information for the prior two years. The MD&A should be read in conjunction with the financial statements and related notes that are presented with this report. The MD&A is unaudited supplemental information required by the Governmental Accounting Standards Board (GASB). The purpose of the MD&A is to enhance the understandability and usefulness of the financial statements by providing an objective analysis of the financial activities based on currently known facts, decisions, and conditions. The financial statements, footnotes, and MD&A are management's responsibility.

General Information about the Maine Community College System

The history of Maine's community colleges dates to 1946 and the creation of the Maine Vocational Technical Institute within the Maine Department of Education. During the 1960s, five more vocational technical institutes were created, and in 1986 the Maine Vocational Technical Institute System was established as a quasi-governmental organization and autonomous public instrumentality. In 1989, the name was changed to the Maine Technical College System. A seventh college was added in 1994, and on July 1, 2003, the Legislature expanded the System's mission and changed its name to the Maine Community College System (MCCS or the System).

Maine's seven community colleges offer more than 300 degree and certificate options in over 140 occupational fields. More than 75 percent are the only ones of their kind in the state. In all, over 28,000 Maine people are served by the state's community colleges each year, through degree programs, customized training, and credit and non-credit offerings.

The seven-college system consists of Central Maine Community College in Auburn (CMCC), Eastern Maine Community College in Bangor (EMCC), Kennebec Valley Community College in Fairfield and Hinckley (KVCC), Northern Maine Community College in Presque Isle (NMCC), Southern Maine Community College in South Portland and Brunswick (SMCC), Washington County Community College in Calais (WCCC), and York County Community College in Wells (YCCC). Off-campus centers are located in East Millinocket, Dover-Foxcroft, Damariscotta, and Houlton. The System's central office, located in Augusta, Maine, was established by legislation to provide statewide coordination and leadership to the seven colleges.

The System also operates two state-wide programs; Embark and the Maine Quality Centers (MQC). Embark is a comprehensive high school-to-college transition program offered in partnership with secondary schools throughout the state. Embark provides selected students with scholarships to community colleges, access to college courses to juniors and seniors in high school and advising and support throughout a student's high school and community college experience. The MQC program is an economic development program established by the Legislature in 1994. The program provides customized workforce training grants for Maine employers seeking to locate or expand their operations in Maine, or who are interested in providing training to their incumbent workers. The training is coordinated and delivered by the seven community colleges through the Alford Center for the Advancement of Maine's workforce.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Using the Financial Statements

In addition to this MD&A, the System's financial report includes a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows, together with related footnotes. These financial statements are presented in accordance with Government Accounting Standards Board (GASB) principles, which establish the standard for external financial reporting for public colleges and universities. The GASB standards require that the financial statements focus on the System as a whole.

In order to provide a more comprehensive understanding of the resources supporting the mission of the MCCS, the GASB also requires that the MCCS report on the assets, liabilities, and activities of organizations that are not owned or managed by MCCS, but that exist for the sole purpose of benefiting the System or its colleges. Accordingly, these financial statements include a Balance Sheet and Statement of Activities for the Maine Community College Educational Foundations (MCCEF) and a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the Maine Community College System Other Post-Employment Benefit Trust (MCCS OPEB Trust or Trust). The MCCEF includes six foundations established to support individual colleges and their students. It also includes The Foundation for Maine's Community Colleges which was established in November of 2009 to provide broad-based support to all seven of the state's community colleges. The MCCS OPEB Trust was established under Section 115 of the Internal Revenue Code as an irrevocable trust to manage the assets contributed by the System to fund its long-term obligation to pay the health care and life insurance benefit costs for certain employees after their retirement.

The Statement of Net Position depicts the financial position of the System as of June 30, 2024, with comparative data from June 30, 2023, and includes all of the assets, liabilities, deferred inflows, and deferred outflows of the System. Assets represent what the System owns, plus what is owed to MCCS. Liabilities constitute obligations to make payment to others, plus what the System has collected in advance of providing the related services. Net position represents the residual interest in the MCCS assets after liabilities are deducted, net of deferred inflows and outflows, and the positive or negative change in net position over time is an indicator of the relative financial health of the System. The net position is divided into three primary categories:

Net investment in capital assets represent the land, buildings, and equipment that the System has acquired over its life and still uses. Net capital assets are presented after deductions for accumulated depreciation and the outstanding debt incurred to acquire or construct them. This category includes deposits held with bond trustee to service outstanding debt.

Restricted net position has inherent limitations and can only be expended for the purposes stipulated by the individual, institution, or governmental unit that directed the resources to the System. *Restricted expendable* net position is available to be used for the intended purpose while *nonexpendable* assets are invested in perpetuity, and the investment income is used for the intended purpose.

Unrestricted net position is available for general operations of the System and for dedicated purposes such as capital projects for renewal and replacement, MQC training initiatives, and working capital maintained for departmental and auxiliary enterprise activities. While there are no external constraints on unrestricted net position, MCCS has set aside certain unrestricted net position for future use.

MAINE COMMUNITY COLLEGE SYSTEM
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The Statement of Revenues, Expenses, and Changes in Net Position presents the operating, non-operating, and other activities of the System for the full fiscal year which runs from July 1st to June 30th. Two years of revenues, expenses, and changes in net position are presented for comparative purposes.

This statement reports the amounts received from tuition, State appropriations, residential life fees, grants, and services and other items of income against all the costs and outlays incurred in order to operate the System. The costs incurred include salaries and benefits, supplies and overhead expenses, insurances, utilities, and depreciation. The expenses are categorized according to the activity that generated the cost.

The Statement of Cash Flows examines the changes in cash position resulting from a year of operations. Cash flows are separated by the nature of the activity and include operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Operating activities involve activities relating to the delivery of education and related services. Common examples of cash flows provided by operating activities include tuition, fees, grants, and bookstore and food service sales. Cash flows used in operating activities include payments to employees, vendors, and suppliers.

Noncapital financing activities include appropriations from state government, noncapital grants, and gifts.

Capital and related financing activities include those activities relating to the generation and repayment of funds provided by and paid to lenders as well as grants for acquisition of capital assets. There were a number of capital projects across the System using grant funds. In fiscal year 2024 these projects included: Public Service Simulation Center, Welding Lab upgrade, KHEC Daycare HUD Expansion, Early Childhood Education Center, Nursing Classroom Renovations, Health Simulation Center, Mobile Science Lab, Door Access Integrated Control System, and 8 Portable Virtual Reality Welding Training Simulators. Renewal and Replacement funds were utilized to upgrade to a high-efficiency boiler system, enhance ADA access to campus buildings, and instructional lab upgrades across many programs.

Investing activities include funds used to purchase marketable securities and funds provided from the sale of marketable securities.

Highlights and Trends Impacting Financial Results

As a publicly-funded institution of higher education, MCCS receives appropriations from the State of Maine partially subsidizing the cost of attendance at one of the seven community colleges. In 2024, State appropriations for operations increased \$3.35 million or 4.25 percent.

In 2023 State appropriations for operations increased \$4.7 million, or 6.3 percent. This included a 3.1 percent increase in general appropriation and \$2.5 million of funding to expand the nursing programs system-wide.

**MAINE COMMUNITY COLLEGE SYSTEM
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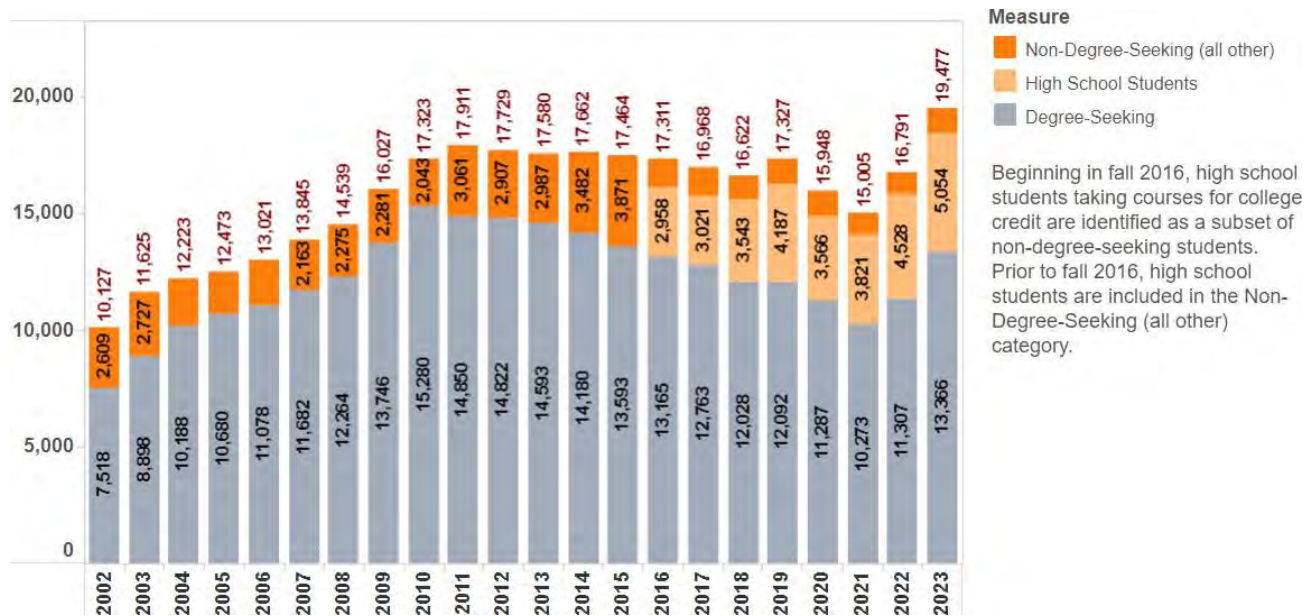
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The effect of Maine Free College on enrollment resulted in a headcount of 19,477 in the fall 2023 (fiscal 2024) compared to 16,791 in the fall of 2022, an increase of 16.0 percent. The increase came across all categories of student: degree-seeking, non-degree seeking, and high school students. In 2024, degree seeking and non-degree seeking students increased 18.2 percent and 10.6 percent, respectively. High school students taking courses for college credit increased 11.6 percent.

After making the transition from technical to community colleges in 2003, enrollment system-wide grew to an all-time high in 2011 of 17,911, a 76.9 percent increase. The enrollment growth was partially attributable to the expanded mission of the institutions with more students enrolling in liberal studies programs and taking advantage of transfer agreements to four-year institutions. The decline in recent years in degree-seeking enrollments is the result of fewer students graduating from Maine high schools and a strong job market. The recovery in enrollment in 2023 was due to the State of Maine passing the Maine Free College program which served nearly 6,400 potentially eligible students (unduplicated headcount for Fall and Spring).

The state unemployment rate for June 2024 was 2.8 percent. The current rate is up from June 2023, when it was at a record low of 2.4 percent, and lower than the June 2019 pre-pandemic rate of 3.2 percent.



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MCCS implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) in 2015. GASB 68 requires MCCS to report the System's proportionate share of the State's net pension liability. MCCS's proportionate share of the State's net pension liability as of June 30, 2024 was \$42 million, compared to \$39.0 million as of June 30, 2023, and \$26.4 million as of June 30, 2022. The System incurred expense related to pension benefits of \$8,692,140 in 2024, \$4,074,843 in 2023, \$692,457 in 2022, \$6,323,873 in 2021, and \$6,554,054 in 2020; recognized income related to pension benefits of \$35,891 in 2019 and \$1.2 million in 2018; and incurred expense of \$5.2 million in 2017 and \$7.4 million in 2016.

The impact of GASB 68 results from a change in accounting for pension benefits administered by the Maine Public Employees Retirement System (MainePERS), not a change resulting from operations. MCCS is not directly responsible for the payment of retirement pensions earned by employees who are members of MainePERS.

In 2018, MCCS implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 changed the method of accounting for the System's responsibility to pay for Other Post-employment Benefits (OPEB) for qualified retirees. As a result, the System recorded a reduction in net assets of \$15.1 million and reported a net OPEB liability of \$12.1 million as of June 30, 2018. The net OPEB liability was \$3.2 million as of June 30, 2019, \$2.4 million as of June 30, 2020, and \$5.3 million as of June 30, 2021. The System reported a net OPEB liability of \$3.1 million as of June 30, 2024, \$3.1 million as of June 30, 2023, and \$2.6 million as of June 30, 2022, with over funding coming from investment income exceeding expectations and decreasing healthcare costs.

MCCS implemented GASB Statement No. 87, *Leases* (GASB 87) in 2022. GASB 87 changed the method of accounting for the System's leases and required a restatement of net position. GASB 87 required MCCS to report leases by lessee and lessor. The System reported right-of-use asset on System Office space of \$639,110 as of June 30, 2024, \$755,484 as of June 30, 2023, and \$871,859 as of June 30, 2022. Lease obligations were \$669,952 as of June 30, 2024, \$781,325 as of June 30, 2023, and \$890,103 as of June 30, 2022.

In 2023, the implementation of GASB statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* (GASB 96) changed the method of accounting for the System's subscription-based information technology arrangements that convey control of the right to use another party's information technology software. The subscription term includes the period during which MCCS has a noncancellable right to use the underlying assets. GASB 96 required MCCS to recognize a subscription liability and an intangible right-to-use asset associated with the implementation of a new Student Information System (SIS). MCCS reported subscription assets of \$13,754,498 as of June 30, 2024, \$15,619,593 as of June 30, 2023, and \$376,313 as of June 30, 2022. Subscription liabilities were \$10,754,677 as of June 30, 2024, \$11,873,635 as of June 30, 2023, and \$387,913 as of June 30, 2022.

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College Results and Combined Operating Results

Maine's seven community colleges serve very different regions of the state. The different locations face very different demographic conditions in their local communities and, as a result, it is difficult to compare the results of operations between the colleges.

In addition, MCCS is quasi-centralized. The System Office provides certain services to all the colleges and administers a pool of expenses that cannot be effectively allocated to the colleges.

Central services, for which the colleges are not charged or allocated fees, include legal, certain human resource functions, and some information technology services. The colleges manage their own budgets based on guidance from the System Office, but cash and investments are managed centrally. Tuition is set by the Board of Trustees as a rate per credit hour.

The colleges are responsible for responding to their community's business and enrollment needs. They also respond to grant opportunities based on the needs of the individual college. The 2024 and 2023 statements of revenues, expenses, and changes in net position for the individual colleges are as follows:



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<u>Year ended June 30, 2024</u> <i>(in millions)</i>	June 30, 2024							<u>All Colleges</u>
	<u>CMCC</u>	<u>EMCC</u>	<u>KVCC</u>	<u>NMCC</u>	<u>SMCC</u>	<u>WCCC</u>	<u>YCCC</u>	
Student tuition and fees	\$ 9.4	\$6.0	\$ 5.5	\$ 2.1	\$ 18.7	\$ 1.5	\$ 3.5	\$ 46.7
Residential life	3.8	2.2	-	0.9	6.9	0.7	0.4	14.9
Less: scholarships	<u>(10.7)</u>	<u>(5.9)</u>	<u>(6.2)</u>	<u>(2.8)</u>	<u>(14.0)</u>	<u>(2.1)</u>	<u>(3.4)</u>	<u>(45.1)</u>
Tuition and residential life	2.5	2.3	(0.7)	0.2	11.6	0.1	0.5	16.5
Federal grants and contracts	9.4	9.0	6.5	4.7	14.0	3.0	3.4	50.0
Grants and other revenue	<u>4.0</u>	<u>4.3</u>	<u>3.0</u>	<u>2.4</u>	<u>9.7</u>	<u>1.0</u>	<u>2.1</u>	<u>26.5</u>
Total operating revenues	<u>15.9</u>	<u>15.6</u>	<u>8.8</u>	<u>7.3</u>	<u>35.3</u>	<u>4.1</u>	<u>6.0</u>	<u>93.0</u>
Instruction	12.3	10.7	8.5	7.7	24.2	3.9	3.8	71.1
Public service	-	0.1	-	-	1.4	-	-	1.5
Academic support	1.5	0.9	1.9	1.1	3.8	1.2	2.2	12.6
Student services	4.0	2.7	2.1	1.9	6.6	1.6	1.5	20.4
Institutional support	2.2	2.3	2.4	2.0	5.1	1.3	2.5	17.8
Operations and maintenance	2.4	2.3	2.1	2.3	6.0	1.1	1.1	17.3
Student aid	0.1	0.1	-	0.1	0.2	-	-	0.5
Auxiliary enterprises	2.5	1.3	-	0.9	3.9	0.5	0.5	9.6
Depreciation	<u>2.5</u>	<u>1.4</u>	<u>1.5</u>	<u>1.3</u>	<u>4.0</u>	<u>0.8</u>	<u>1.2</u>	<u>12.7</u>
Total operating expenses	<u>27.5</u>	<u>21.8</u>	<u>18.5</u>	<u>17.3</u>	<u>55.2</u>	<u>10.4</u>	<u>12.8</u>	<u>163.5</u>
Operating loss	(11.6)	(6.2)	(9.7)	(10.0)	(19.9)	(6.3)	(6.8)	(70.5)
State appropriations	10.9	11.3	8.8	10.2	19.0	6.9	6.5	73.6
HEERF	-	-	0.3	-	-	-	-	0.3
Gifts	-	-	-	0.4	0.3	0.1	0.1	0.9
Net investment loss	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>0.1</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>	<u>0.4</u>
Net nonoperating revenues	<u>10.9</u>	<u>11.4</u>	<u>9.1</u>	<u>10.7</u>	<u>19.3</u>	<u>7.1</u>	<u>6.7</u>	<u>75.2</u>
(Loss) income before other	<u>(0.7)</u>	<u>5.2</u>	<u>(0.6)</u>	<u>0.7</u>	<u>(0.6)</u>	<u>0.8</u>	<u>(0.1)</u>	<u>4.7</u>
Proceeds from State for capital asset acquisition	-	0.2	-	-	0.1	-	-	0.3
Inter-campus transfers	<u>(0.1)</u>	<u>(0.3)</u>	<u>(0.5)</u>	<u>(0.7)</u>	<u>(0.9)</u>	<u>-</u>	<u>(0.3)</u>	<u>(2.8)</u>
Total other losses	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.5)</u>	<u>(0.7)</u>	<u>(0.8)</u>	<u>-</u>	<u>(0.3)</u>	<u>(2.5)</u>
Change in net position	(0.8)	5.1	(1.1)	-	(1.4)	0.8	(0.4)	2.2
Net position-beginning / year	<u>42.0</u>	<u>27.9</u>	<u>30.2</u>	<u>27.5</u>	<u>73.3</u>	<u>18.5</u>	<u>20.6</u>	<u>240.0</u>
Net position-end / year	<u>\$41.2</u>	<u>\$ 33.0</u>	<u>\$29.1</u>	<u>\$ 27.5</u>	<u>\$ 71.9</u>	<u>\$19.3</u>	<u>\$20.2</u>	<u>\$242.2</u>

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<u>Year ended June 30, 2024</u> <i>(in millions)</i>	<u>All</u> <u>Colleges</u>	<u>System-</u> <u>Wide</u>	<u>System</u> <u>Office</u>	<u>State's</u> <u>UAAL</u>	<u>MCCS</u>
Student tuition and fees	\$ 46.7	\$ -	\$ -	\$ -	\$ 46.7
Residential life	14.9	-	-	-	14.9
Less: scholarships	<u>(45.1)</u>	<u>(3.0)</u>	<u>(0.1)</u>	<u>-</u>	<u>(48.2)</u>
Net tuition and residential life	16.5	(3.0)	(0.1)	-	13.4
 Federal grants and contracts	 50.0	 -	 0.8	 -	 50.8
Grants and other revenue	<u>26.5</u>	<u>4.5</u>	<u>5.2</u>	<u>-</u>	<u>36.2</u>
Total operating revenues	<u>93.0</u>	<u>1.5</u>	<u>5.9</u>	<u>-</u>	<u>100.4</u>
 Instruction	 71.1	 -	 -	 (3.7)	 67.4
Public service	1.5	-	-	-	1.5
Academic support	12.6	-	6.8	(0.9)	18.5
Student services	20.4	-	0.1	(1.1)	19.4
Institutional support	17.8	2.0	11.1	(1.2)	29.7
Operations and maintenance	17.3	-	0.1	(0.5)	16.9
Student aid	0.5	-	-	-	0.5
Auxiliary enterprises	9.6	-	-	(0.1)	9.5
Depreciation and amortization	<u>12.7</u>	<u>1.9</u>	<u>0.1</u>	<u>-</u>	<u>14.7</u>
Total operating expenses	<u>163.5</u>	<u>3.9</u>	<u>18.2</u>	<u>(7.5)</u>	<u>178.1</u>
 Operating (loss) gain	 (70.5)	 (2.4)	 (12.3)	 7.5	 (77.7)
 State appropriations	 73.6	 1.1	 8.9	 -	 83.6
HEERF	0.3	-	-	-	0.3
Gifts	0.9	-	-	-	0.9
Net investment (loss) income	<u>0.4</u>	<u>7.7</u>	<u>-</u>	<u>-</u>	<u>8.1</u>
Net nonoperating revenues	<u>75.2</u>	<u>8.8</u>	<u>8.9</u>	<u>-</u>	<u>92.9</u>
Income (loss) before other	<u>4.7</u>	<u>6.4</u>	<u>(3.4)</u>	<u>7.5</u>	<u>15.2</u>
 Proceeds from State for capital asset acquisition	 0.3	 -	 -	 -	 0.3
Inter-campus transfers	<u>(2.8)</u>	<u>(0.9)</u>	<u>3.7</u>	<u>-</u>	<u>-</u>
Total other revenue, (losses) gains	<u>(2.5)</u>	<u>(0.9)</u>	<u>3.7</u>	<u>-</u>	<u>0.3</u>
 Change in net position	 2.2	 5.5	 0.3	 7.5	 15.5
Net position (deficit)-beginning / year	<u>240.0</u>	<u>36.1</u>	<u>12.6</u>	<u>(47.5)</u>	<u>241.2</u>
 Net position (deficit)-end / year	 <u>\$ 242.2</u>	 <u>\$ 41.6</u>	 <u>\$ 12.9</u>	 <u>\$ (40.0)</u>	 <u>\$ 256.7</u>

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	June 30, 2024							
<i>Year ended June 30, 2023</i> <i>(in millions)</i>	<i>CMCC</i>	<i>EMCC</i>	<i>KVCC</i>	<i>NMCC</i>	<i>SMCC</i>	<i>WCCC</i>	<i>YCCC</i>	<i>All Colleges</i>
Student tuition and fees	\$7.8	\$5.3	\$4.6	\$1.8	\$15.6	\$0.9	\$3.1	\$ 39.1
Residential life	3.1	1.9	-	0.6	5.7	0.4	0.3	12.0
Less: scholarships	<u>(8.0)</u>	<u>(4.8)</u>	<u>(5.2)</u>	<u>(2.3)</u>	<u>(11.0)</u>	<u>(1.3)</u>	<u>(2.7)</u>	<u>(35.3)</u>
Tuition and residential life	2.9	2.4	(0.6)	0.1	10.3	-	0.7	15.8
Federal grants and contracts	7.5	6.0	5.1	3.8	10.6	2.6	3.2	38.8
Grants and other revenue	<u>2.8</u>	<u>2.7</u>	<u>2.7</u>	<u>1.1</u>	<u>8.5</u>	<u>0.8</u>	<u>2.1</u>	<u>20.7</u>
Total operating revenues	<u>13.2</u>	<u>11.1</u>	<u>7.2</u>	<u>5.0</u>	<u>29.4</u>	<u>3.4</u>	<u>6.0</u>	<u>75.3</u>
Instruction	9.7	10.0	7.2	6.9	21.4	3.3	3.5	62.0
Public service	-	0.1	-	0.1	1.1	-	-	1.3
Academic support	1.9	1.3	2.6	1.0	5.4	1.2	2.2	15.6
Student services	3.3	2.6	1.9	1.7	5.7	1.4	1.2	17.8
Institutional support	1.9	3.3	2.2	2.4	4.4	1.0	2.2	17.4
Operations and maintenance	1.7	2.0	1.7	2.1	5.5	0.9	0.9	14.8
Student aid	0.1	0.6	0.2	0.3	0.1	0.1	-	1.4
Auxiliary enterprises	1.7	1.2	-	0.8	2.3	0.4	0.4	6.8
Depreciation	<u>2.4</u>	<u>1.6</u>	<u>1.6</u>	<u>1.4</u>	<u>4.0</u>	<u>0.7</u>	<u>1.2</u>	<u>12.9</u>
Total operating expenses	<u>22.7</u>	<u>22.7</u>	<u>17.4</u>	<u>16.7</u>	<u>49.9</u>	<u>9.0</u>	<u>11.6</u>	<u>150.0</u>
Operating loss	<u>(9.5)</u>	<u>(11.6)</u>	<u>(10.2)</u>	<u>(11.7)</u>	<u>(20.5)</u>	<u>(5.6)</u>	<u>(5.6)</u>	<u>(74.7)</u>
State appropriations	8.2	9.5	7.8	9.3	12.9	6.1	5.3	59.1
HEERF	2.3	1.6	2.3	0.4	-	0.1	0.2	6.9
Other state revenue	2.2	1.4	0.7	0.6	5.4	0.5	1.0	11.8
Gifts	-	-	-	0.6	0.1	0.1	-	0.8
Net investment loss	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>(0.2)</u>
Net nonoperating revenues	<u>12.6</u>	<u>12.5</u>	<u>10.8</u>	<u>10.9</u>	<u>18.3</u>	<u>6.8</u>	<u>6.5</u>	<u>78.4</u>
Income (loss) before other	<u>3.1</u>	<u>0.9</u>	<u>0.6</u>	<u>(0.8)</u>	<u>(2.2)</u>	<u>1.2</u>	<u>0.9</u>	<u>3.7</u>
Capital grants and gifts	-	-	-	-	0.1	-	-	0.1
Proceeds from State for capital asset acquisition	-	0.4	-	-	-	-	-	0.4
Inter-campus transfers	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.5</u>	<u>0.2</u>	<u>0.3</u>	<u>1.7</u>
Total other revenue and gains	<u>0.3</u>	<u>0.5</u>	<u>0.1</u>	<u>0.2</u>	<u>0.6</u>	<u>0.2</u>	<u>0.3</u>	<u>2.2</u>
Change in net position	3.4	1.4	0.7	(0.6)	(1.6)	1.4	1.2	5.9
Net position-beginning / year	<u>38.6</u>	<u>26.5</u>	<u>29.6</u>	<u>28.1</u>	<u>74.9</u>	<u>17.1</u>	<u>19.4</u>	<u>234.2</u>
Net position-end / year	<u>\$ 42.0</u>	<u>\$ 27.9</u>	<u>\$ 30.3</u>	<u>\$ 27.5</u>	<u>\$ 73.3</u>	<u>\$ 18.5</u>	<u>\$ 20.6</u>	<u>\$ 240.1</u>

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<u>Year ended June 30, 2023</u> <u>(in millions)</u>	<u>All</u> <u>Colleges</u>	<u>System-</u> <u>Wide</u>	<u>System</u> <u>Office</u>	<u>State's</u> <u>UAAL</u>	<u>MCCS</u>
Student tuition and fees	\$ 39.1	\$ -	\$ -	\$ -	\$ 39.1
Residential life	12.0	-	-	-	12.0
Less: scholarships	<u>(35.3)</u>	<u>(2.8)</u>	<u>(0.1)</u>	-	<u>(38.2)</u>
Net tuition and residential life	15.8	(2.8)	(0.1)	-	12.9
 Federal grants and contracts	 38.8	 -	 0.4	 -	 39.2
Grants and other revenue	<u>20.7</u>	<u>7.6</u>	<u>6.0</u>	-	<u>34.3</u>
Total operating revenues	<u>75.3</u>	<u>4.8</u>	<u>6.3</u>	-	<u>86.4</u>
 Instruction	 62.0	 -	 -	 (3.8)	 58.2
Public service	1.3	-	-	-	1.3
Academic support	15.6	-	6.8	(1.0)	21.4
Student services	17.8	-	0.1	(1.2)	16.7
Institutional support	17.4	3.7	6.1	(1.4)	25.8
Operations and maintenance	14.8	-	0.1	(0.6)	14.3
Student aid	1.4	-	-	-	1.4
Auxiliary enterprises	6.8	-	-	(0.1)	6.7
Depreciation and amortization	<u>12.9</u>	<u>1.8</u>	<u>0.1</u>	-	<u>14.8</u>
Total operating expenses	<u>150.0</u>	<u>5.5</u>	<u>13.2</u>	<u>(8.1)</u>	<u>160.6</u>
 Operating (loss) income	 <u>(74.7)</u>	 <u>(0.7)</u>	 <u>(6.9)</u>	 <u>8.1</u>	 <u>(74.2)</u>
 State appropriations	 59.1	 0.7	 8.5	 -	 68.3
HEERF	6.9	-	-	-	6.9
Other state revenue	11.8	-	-	-	11.8
Gifts	0.8	-	-	-	0.8
Net investment loss	<u>(0.2)</u>	<u>4.2</u>	-	-	<u>4.0</u>
Net nonoperating revenues	<u>78.4</u>	<u>4.9</u>	<u>8.5</u>	-	<u>91.8</u>
 Income before other	 <u>3.7</u>	 <u>4.2</u>	 <u>1.6</u>	 <u>8.1</u>	 <u>17.6</u>
 Capital grants and gifts	 0.1	 -	 -	 -	 0.1
Proceeds from State for capital asset acquisition	0.4	-	-	-	0.4
Inter-campus transfers	<u>1.7</u>	<u>(1.2)</u>	<u>(0.5)</u>	-	-
Total other revenue, gains, or (losses)	<u>2.2</u>	<u>(1.2)</u>	<u>(0.5)</u>	-	<u>0.5</u>
 Change in net position	 5.9	 3.0	 1.1	 8.1	 18.1
Net position (deficit)-beginning / year	<u>234.2</u>	<u>33.0</u>	<u>11.5</u>	<u>(55.6)</u>	<u>223.1</u>
 Net position (deficit)-end / year	 <u>\$ 240.1</u>	 <u>\$ 36.0</u>	 <u>\$ 12.6</u>	 <u>\$ (47.5)</u>	 <u>\$ 241.2</u>

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

In November of 2018, the voters of the State of Maine approved a \$15 million Chap. 465 P.L. 2017 General Purpose Bond. The bond funds were allocated to all seven colleges and, during FY23, the colleges spent \$0.4 million on instruction lab upgrades and equipment, and residence hall ADA renovations.

The colleges are not required to budget for depreciation expenses but do budget for capital expenditures funded through operations. With approval from the System Office, the colleges can reserve a portion of the earned surplus for future capital investments (discussed below, in the section on Net Position), but the unobligated net position is not available to the colleges for discretionary spending.

Colleges in more rural areas of Maine have lower enrollments and, therefore, earn less in student tuition and fees, but the proportion of State appropriation tends to be higher.

Economic Factors Affecting Maine's Community Colleges

Free Community College launched in April 2022, the one-time State investment of \$20 million benefited the pandemic-era high school graduates from 2020 – 2023. This is a last-dollar scholarship, meaning eligible students must first accept grants or scholarship awarded to them, with the last-dollar costs of tuition and mandatory fees covered by the free college scholarships. In the first year of the program, 6,400 students attended community college tuition-free. In July 2023, Governor Mills signed the budget passed by the legislature which extended to two more graduating high school classes tuition-free community college in Maine. The \$15 million investment will allow students graduating from high school or its equivalent in 2024 and 2025 to attend any Maine community college without paying any tuition or mandatory fees, a value of more than \$3,800 a year.

Post pandemic, Maine people with education and technical skills have gained economic opportunity. But those lacking the essential skills needed to get a job in the modern economy are losing hope. Data collected by Opportunity Insights indicated that, in Maine, almost 40% of low-income jobs have gone away, while moderate- and high-income jobs that require skills have increased substantially.

Students at the fringe of academic success and students who learn by working with their hands suffered incredible learning loss and emotional setbacks in recent years. For many, mental health and housing and food insecurity challenges their ability to get the education they need.

Pandemic relief funds from both the State of Maine and the federal government were a crucial resource that allowed Maine's community colleges to continue providing education and training as well as expand support for struggling students. These funds are time-limited in nature, and MCCS continues to invest those dollars in short-term training and immediate needs in compliance with state and federal requirements.

In July 2021, the Maine State Legislature approved the Maine Jobs and Recovery Plan (MJRP). LD1733 included \$35 million in one-time American Rescue Plan Act federal funding under State and Local Fiscal Recovery Funds for workforce development initiatives to provide training for 8,500 Maine residents in the following targeted industry sectors: Healthcare, The Green Economy, Manufacturing, Hospitality, Education, Computer Technology, and the trades.

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The business plan for the MJRP grant was approved by the State on December 29, 2021. This allowed the work to begin and for the colleges to start implementation and recruitment. Through the end of fiscal year 2024, 5,758 Mainers were provided financial assistance for education training programs through MJRP, representing \$17.7 million in funding. Additional training opportunities continue to be developed for completion under MJRP funding throughout the grant award period, which ends December 2024.

In April 2022, the Governor signed the supplemental budget which included \$2.5 million in ongoing allocation to MCCS for expansion of the nursing programs across the State in fiscal year 2023. The \$2.5 million was matched by healthcare providers MaineHealth and Northern Light Health. The State's support is continuing indefinitely, and the private support extends to spring 2026. This allowed Maine's community colleges to double the number of nursing program graduates from approximately 240 people per year to 480 per year. These funds are a significant investment in addressing the nursing shortage in Maine.

Appropriation

(in millions)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Base appropriation	\$ 73.8	\$ 74.0	\$ 78.8	\$ 82.3
New funding for ongoing operations	2.2	2.4	3.5	7.3
New funding for strategic initiatives	(2.7)	2.4	0.0	0.0
Curtailment	<u>0.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
New appropriation	74.0	78.8	82.3	89.6
<i>Special one-time MJRP funding</i>	15.0	20.0	0.0	0.0
<i>Special one-time Free College Funding</i>	<u>0.0</u>	<u>20.0</u>	<u>7.5</u>	<u>7.5</u>
<i>Appropriation with special one-time funding</i>	<u>\$ 89.0</u>	<u>\$ 118.8</u>	<u>\$ 89.8</u>	<u>\$ 97.1</u>

MCCS was allocated a total of \$65.7 million in Higher Education Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020, the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) disbursed in January 2021, the American Rescue Plan Act (ARPA) passed in March 2021, and most recently the Supplemental Support American Rescue Plan awarded in July 2022. The HEERF allocations included \$26.5 million for emergency financial aid grants to students and \$39.2 million of institutional funds for COVID-19 response expenses. The major change with the ARPA was under the use of institutional funds for lost revenue. This allowed MCCS to recover lost revenue due to COVID-19.

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In 2024, MCCS spent \$0.3 million of the remaining HEERF funds on institutional expenditures. In 2023, MCCS spent \$6.9 million of the remaining HEERF funds, \$0.9 million in student emergency aid, and \$6.0 million on institutional expenditures, expending all but a small balance of the federal funds. When added to the expenditures from 2020, 2021 and 2022, the total HEERF expended is \$65.8 million through June 30, 2024. This represents \$38.6 million of institutional aid expended from all three pieces of funding, and a total of \$27.2 million disbursed in student emergency aid since the start of the pandemic.

Statement of Revenues, Expenses, and Changes in Net Position

In 2024, MCCS saw an increase in net position of \$15.5 million. Operating revenue increased \$14.0 million due to an increase in federal grants of \$11.6 million, an increase in residential life of \$3.0 million due to more students returning to campus from the previous year, an increase in state and local grants of \$2.8 million, and a \$2.1 million increase in nongovernmental grants and contracts attributed to the Harold Alfond Foundation (HAF) grant. Operating expenses increased \$17.5 million due to increased enrollment and inflationary increases in operating expenses. Year-over-year, nonoperating revenue increased in 2024 by \$1.0 million, due to a \$3.8 million increase in investment income, \$3.3 million increase in appropriation, and \$4.3 million in new Free Community College funding from the State, offset by a \$6.6 million decrease in HEERF. Other revenue decreased \$0.2 million with a decline in Chap. 465 P.L. 2017 General Purpose Bond funds.

In 2023, MCCS saw an increase in net position of \$18.1 million. This increase is due to \$6.9 million in HEERF during the fiscal year, down from \$30.9 million in 2022. Operating revenue increased \$18.3 million due to an increase in federal grants of \$12.0 million, an increase in residential life of \$4.5 million due to more students returning to campus from the previous year, an increase in state and local grants of \$0.9 million, and a \$5.7 million increase in nongovernmental grants and contracts attributed to the Harold Alfond Foundation (HAF) grant. Operating expenses increased \$9.1 million due to increased enrollment and inflationary increases in operating expenses. Year-over-year, nonoperating revenue increased in 2023 by \$3.8 million due to a \$12.5 million increase in investment income, a \$4.7 million increase in appropriation, and \$11.8 million in new Free Community College funding from the State, offset by a \$24.0 million decrease in HEERF and a \$1.2 million decrease in gifts. Other revenue decreased \$1.7 million with a decline in Chap. 465 P.L. 2017 General Purpose Bond funds.

In 2022, MCCS recorded an increase in net position of \$6.8 million. This increase is due to \$30.9 million in HEERF during the fiscal year, up from \$25.0 million in 2021. Operating revenue increased \$4.6 million due to an increase in residential life of \$3.5 million due to more students returning to campus from the previous year, an increase in state and local grants of \$4.8 million, and a \$1.2 million increase in nongovernmental grants and contracts. Operating expenses increased \$14.3 million with \$12.6 million of the increase in HEERF student emergency aid. Year-over-year, nonoperating revenue decreased in 2022 by \$11.1 million due to an \$18.1 million decrease in investment income, offset by a \$5.9 million increase in HEERF and \$1 million increase in gifts. Other revenue decreased \$2.8 million with a decline in Chap. 465 P.L. 2017 General Purpose Bond funds.

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June 30, 2024

Statement of Revenues, Expenses, and Changes in Net Position

(in millions)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues	\$100.4	\$ 86.3	\$ 57.7
Operating expenses	<u>178.0</u>	<u>160.5</u>	<u>151.5</u>
Operating loss	(77.6)	(74.2)	(93.8)
Nonoperating revenues	<u>92.8</u>	<u>91.8</u>	<u>98.4</u>
Income before other revenue	15.2	17.6	4.6
Other revenue, net	<u>0.3</u>	<u>0.5</u>	<u>2.2</u>
Increase in net position	<u>\$ 15.5</u>	<u>\$ 18.1</u>	<u>\$ 6.8</u>

Operating Revenues

In 2024, operating revenues increased by \$14.1 million or 16.3 percent. Net tuition and residential life fees increased \$0.4 million with enrollment growing 13 percent primarily attributable to Free Community College funding. Student tuition and fees were up \$7.6 million or 19.4 percent, residential life fees increased \$2.9 million or 24.2 percent with students returning to on-campus housing and increased occupancy rates from 2023. Scholarship allowances also increased \$10 million or 26.2 percent with the increased enrollment.

Federal grants and contracts increased \$11.6 million due to increased activity in federal State and Local Fiscal Recovery Funds (SLFRF) available through the Maine Jobs and Recovery Program, and higher enrollments driving higher financial aid grants. State and local grants and contracts increased by \$2.8 million due to increases in Maine State Grants, Racino, and Aspirations revenue. Nongovernmental grants and contracts increased \$2.1 million with HAF grant activity. Sales and service, auxiliary enterprises revenue, and other operating revenues decreased by \$2.9 million primarily due to a \$4.4 million prior-period GASB adjustments offset by a \$1.1 million increase in interest income and \$0.6 million increase in room and facility rental income.

In 2023, operating revenues increased by \$28.7 million, or 49.7 percent. Net tuition and residential life fees increased \$5.0 million as enrollment grew 12 percent during the first year of Free Community College funding. Student tuition and fees were up \$5.6 million or 16.7 percent, residential life fees increase \$4.5 million or 60.0 percent with students returning to on-campus housing and increased occupancy rates from 2022. Scholarship allowances also increased \$5.1 million or 15.4 percent with the increased enrollment.

Federal grants and contracts increased \$12.0 million due to increased activity in federal SLFRF available through the Maine Jobs and Recovery Program, and higher enrollments driving higher financial aid grants. State and local grants and contracts increased by \$0.9 million due to increases in Maine State Grants, Racino, and Aspirations revenue. Nongovernmental grants and contracts increased \$5.7 million with HAF grant activity. Sales and service, auxiliary enterprises revenue, and other operating revenues increased by \$4.9 million.

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In 2022, operating revenues decreased by \$4.6 million, or 8.7 percent. Net tuition and residential life fees declined \$0.7 million as enrollment declined 6 percent. Student tuition and fees were down \$2.3 million or 6.4 percent, residential life fees increase \$3.5 million or 87.5 percent with students returning to on-campus housing and increased occupancy rates from 2021. Scholarship allowances also increased \$1.9 million or 6.1 percent.

Federal grants and contracts decreased \$1.1 million due to federal financial aid declined with lower enrollments. State and local grants and contracts increased by \$4.8 million due to increases in Maine State Grants, Racino, and Aspirations revenue. Nongovernmental grants and contracts, sales and service, and other operating revenues increased \$1.8 million, offset by \$0.2 million decline in auxiliary enterprises revenue.

Changes in the sources of grants fluctuate between Federal, state, and nongovernment entities based on the opportunities the colleges pursue, but in the current environment do not reflect any meaningful pattern or strategic change beyond the HEERF allocated in response to COVID-19, which are included in the nonoperating revenue section of the Statement of Revenues, Expenses, and Changes in Net Assets. Workforce development training funds from the Maine Jobs and Recovery Fund and the Harold Alfond Fund were received in 2023, and continued through 2024.

Nonoperating Revenue

Nonoperating revenues are primarily comprised of the appropriations from the State of Maine, HEERF, gifts, and investment gains and losses. In 2024, nonoperating revenue increased \$1.0 million due to a \$3.3 million increase in appropriation for general operations and expanding MCCS nursing programs. \$7.5 million in Free Community College state revenue net of an increase in state appropriations of \$4.1 million was also reported in 2024. Investment income increased \$3.7 million with active management and favorable market returns. Gifts received at colleges for renovations and program equipment increased \$0.1 million. Increases were offset by a decrease of \$6.6 million in HEERF revenue. Interest on capital asset debt also decreased \$0.1 million.

In 2023, nonoperating revenue decreased \$6.6 million due to a \$4.7 million increase in appropriation for general operations and expanding MCCS nursing programs and \$11.8 million in Free Community College state revenue net of state appropriations of \$10.4 million. Investment income increased \$13.2 million with favorable market returns. Increases were offset by a decrease of \$24.0 million in HEERF revenue, a \$1.2 million decrease in gifts received at colleges for renovations and program equipment. Interest on capital asset debt also decreased \$0.6 million.

In 2022, nonoperating revenue decreased \$11.1 million due to an \$18.1 million decrease in investment income caused by market volatility. The loss in investment income was offset by an increase of \$5.9 million in HEERF revenue, a \$1 million increase in gifts received at colleges for renovations and program equipment, and small increases in appropriation and interest on capital asset debt. State appropriation increased in 2022, \$0.1 million general fund appropriation, net of the additional \$2.5 million in one-time workforce development funds that was received in 2021, and the elimination of \$0.25 million in one-time Live Fire Service Training Facilities Funds. State appropriation for on-going funding increased \$2.9 million in general fund appropriation with the re-established curtailment added back to the base, and a 3% increase approved in the Governor's Change Package LD221.

MAINE COMMUNITY COLLEGE SYSTEM
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

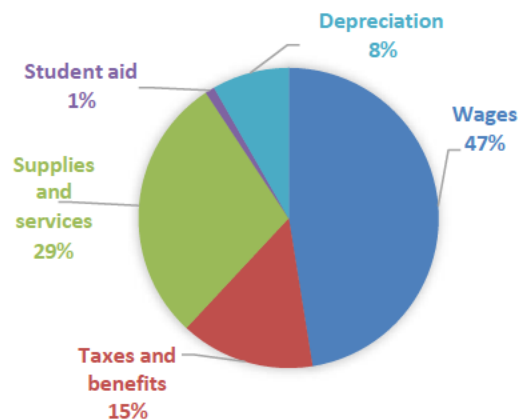
Operating Expenses

Like most colleges and universities, MCCS's largest expense is payroll. Wages, benefits, and wage-related taxes accounted for between 55 and 64 percent of expenditures in each of the last three years. Over 90 percent of MCCS employees are represented by one of six collective bargaining agreements. Contractually, wages increased an average of 4.5 percent in 2024 to bring wages closer to market level. Wages increased 4.5 percent in 2023 and 2022. In 2024, positions were added to address increased enrollment and student support. In 2023, positions were added to address increased enrollment and student support. Additional positions for increased grant activity were also filled in 2023. In 2022, vacant positions remained open longer as labor market pressures reduced qualified applicant pools which had a slight effect on the aggregate increase and reduced it to 4.4 percent. The adjustment for GASB 75 pension expense reduced the overall cost of benefits offsetting a healthcare increase of 3.67 percent in 2024. Taxes and benefits increased \$7.9 million in 2024 due to the GASB 75 adjustment and the State of Maine Health Commission implementation of four months of health insurance premium holiday in 2023, in which neither the employee or employer paid health insurance premiums. Taxes and benefits increased \$3.4 million in 2023 due to the GASB 75 adjustment and the State of Maine Health Commission implementation of four months of health insurance premium holiday, in which neither the employee or employer paid health insurance premiums. Taxes and benefits decreased \$6.8 million in 2022 due to the GASB 75 adjustment and the State of Maine Health Commission implementation of two months of health insurance premium holiday.

Pension plans for MCCS retirees represent the largest benefit expense for the System. Two-thirds of the System's employees participate in the State Employee and Teacher Retirement Plan, a multiple-employer, cost-sharing plan administered by MainePERS. For employees enrolled in the MainePERS, the System was required to contribute 21.07 percent of payroll for 2024. Healthcare benefits for current members and retirees purchased from the Maine Bureau of Employee Health also contributed to the cost of benefits which added 20 percent (up from 16.5 percent) to the cost of compensation for these employees.

Expenses by natural class are as follows:

<i>(in millions)</i>	2024	2023	2022
Wages	\$ 84.5	\$ 75.9	\$ 69.1
Taxes and benefits	<u>25.7</u>	<u>17.8</u>	<u>14.4</u>
Wages and benefits	110.2	93.7	83.5
Supplies and services	52.7	50.7	36.0
Student aid	0.5	1.4	19.2
Depreciation	<u>14.7</u>	<u>14.8</u>	<u>12.8</u>
Total expenses	<u>\$178.1</u>	<u>\$160.6</u>	<u>\$151.5</u>



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The distribution of expenses by functional area has shifted over the three-year period ended June 30, 2024. Instruction and academic support accounted for 48.2 percent of the operating expenditures in 2024. Most functional areas experienced increases except for a decrease of \$0.9 million in student aid due to the reduction of HEERF student emergency aid. Increases in expense over 2023 reflect additional costs due to higher enrollment.

Auxiliary enterprises saw a 41.8 percent increase, or \$2.8 million due to the return of dorm occupancy and the number of students living and dining on campus.

In 2024, expenses were offset by \$7.5 million of GASB adjustments to record decreased pension liability for OPEB and MainePERS. GASB adjustments accounted for decreases in instruction of \$3.6 million, academic support \$0.9 million, student services \$1.1 million, instructional support \$1.2 million, and operations and auxiliary enterprises \$0.6 million.

Instruction and academic support accounted for 50 percent of the operating expenditures in 2023. All functional areas experienced increases except for a decrease of \$17.8 million in Student aid due to the reduction of HEERF student emergency aid disbursed in response to the COVID-19 pandemic. Auxiliary enterprises saw a 37 percent increase, or \$1.8 million, due to the return of dorm occupancy and the number of students living and eating on campus.

In 2023, expenses were offset by \$8.1 million of GASB adjustments to record decreased pension liability for OPEB and MainePERS. GASB adjustments accounted for decreases in instruction of \$3.8 million, academic support \$1.0 million, student services \$1.2 million, instructional support \$1.4 million, and operations and auxiliary enterprises \$0.7 million.

Instruction and academic support accounted for 42 percent of the operating expenditures in 2022. Most functional areas experienced increases except for a decrease of 2.3 percent in instruction and 6.9 percent in institutional support, or \$2.9 million together. The decrease in expense is from 2021 inflated spending for remote learning supports. Auxiliary enterprises saw a 44 percent increase, or \$1.5 million, due to the return of dorm occupancy and the number of students living and eating on campus. Student aid increased \$12.6 million due to HEERF student emergency aid disbursed in response to the COVID-19 pandemic.

In 2022, expenses were offset by \$9.2 million of GASB adjustments to record decreased pension liability for OPEB and MainePERS. GASB adjustments accounted for decreases in instruction of \$4 million, academic support \$1.2 million, student services \$1.3 million, instructional support \$1.6 million, and operations and auxiliary enterprises \$1.1 million.

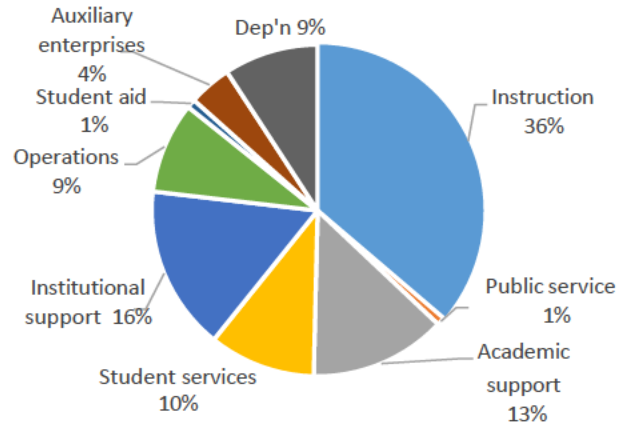
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Expenses by function are as follows:

<i>(in millions)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Instruction	\$ 67.4	\$ 58.2	\$ 50.4
Public service	1.5	1.3	1.0
Academic support	18.5	21.4	13.8
Student services	19.4	16.7	14.0
Institutional support	29.7	25.8	23.0
Operations	16.9	14.3	12.4
Student aid	0.5	1.4	19.2
Auxiliary enterprises	9.5	6.7	4.9
Depreciation	<u>14.7</u>	<u>14.8</u>	<u>12.8</u>
Total	<u>\$178.1</u>	<u>\$160.6</u>	<u>\$151.5</u>



Other Revenues, Expenses, Gains, and Losses

Other revenues, expenses, gains, and losses are primarily the net result of capital activity paid through state-funded bonds, which the System has no obligation to repay, and capital gifts and grants, including the transfer of land and buildings from other public entities.

<i>(in millions)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Other revenues, net	\$ 0.3	\$ 0.5	\$ 2.2

The System generated proceeds from the State for grants and capital asset acquisition of \$0.3 million in 2024, \$0.4 million in 2023, and \$2.2 million in 2022, as some colleges continued spending the Chap. 465 P.L. 2017 General Purpose Bond.

Capital grants and gifts decreased \$132,000 in 2024, increased \$122,000 in 2023, and decreased \$17,000 in 2022, due to fluctuations in donor activity.

Statement of Net Position

In 2024, net position increased \$15.5 million. Assets and deferred outflows of resources increased \$15.7 million while liabilities and deferred inflows of resources increased \$0.2 million in 2024. The assets increase was from noncurrent assets increasing \$16.0 million, the result of increases in prepaid post-employment benefit plans of \$16.9 million, endowment investments of \$1.7 million, and capital assets decrease of \$0.6 million. Current assets also increased \$2.6 million from cash and cash equivalents decreasing \$8.4 million, short-term investments increasing \$6.2 million, and accounts receivable increasing \$6.0 million. Asset increases were offset by a decrease in HEERF receivable of \$0.3 million, a decrease in deferred outflows of resources from the defined benefit pension plan of \$0.5 million, and other post-retirement benefit plans decrease of \$2.4 million.

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The \$0.2 million increase in liabilities and deferred inflows of resources was the result of liabilities decreasing \$3.4 million and deferred inflows of resources increasing \$3.6 million. Increases of \$2.9 million in net pension liability, and \$2.0 million in accrued expense, including accounts payable, were offset by decreases of \$1.1 million in subscription liabilities, \$6.0 million in unearned revenue, \$1.1 million in long-term debt, and small decreases in lease obligations. Decreases in deferred inflows of resources were the result of \$3.8 million of defined benefit pension plan offset by other post-employment benefit plan increase of \$7.4 million.

In 2023, net position increased \$18.1 million. Assets and deferred outflows of resources increased \$37.9 million while liabilities and deferred inflows of resources increased \$19.8 million in 2023 with the implementation of GASB 96. The assets increase was from noncurrent assets increasing \$25.9 million, the result of increases in prepaid post-employment benefit plans of \$9.7 million, endowment investments of \$0.8 million, and capital assets of \$0.2 million. Current assets also increased \$15.8 million from cash and cash equivalents increasing \$11.8 million, short-term investments increasing \$3.9 million, and accounts receivable increasing \$5.3 million. Asset increases were offset by a decrease in HEERF receivable of \$7 million, a decrease in deferred outflows of resources from the defined benefit pension plan of \$2.5 million, and other post-retirement benefit plans decrease of \$1.2 million.

The \$19.8 million increase in liabilities and deferred inflows of resources was the result of liabilities increasing \$35.4 million and deferred inflows of resources decreasing \$15.6 million. Increases of \$12.6 million in net pension liability, \$11.5 million in subscription liabilities, \$9.3 million in unearned revenue, and \$2.5 million in accrued expense, including accounts payable were offset by decreases of \$1 million in long-term debt and small decreases in lease obligations. Decreases in deferred inflows of resources were the result of \$19.6 million of defined benefit pension plan offset by other post-employment benefit plan increase of \$4.1 million.

In 2022, net position increased \$6.8 million. Assets and deferred outflows of resources increased \$5.1 million while liabilities and deferred inflows of resources decreased \$1.7 million in 2022. The assets increase was the result of an increase in deferred outflows of resources from the defined benefit pension plan of \$6.0 million and other post-retirement benefit plans of \$4.2 million. The noncurrent assets decreased \$8.1 million, the result of decreases in prepaid post-employment benefit plans of \$2.8 million, endowment investments of \$3.6 million, and capital assets of \$1.6 million.

The \$1.7 million decrease in liabilities and deferred inflows of resources was the result of liabilities decreasing \$24.9 million and deferred inflows of resources increasing \$23.3 million. Decreases of \$24.6 million in net pension liability, \$1 million in long-term debt, \$0.4 million in other post-employment benefit plans, and \$0.1 million in lease obligations were offset by \$1 million increase in accrued expenses. Increases in deferred inflows of resources were from \$24 million of defined benefit pension plan increases offset by other post-employment benefit plan decrease of \$0.7 million.

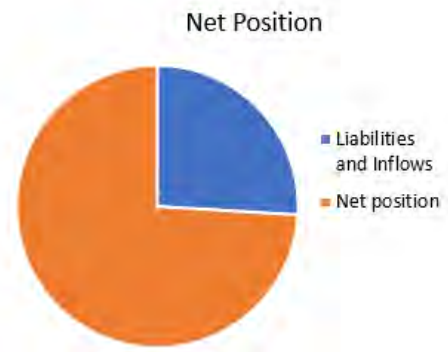
MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Net Position

<i>(In millions)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$120.3	\$117.7	\$101.9
Noncurrent assets	246.7	230.7	204.8
Deferred outflows	<u>20.0</u>	<u>22.9</u>	<u>26.7</u>
Total assets and deferred outflows	<u>\$387.0</u>	<u>\$371.3</u>	<u>\$333.4</u>
Current liabilities	\$ 28.6	\$ 32.7	\$ 19.9
Noncurrent liabilities	67.8	67.0	44.5
Deferred inflows	<u>34.0</u>	<u>30.4</u>	<u>45.9</u>
Total liabilities and deferred inflows	<u>\$130.4</u>	<u>\$130.1</u>	<u>\$110.3</u>
Investment in capital assets	\$172.4	\$172.7	\$167.6
Net restricted position	28.4	25.7	24.2
Net unrestricted position	<u>55.8</u>	<u>42.8</u>	<u>31.3</u>
Total net position	<u>\$256.6</u>	<u>\$241.2</u>	<u>\$223.1</u>



Current Assets and Current Liabilities

Current assets increased \$2.6 million, and current liabilities decreased \$4.1 million, in 2024, improving liquidity. Cash decreased \$8.4 million and short-term investments increased \$6.2 million due to favorable returns realized in 2024.

Accounts receivable increased \$6.0 million in 2024, due in large part to the MJRP training program and HAF grant activity. Due from state increased \$0.8 million, and prepaid expenses and other assets each decreased \$1.5 million.

In 2024, the \$4.1 million decrease in current liabilities is related to a \$6.0 million decrease in unearned revenue due largely to Free Community College funding, partially offset by \$1.6 million increase in accrued expenses, and \$0.5 million increase in accounts payable.

Current assets increased \$15.8 million, and current liabilities increased \$12.8 million, in 2023, improving liquidity. Cash increased \$11.8 million and short-term investments increased \$3.9 million due to favorable returns realized in 2023.

Accounts receivable increased \$5.3 million in 2023, due in large part to the MJRP training program and HAF grant activity. Due from state decreased \$0.3 million and other assets each increased \$2.2 million.

In 2023, the \$12.8 million increase in current liabilities is related to a \$9.3 million increase in unearned revenue due largely to Free Community College funding, \$1.6 million increase in accrued expenses, \$0.9 million increase in accounts payable, and \$0.9 million due to adoption of GASB 96.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Current assets increased \$2.9 million, and current liabilities increased \$1.3 million, in 2022, improving liquidity. Cash increased \$8.9 million and short-term investments decreased \$4.3 million. Cash was generated from operations and noncapital financing activities, while the decrease in investments is related to negative returns.

Accounts receivable increased \$1.1 million and HEERF receivable decreased \$3.4 million in 2022. Due from state and other assets increased \$0.4 million and \$0.4 million, respectively.

In 2022, the \$1.3 million increase in current liabilities is related to increases in accrued expenses of \$1.1 million. The balance is from small increases in current portion of long-term liabilities, accounts payable, and unearned revenue.

Noncurrent Assets and Long-term Liabilities

Noncurrent assets increased \$16.0 million and long-term liabilities increased \$0.8 million in 2024. In 2024, increases in prepaid post-employment benefit plans of \$16.9 million and endowment investments of \$1.7 million. Capital assets decreased \$0.6 million.

Long-term liabilities increased in 2024, the result of a \$3.0 million increase in net pension liability and minor increase in other post-employment benefit plans offset by a \$1.1 million decrease in long-term debt and \$1.1 million decrease in SBITA obligations. MCCS made scheduled payments on existing debt and did not incur any new debt.

Noncurrent assets increased \$25.9 million and long-term liabilities increased \$22.5 million in 2023. The increase in noncurrent assets is due to the adoption of GASB 96 resulting in a \$15.2 million increase. In 2023, increases in prepaid post-employment benefit plans of \$9.7 million and endowment investments and capital assets of \$0.8 million and \$0.2 million, respectively, were also reported.

Long-term liabilities increased in 2023, the result of a \$12.6 million increase in net pension liability, \$10.5 million increase in SBITA obligations, and \$0.5 million in other post-employment benefit plans offset by a \$1.0 million decrease in long-term debt. MCCS made scheduled payments on existing debt and did not incur any new debt.

In 2022, noncurrent assets decreased \$8.1 million and long-term liabilities decreased \$26.2 million. The decrease in noncurrent assets is due to a \$3.6 million decrease in endowment investments, \$2.8 million in prepaid post-employment benefit plans, and a \$1.6 million decrease in capital assets due in part to less spending of Chap. 465 P.L. 2017 General Purpose Bond. Long-term liabilities decreased \$24.7 million in net pension liability, \$0.4 million in OPEB liability, \$1.0 million in long-term debt, and \$0.1 million in lease obligations. MCCS made scheduled payments on existing debt and did not incur any new debt.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Costs and Obligations of Retirement Plans

Regular employees of the System have two retirement plan options: participation in TIAA/CREF, a defined contribution plan, and MainePERS, a defined benefit plan. MainePERS is an independent public agency of the State of Maine that administers retirement programs for State employees and other public entities including MCCS. MainePERS is responsible for the payment of retirement benefits to participants in that plan.

Participants in both the defined benefit and the defined contribution plan are eligible for retiree health insurance after vesting.

In 2015, the System implemented GASB 68. As a result, MCCS's proportionate share of the State's Unfunded Actuarially Accrued Liability (UAAL) for pension benefits was \$42.0 million as of June 30, 2024, \$39.0 million as of June 30, 2023, \$26.4 million as of June 30, 2022, and \$51.0 million as of June 30, 2021. The plan is administered by MainePERS. The System does not manage the defined benefit plan assets or directly control the benefits, but the System is required to fund its share of the plan so that it remains viable and able to honor the commitments made to retired employees. Therefore, the presentation of MCCS's proportionate share of the MainePERS UAAL, 4.5 percent as of the last reporting date, an increase of .3 percent from the proportion measured as of June 30, 2022, chronicles an important understanding of the System's fully formed financial condition and the totality of its obligations.

The UAAL is determined by actuaries, not staff or the System's auditors. Certain estimates used by actuaries, including investment returns, salary increases, mortality rates, and cost of living benefits will impact the valuation of the liability. Note 9 to the financial statements includes a required disclosure that demonstrates the impact of changing one assumption (the discount rate) by an increase or decrease of one percent.

In 2018, the System adopted GASB 75 which requires recognition of the total OPEB liability and retroactive restatement of net position. In 2009, the System created the MCCS OPEB Trust. The Trust Agreement allows the Trust to accept contributions from MCCS to fund future retiree benefits and limits the trustees to prudent investment of trust assets and payment of retiree health and life insurance benefit costs. MCCS's recognized income for other post-employment benefits was \$1.9 million in 2024, \$2.1 million in 2023, \$0.8 million in 2022, \$1.9 million in 2021, and \$0.3 million in 2020. MCCS's total expense for other post-employment benefits was \$0.8 million in 2019, \$2.1 million in 2018, and \$1.7 million in 2017. The actuarially accrued obligation for retiree health and life insurance in 2024 was \$28.2 million, a decrease of \$8.6 million from 2023 obligation of \$36.8 million. The actuarially accrued obligation for retiree health and life insurance in 2023 was \$36.8 million, a decrease of \$4.7 million from 2022 obligation of \$41.5 million. In 2022, the actuarially accrued obligation was \$41.5 million, a \$6.3 million decrease from 2021 obligation of \$47.8 million. The 2021 obligation was up \$4.1 million from \$43.7 million in 2020, and 2020 was an increase of \$1.3 million from 2019. In 2019 it was \$42.4 million, down \$6.8 million from 2018. The actuarially accrued obligation was \$49.2 million in 2018.

Trust assets were valued at \$60.3 million on June 30, 2024, \$52.0 million on June 30, 2023, \$47.0 million on June 30, 2022, \$56.1 million on June 30, 2021, \$44.3 million on June 30, 2020, \$42.2 million on June 30, 2019, and \$39.9 million on June 30, 2018. Accordingly, the net OPEB (asset) liability was \$(32.1) million on June 30, 2024, \$(15.2) million on June 30, 2023, \$(5.5) million on June 30, 2022, \$(8.3) million on June 30, 2021, \$(0.6) million on June 30, 2020, \$0.2 million on June 30, 2019, and \$9.3 million on June 30, 2018.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Endowments

Noncurrent assets also include \$17.4 in endowment investments; an increase of \$1.7 million, or 10.8 percent from 2023. In 2023, noncurrent assets included \$15.7 million in endowment investments; an increase of \$0.8 million, or 5.3 percent from 2022. In 2022, noncurrent assets included \$14.9 million in endowment investments; a decrease of \$3.6 million, or 19.6 percent from 2021.

Endowment investments earned 11.0 percent in 2024 and 10.9 percent in 2023 and lost 15.5 percent in 2022.

The largest shares of the endowment are comprised of gifts from the Bernard Osher Foundation. The Osher Endowments are comprised of four donations that total \$7.0 million. The State and the System have added \$3.0 million in matching funds. The gifts support scholarships and emergency financial assistance for full-time matriculated associate degree students.

The Board of Trustees adopted an investment policy using a long-term investment strategy, and investment results are compared to a blended benchmark index that is a composite made up of 40 percent Morgan Stanley Capital International—All Country World Index (MSCI-ACWI), 12.5 percent S&P 500, 15 percent of the Bloomberg Barclays US Aggregate Bond Index (BC Agg), 15 percent Bloomberg Barclays Intermediate US Government/Credit, 10 percent of the Russell 2000, 2.5 percent Morgan Stanley Capital International Emerging Markets, and 5 percent Russell 1000 value. Endowment investments are pooled with the System's long-term investments and are allocated based upon a percentage of the total investment pool.

Net Position

MCCS's net position represents the value of its assets and deferred outflows of resources after subtracting its liabilities and deferred inflows of resources. Net investment in capital assets is the value of nonexpendable, capital assets after subtracting the related debt on facilities and equipment. Restricted net assets are assets owned by MCCS, but, by agreement with grantors or donors, the assets can only be used for purposes specified in grant or donor agreements. As such, those assets are not available to meet the general obligations of operations. Unrestricted net assets are those assets, net of liabilities, which have accumulated over time, are free of restrictions and are expendable at the Trustees' direction. MCCS has designated unrestricted net position as follows (in millions):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Funds committed to OPEB	\$ 3.1	\$ 3.1	\$ 2.6
Funds carried from prior years for programs	30.7	24.5	25.0
Funds committed to property, plant, and equipment renewal	31.4	34.4	28.3
Funds on deposit with bond trustee	1.2	1.2	1.2
Unobligated net position	20.9	11.4	10.5
Proportionate share of the State's net pension liability	<u>(31.5)</u>	<u>(31.8)</u>	<u>(36.3)</u>
Total unrestricted net position	<u>\$ 55.8</u>	<u>\$ 42.8</u>	<u>\$ 31.3</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

The narrative on costs and obligations of retirement plans notes that MCCS has appropriately recorded its proportionate share of the net pension liability (NPL) administered by MainePERS, but that the System does not manage any aspect of the plan. The results of operations and impact of GASB 68 are as follows:

(in <i>millions</i>)	<u>2024</u>			<u>2023</u>		
	<i>Before</i> <i>NPL</i>	<i>State's</i> <i>NPL</i>	<i>MCCS</i>	<i>Before</i> <i>NPL</i>	<i>State's</i> <i>NPL</i>	<i>MCCS</i>
Current assets	\$120.3	\$ -	\$120.3	\$ 117.7	\$ -	\$ 117.7
Noncurrent assets	246.7	-	246.7	230.7	-	230.7
Deferred outflows—pension	<u>6.3</u>	<u>13.7</u>	<u>20.0</u>	<u>8.7</u>	<u>14.2</u>	<u>22.9</u>
Total assets and deferred outflows	<u>\$373.3</u>	<u>\$ 13.7</u>	<u>\$387.0</u>	<u>\$357.1</u>	<u>\$ 14.2</u>	<u>\$371.3</u>
Current liabilities	\$ 28.6	\$ -	\$ 28.6	\$ 32.7	\$ -	\$ 32.7
Noncurrent liabilities	25.8	42.0	67.8	28.0	39.0	67.0
Deferred inflows	<u>30.8</u>	<u>3.2</u>	<u>34.0</u>	<u>23.4</u>	<u>7.0</u>	<u>30.4</u>
Total liabilities and deferred inflows	<u>\$ 85.2</u>	<u>\$ 45.2</u>	<u>\$ 130.4</u>	<u>\$ 84.1</u>	<u>\$ 46.0</u>	<u>\$130.1</u>
Investment in capital assets	\$172.4	\$ -	\$ 172.4	\$172.7	\$ -	\$172.7
Net restricted position	28.4	-	28.4	25.7	-	25.7
Net unrestricted position	<u>87.3</u>	<u>(31.5)</u>	<u>55.8</u>	<u>74.6</u>	<u>(31.8)</u>	<u>42.8</u>
Total net position	<u>\$288.1</u>	<u>\$ (31.5)</u>	<u>\$256.6</u>	<u>\$273.0</u>	<u>\$ (31.8)</u>	<u>\$241.2</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Net Position

June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 39,173,654	\$ 47,604,737
Short-term investments	60,205,187	53,971,488
Accounts receivable, net	16,907,305	10,866,329
Higher Education Emergency Relief Funds receivable	214,080	547,275
Due from State of Maine	2,170,436	1,373,674
Prepaid expenses and other current assets	<u>1,651,234</u>	<u>3,331,352</u>
Total current assets	<u>120,321,896</u>	<u>117,694,855</u>
Noncurrent assets		
Prepaid post-employment benefit plans	32,098,554	15,195,636
Deposit with bond trustee	1,261,958	1,233,528
Endowment investments	17,399,817	15,742,192
Right-of-use asset, net	639,110	755,484
Subscription assets, net	13,754,498	15,619,593
Capital assets, net	<u>181,505,449</u>	<u>182,129,243</u>
Total noncurrent assets	<u>246,659,386</u>	<u>230,675,676</u>
Total assets	<u>\$ 366,981,282</u>	<u>\$ 348,370,531</u>

DEFERRED OUTFLOWS OF RESOURCES

Defined benefit pension plan	\$ 13,748,037	\$ 14,215,505
Other post-retirement benefit plans	<u>6,276,642</u>	<u>8,688,214</u>
Total deferred outflows of resources	<u>\$ 20,024,679</u>	<u>\$ 22,903,719</u>

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

LIABILITIES

	<u>2024</u>	<u>2023</u>
Current liabilities		
Accounts payable	\$ 4,959,877	\$ 4,501,656
Accrued expenses	15,194,732	13,631,010
Unearned revenue	6,399,113	12,445,251
Current portion of lease obligation	114,031	111,373
Current portion of subscription liabilities	988,321	1,118,958
Current portion of long-term debt	<u>980,000</u>	<u>935,000</u>
Total current liabilities	<u>28,636,074</u>	<u>32,743,248</u>
Long-term liabilities		
Long-term debt, excluding current portion	12,346,347	13,453,768
Lease obligation, excluding current portion	555,921	669,952
Subscription liabilities, excluding current portion	9,766,356	10,754,677
Net pension liability	41,980,020	39,038,376
Other post-employment benefit plans	<u>3,112,099</u>	<u>3,109,401</u>
Total long-term liabilities	<u>67,760,743</u>	<u>67,026,174</u>
Total liabilities	<u>\$ 96,396,817</u>	<u>\$ 99,769,422</u>

DEFERRED INFLOWS OF RESOURCES

Defined benefit pension plan	\$ 3,227,421	\$ 6,996,200
Other post-employment benefit plans	30,374,212	22,985,174
Deferred gain on bond refunding	<u>335,158</u>	<u>363,087</u>
Total deferred inflows of resources	<u>\$ 33,936,791</u>	<u>\$ 30,344,461</u>

NET POSITION

Net investment in capital assets	\$ 172,398,438	\$ 172,682,519
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	11,848,038	11,848,038
Expendable:		
Scholarships and fellowships	12,547,492	10,296,322
Instructional department uses	4,042,588	3,515,248
Other	57,215	57,315
Unrestricted	<u>55,778,582</u>	<u>42,760,925</u>
Total net position	<u>\$ 256,672,353</u>	<u>\$ 241,160,367</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues		
Student tuition and fees	\$ 46,663,782	\$ 39,142,117
Residential life fees	14,948,301	11,954,305
Less scholarship allowances	<u>(48,166,809)</u>	<u>(38,176,594)</u>
Net tuition and residential life fees	13,445,274	12,919,828
Federal grants and contracts	50,821,710	39,223,304
State and local grants and contracts	17,431,385	14,599,096
Nongovernmental grants and contracts	14,258,775	12,181,774
Sales and services of educational departments	585,221	634,019
Auxiliary enterprises	528,732	454,586
Other operating revenues	<u>3,373,015</u>	<u>6,336,383</u>
Total operating revenues	<u>100,444,112</u>	<u>86,348,990</u>
Operating expenses		
Instruction	67,362,257	58,204,579
Public service	1,469,223	1,325,546
Academic support	18,522,708	21,458,871
Student services	19,377,840	16,686,836
Institutional support	29,730,448	25,760,123
Operations and maintenance	16,937,027	14,302,155
Student aid	490,335	1,382,428
Auxiliary enterprises and residential life	9,465,862	6,695,058
Depreciation and amortization	<u>14,699,360</u>	<u>14,766,376</u>
Total operating expenses	<u>178,055,060</u>	<u>160,581,972</u>
Operating loss	<u>(77,610,948)</u>	<u>(74,232,982)</u>
Nonoperating revenues (expenses)		
State appropriations	82,013,346	78,663,179
Higher Education Emergency Relief Funds	311,398	6,861,420
State appropriations - Maine Free College Program	16,108,635	11,797,184
Less scholarship allowances - Maine Free College Program	<u>(14,455,806)</u>	<u>(10,393,170)</u>
Gifts	912,148	772,320
Investment income, net of investment expenses of \$321,518 in 2024 and \$281,973 in 2023	9,053,665	5,286,462
Interest on capital asset-related debt and leases	<u>(1,108,490)</u>	<u>(1,184,933)</u>
Net nonoperating revenues	<u>92,834,896</u>	<u>91,802,462</u>
Income before other revenues, gains, or (losses)	15,223,948	17,569,480

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Revenues, Expenses, and Changes in Net Position (Concluded)

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Other revenues, gains, or (losses)		
Capital grants and gifts	\$ -	\$ 132,250
Appropriation from State for grants and capital asset acquisition	280,730	369,659
Gain (loss) on disposals of capital assets—other	7,308	(15,069)
Additions to permanent endowments	<u>-</u>	<u>218</u>
Net other revenues, gains, or (losses)	<u>288,038</u>	<u>487,058</u>
Increase in net position	15,511,986	18,056,538
Net position, beginning of year	<u>241,160,367</u>	<u>223,103,829</u>
Net position, end of year	<u>\$ 256,672,353</u>	<u>\$ 241,160,367</u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Receipts from tuition and residential life fees	\$ 5,153,473	\$ 13,397,920
Receipts from grants and contracts	76,682,150	69,597,193
Receipts from bookstore	674,598	138,965
Payments to suppliers and vendors	(56,989,186)	(52,982,708)
Payments for employees' salaries and benefits	(107,300,856)	(97,796,956)
Payments for funding of Other Post-Employment Benefit Trust (OPEB)	(1,897,396)	(1,713,730)
Other sales and services	568,370	597,345
Other receipts	<u>2,914,287</u>	<u>5,932,609</u>
Net cash used by operating activities	<u>(80,194,560)</u>	<u>(62,829,362)</u>
Cash flows from noncapital financing activities		
State appropriations	82,013,346	78,663,179
State appropriations - Maine Free College Program	1,652,829	1,404,014
Gifts and grants received for other than capital purposes		
Nonoperating private gifts	501,317	311,326
Higher Education Emergency Relief Funds	<u>644,593</u>	<u>13,841,077</u>
Net cash provided by noncapital financing activities	<u>84,812,085</u>	<u>94,219,596</u>
Cash flows from capital and related financing activities		
Payments on long-term liabilities	(2,165,331)	(2,089,501)
Proceeds from state grants for capital asset acquisition	280,729	369,659
Capital grants and gifts received	-	36,050
Purchase of capital assets	(11,019,335)	(12,785,934)
Purchase of subscription assets	-	(4,404,430)
Proceeds from sale of capital assets	7,308	201
Increase in deposit with bond trustee	(28,430)	(37,069)
Interest paid on capital debt and leases	<u>(1,285,890)</u>	<u>(1,361,733)</u>
Net cash used by capital and related financing activities	<u>(14,210,949)</u>	<u>(20,272,757)</u>
Cash flows from investment activities		
Proceeds from sales and maturities of investments	322,479	1,065,461
Investments purchased	(1,532,720)	(2,288,649)
Interest and dividends received	<u>2,372,582</u>	<u>1,860,647</u>
Net cash provided by investing activities	<u>1,162,341</u>	<u>637,459</u>
Net (decrease) increase in cash and cash equivalents	<u>(8,431,083)</u>	<u>11,754,936</u>
Cash and cash equivalents, beginning of year	<u>47,604,737</u>	<u>35,849,801</u>
Cash and cash equivalents, end of year	<u>\$ 39,173,654</u>	<u>\$ 47,604,737</u>

(Continued next page)

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Statements of Cash Flows (Concluded)

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (77,610,948)	\$ (74,232,982)
Adjustments to reconcile operating loss to net cash used		
by operating activities		
Bad debts provision	1,567,360	1,137,661
Depreciation and amortization	14,699,360	14,766,376
Noncash pension credit	(359,667)	(4,390,048)
Noncash OPEB expense	9,803,308	5,825,703
Noncash donations of supplies	410,831	461,212
Decrease (increase) in		
Accounts receivable, net	(7,608,336)	(6,404,630)
Due from State of Maine	(796,761)	357,308
Prepaid expenses and other current assets	1,680,118	(2,207,971)
Prepaid post-employment benefit plans	(16,902,918)	(9,695,153)
Increase (decrease) in		
Accounts payable	(616,541)	581,820
Accrued expenses, net of accrued interest on capital debt	1,585,772	1,608,976
Unearned revenue	<u>(6,046,138)</u>	<u>9,362,366</u>
Net cash used by operating activities	<u>\$ (80,194,560)</u>	<u>\$ (62,829,362)</u>
Supplemental disclosure of noncash capital and related financing activities		
Donated capital assets	<u>\$ -</u>	<u>\$ 96,200</u>
Capital asset purchases recorded in accounts payable	<u>\$ 1,455,596</u>	<u>\$ 380,834</u>
Summary of noncash investing activities		
Net gains related to investments	<u>\$ 6,681,083</u>	<u>\$ 3,425,815</u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MAINE COMMUNITY COLLEGE EDUCATIONAL FOUNDATIONS
(Component Units)

Balance Sheets

June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 3,537,397	\$ 9,426,144
Investments	28,758,322	16,976,144
Pledges receivable, current portion	1,994,938	4,350,290
Beneficial interest in assets held by others	1,369,224	1,241,609
Other assets	<u>3,868</u>	<u>36,815</u>
Total current assets	35,663,749	32,031,002
Pledges receivable, net of allowance for uncollectible pledges and discounts to net present value	<u>682,775</u>	<u>2,290,789</u>
Total assets	<u><u>\$ 36,346,524</u></u>	<u><u>\$ 34,321,791</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accruals	\$ 2,018,559	\$1,237,101
Contributions payable	<u>934,559</u>	<u>-</u>
Total liabilities	<u>2,953,118</u>	<u>1,237,101</u>
Net assets		
Without donor restrictions	4,656,942	3,562,832
With donor restrictions	<u>28,736,464</u>	<u>29,521,858</u>
Total net assets	<u>33,393,406</u>	<u>33,084,690</u>
Total liabilities and net assets	<u><u>\$ 36,346,524</u></u>	<u><u>\$ 34,321,791</u></u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MAINE COMMUNITY COLLEGE EDUCATIONAL FOUNDATIONS
(Component Units)

Statement of Activities

Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Gifts and contributions	\$ 416,894	\$ 6,701,948	\$ 7,118,842
Contributed nonfinancial assets	171,219	-	171,219
Net investment income	790,821	2,021,100	2,811,921
Other	<u>418,301</u>	<u>86,312</u>	<u>504,613</u>
	1,797,235	8,809,360	10,606,595
Net assets released from restrictions	<u>9,594,754</u>	<u>(9,594,754)</u>	<u>-</u>
Total revenues, gains, and other support	<u>11,391,989</u>	<u>(785,394)</u>	<u>10,606,595</u>
Expenses			
Program expenses			
Scholarships	2,164,166	-	2,164,166
Support	7,046,706	-	7,046,706
Fundraising			
Personnel costs	41,651	-	41,651
Special events	194,492	-	194,492
Miscellaneous	248,295	-	248,295
Management and general			
Wages and benefits	318,052	-	318,052
Professional services	63,071	-	63,071
General operating	168,487	-	168,487
Miscellaneous	<u>52,959</u>	<u>-</u>	<u>52,959</u>
Total expenses	<u>10,297,879</u>	<u>-</u>	<u>10,297,879</u>
Change in net assets	1,094,110	(785,394)	308,716
Net assets, beginning of year	<u>3,562,832</u>	<u>29,521,858</u>	<u>33,084,690</u>
Net assets, end of year	<u>\$ 4,656,942</u>	<u>\$ 28,736,464</u>	<u>\$ 33,393,406</u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

MAINE COMMUNITY COLLEGE EDUCATIONAL FOUNDATIONS
(Component Units)

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Gifts and contributions	\$ 208,777	\$ 3,787,934	\$ 3,996,711
Contributed services	158,955	-	158,955
Contributed nonfinancial assets	177,764	-	177,764
Net investment loss	332,986	1,240,090	1,573,076
Other	<u>405,615</u>	<u>40,845</u>	<u>446,460</u>
	1,284,097	5,068,869	6,352,966
Net assets released from restrictions	<u>10,190,787</u>	<u>(10,190,787)</u>	<u>-</u>
Total revenues, gains, and other support	<u>11,474,884</u>	<u>(5,121,918)</u>	<u>6,352,966</u>
Expenses			
Program expenses			
Scholarships	1,809,258	-	1,809,258
Support	7,809,887	-	7,809,887
Fundraising			
Personnel costs	104,206	-	104,206
Special events	56,509	-	56,509
Miscellaneous	157,426	-	157,426
Management and general			
Wages and benefits	417,414	-	417,414
Professional services	97,010	-	97,010
General operating	138,418	-	138,418
Miscellaneous	<u>68,902</u>	<u>-</u>	<u>68,902</u>
Total expenses	<u>10,659,030</u>	<u>-</u>	<u>10,659,030</u>
Change in net assets	815,854	(5,121,918)	(4,306,064)
Net assets, beginning of year	<u>2,746,978</u>	<u>34,643,776</u>	<u>37,390,754</u>
Net assets, end of year	<u>\$ 3,562,832</u>	<u>\$ 29,521,858</u>	<u>\$ 33,084,690</u>

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MAINE COMMUNITY COLLEGE SYSTEM POST-EMPLOYMENT BENEFIT TRUST

Statements of Fiduciary Net Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 149,094	\$ 147,669
Accounts receivable	352,960	-
Investments	<u>59,845,338</u>	<u>51,865,699</u>
Total assets	<u>60,347,392</u>	<u>52,013,368</u>
Net position held in trust for benefits	<u>\$ 60,347,392</u>	<u>\$ 52,013,368</u>

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

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

MAINE COMMUNITY COLLEGE SYSTEM POST-EMPLOYMENT BENEFIT TRUST

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Additions		
Interest income	\$ 1,426	\$ 21
Employer contributions	1,897,396	1,713,730
Investment income, net of investment expense of \$322,121 in 2024 and \$293,571 in 2023	<u>7,979,641</u>	<u>4,846,947</u>
Total additions	<u>9,878,463</u>	<u>6,560,698</u>
Deductions		
Benefits	1,489,439	1,513,083
Administrative expenses	<u>55,000</u>	<u>55,000</u>
Total deductions	<u>1,544,439</u>	<u>1,568,083</u>
Net increase	8,334,024	4,992,615
Fiduciary net position held in trust for benefits, beginning of year	<u>52,013,368</u>	<u>47,020,753</u>
Fiduciary net position held in trust for benefits, end of year	<u><u>\$ 60,347,392</u></u>	<u><u>\$ 52,013,368</u></u>

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

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Maine Community College System (the System) are set forth below:

Basis of Presentation

The System is Maine's comprehensive two-year college system and offers certificate, diploma, and associate degree programs. The financial statements of the System include the activity of its seven colleges and the central administrative office.

The System is included in the financial statements of the State of Maine (the State) as a discretely-presented component unit. This financial performance is based primarily on the State's appointment of the System Board of Trustees, the level of revenues derived from State appropriations, and the ability of the State to influence the operational decisions of the System.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) using the economic resources measurement focus and the accrual basis of accounting. The System follows all applicable GASB pronouncements.

The following elements are included with these general purpose financial statements:

- Management's Discussion and Analysis (as required supplementary information);
- Basic financial statements, which include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, Balance Sheets & Statements of Activities for the Maine Community College System Educational Foundation, and Statements of Fiduciary Net Position & Changes in Fiduciary Net Position for the Maine Community College System Post-employment Benefit Trust;
- Notes to the Financial Statements;
- Required Supplementary Information; and
- Schedule of Activities.

The System follows the "business-type activities" (BTA) requirements of GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services.

The financial statements are reported on a consolidated basis and the System classified resources into the following net position categories:

- **Net investment in capital assets**—Capital assets, at historical cost or fair market value on the date of gift, net of accumulated depreciation, plus deposit with trustee; reduced by outstanding principal balances of debt; increased by deferred outflows of resources, and decreased by deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

- **Restricted nonexpendable**—Net position subject to externally-imposed stipulations that is invested permanently by the System. The amount is affected by new nonexpendable gifts.
- **Restricted expendable**—Net position whose use by the System is subject to externally-imposed stipulations. Such assets include the accumulated net gains/losses on true endowment funds as well as the fair market value of restricted funds functioning as endowments, restricted funds loaned to students, restricted gifts and endowment income, and other similar restricted funds.
- **Unrestricted**—All other categories of net position. Unrestricted net position may be designated by actions of the System's Board of Trustees.

The System determines on a case-by-case basis whether to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. However, the System generally encourages the use of restricted resources first.

Reporting Entity

The financial reporting entity consists of the primary government (the System), its component units, which consist of the seven Foundations of the System's Colleges (the Foundations), and the Maine Community College System Post-Employment Benefit Trust (the Trust).

The Trust is a separate legal entity established in 2009 to accumulate funds to pay, at least in part, the System's obligations under the post-employment healthcare plan. See Note 12 for more information.

The Foundations are legally separate, tax-exempt component units of the System. The Foundations act primarily as fundraising organizations to supplement the resources that are available to the System by raising money for endowed scholarships, technology, and teaching resources. The Foundations are self-perpetuating and their donors consist of graduates and friends of the Colleges. Although the System does not control the timing or amount of receipts from the Foundations, the majority of resources, and income thereon, that the Foundations hold and invest are restricted to the activities of the System by the donors. Because these resources held by the Foundations can only be used by, or for the benefit of, the System, the Foundations are considered component units of the System. The Foundations are reported in separate financial statements.

The Foundations are private, not-for-profit organizations that report their financial results in accordance with private, non-governmental accounting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the System's financial reporting entity for these differences. Significant note disclosures to the Foundations' financial statements have been incorporated into the System's notes to the financial statements in Note 16.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Cash Equivalents

Cash equivalents are carried at cost, which approximates fair value, and consist principally of money market funds and other pooled funds with maturities of three months or less at the date of purchase.

Investments

Investments are reported at fair value. Realized gains and losses are calculated on a specific identification basis.

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Endowment Investments

Endowed investments consist of funds received from donors with the stipulation that the original principal remain invested in perpetuity to produce income, which is to be expended for the purposes specified by the donor. All endowments have been established for the purpose of granting scholarships to students.

Individual endowment funds are invested on a pooled basis. Total endowment investment yield received for the year is ratably allocated to fund accounts.

Accounts Receivable

Accounts receivable consist principally of tuition receivable from students and third-party payors and various state and federal grants.

Student accounts receivable are carried at the unpaid balance of the original amount billed to students, net of an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts are written off when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received.

A student account receivable is generally considered to be past due if any portion of the receivable balance is outstanding at the beginning of a semester, at which point late charges may be assessed and are recognized when charged. Interest is not charged on past-due accounts.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets funds, derived from appropriations and the System funds so designated by the Board of Trustees, may be used to meet expenditures for construction of additional facilities, major renovations, and retirement of indebtedness arising there from. Designated funds are unrestricted funds for which the Board of Trustees or administration stipulates a specific use, thereby designating them for that purpose. However, the Board of Trustees may at any time redesignate the funds for other use. Total designated capital assets funds included in unrestricted net position amounted to \$28,144,294 and \$31,396,512 at June 30, 2024 and 2023, respectively.

Land, buildings, equipment, and fixtures are stated at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Expenditures for maintenance, repairs, and assets with a cost of under \$5,000 are expensed as incurred. Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statements of revenues, expenses, and changes in net position. Assets are depreciated on a straight-line basis according to the following estimated useful lives:

Buildings	40 years
Improvements	10 years
Furniture and equipment	3—10 years
Library books and periodicals	5 years

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employee and Teacher Retirement Plan (the SET Pension Plan), and additions to/deductions from the SET Pension Plan's fiduciary net position, has been determined on the same basis as it is reported by the SET Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Group Life Insurance Plan for Retired State Employees and Teachers (the SET OPEB Plan), and additions to/deductions from the SET OPEB Plan's fiduciary net position, has been determined on the same basis as it is reported by the SET OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the System has recorded deferred outflows and inflows of resources relative to its pension plan and OPEB plans and deferred gain on bond refunding.

An analysis of deferred outflows of resources, deferred inflows of resources, and net position at June 30 is as follows:

	2024		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Asset) Liability</u>
Maine Public Employees Retirement System Pension Plan	\$ 13,748,037	\$ 3,227,421	\$ 41,980,020
Maine Community College System Post-employment Health Insurance Plan	5,518,133	30,170,557	(32,098,554)
Maine Public Employees Retirement System OPEB Plan	758,509	203,655	3,112,099
Deferred gain on bond refunding	<u>-</u>	<u>335,158</u>	<u>-</u>
Total	<u>\$ 20,024,679</u>	<u>\$ 33,936,791</u>	<u>\$ 12,993,565</u>
	2023		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Asset) Liability</u>
Maine Public Employees Retirement System Pension Plan	\$ 14,215,505	\$ 6,996,200	\$ 39,038,376
Maine Community College System Post-employment Health Insurance Plan	7,912,001	22,683,458	(15,195,637)
Maine Public Employees Retirement System OPEB Plan	776,213	301,716	3,109,401
Deferred gain on bond refunding	<u>-</u>	<u>363,087</u>	<u>-</u>
Total	<u>\$ 22,903,719</u>	<u>\$ 30,344,461</u>	<u>\$ 26,952,140</u>

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements (SBITA)

The System is party to five SBITAs. The System recognizes a subscription liability and an intangible right-of-use subscription asset (subscription asset) in the statements of net position. The System reports SBITA current expenditures in the statements of revenues, expenditures, and changes in net position. The System recognizes subscription liabilities with an initial term greater than 12 months. Remaining subscription terms range from 2 to 10 years with fixed payments due monthly and annually. For SBITAs with a maximum possible term of 12 months or less at commencement, the System recognizes expenses/expenditures based on the provisions of the arrangement.

At the commencement of a SBITA, the System initially measures the subscription liability at the present value of expected subscription payments to be made over the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the SBITA asset or subscription term.

Key estimates and judgments related to SBITAs include how the System determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

The System uses prime rate at the commencement date of the contract as the discount rate. The subscription term includes the noncancellable period during which the System has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the System or vendor will exercise that option or to terminate if it is reasonably certain that the System or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments only.

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

Subscription assets are reported with noncurrent assets and subscription liabilities are reported with long-term liabilities on the statements of net position.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The System accrues amounts for compensated absences as earned. As of June 30, 2024 and 2023, the System had accrued \$3,608,285 and \$3,435,835, respectively. These accrued balances represent vacation and earned time amounts available to be used or payable to employees upon termination of employment and are included in accrued expenses on the statements of net position.

Revenue Recognition

Tuition and fees revenues are recognized when the services are performed. Unrestricted gifts of securities and other noncash assets are recognized as revenue based on the fair value at the date of donation; restricted grants and gifts are recognized as revenue based on the fair value when eligibility requirements have been met; state appropriations are recognized in the year the State appropriates the funds.

Unearned revenue consists primarily of unrestricted tuition and student fees related to future fiscal years.

Investment income consists of interest and dividend income recognized on the accrual method, as well as realized and unrealized gains or losses on investments.

Auxiliary enterprises furnish goods or services to students, faculty, or staff, and charge a fee directly related to the cost of the goods or services. Revenues from auxiliary enterprises are primarily earned from college stores and are recognized as the services are performed or the goods are delivered.

Operating Revenues and Expenses

Operating revenues substantially consist of tuition and fees; federal, state, and other grants and contracts for noncapital purposes; sales and services of education activities; and auxiliary enterprises revenues. Operating expenses include instruction, public service, academic support, student services, institutional support, operations and maintenance, student aid, auxiliary enterprises and residential life, and depreciation and amortization. All other revenues and expenses of the System are reported as other or nonoperating revenues and expenses, including state general appropriations, noncapital gifts, investment income, interest expense, and capital additions and deductions. Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only to the extent eligibility requirements have been met, primarily representing funds spent for expenditure driven grants.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Continued)

Tax Status

The System is exempt from income taxes because it is an instrumentality of the State of Maine. The Foundations are exempt from income taxes because they are 501(c)(3) organizations. The Trust is exempt from income taxes by virtue of the exempt status of the System.

If an exempt organization regularly carries on a trade or business not substantially related to its exempt purpose, except that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business. The System has evaluated the positions taken on its business activities and has concluded no unrelated business income tax exists at June 30, 2024 and 2023.

Custodial Funds

Custodial funds are cash held by an institution acting as custodian or fiscal agent, but not assets or liabilities of the institution. The cash is deposited with the institution for safekeeping, to be used or withdrawn by the depositor at will. As of June 30, 2024 and 2023, the System held assets totaling \$1,629,201 and \$1,694,684, respectively, consisting primarily of Student Union Activity Funds, which are not reflected in the accompanying statements of net position.

Risk Management

The System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses. These estimates include, but are not limited to, the valuation of accounts and pledges receivable and the actuarial assumptions used in determining the post-employment benefit expenses and related balances. Actual results could differ from those estimates.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

1. Summary of Significant Accounting Policies (Concluded)

New Accounting Pronouncements Not Yet Effective

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Compensated absences including parental leave, military leave, and jury duty leave, are not to be recognized until the leave commences. For financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditure be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement is effective for reporting periods beginning after December 15, 2023, and earlier application is encouraged. Management is currently evaluating the impact this Statement will have on the System's financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement is intended to enhance the clarity, consistency, and usefulness of financial statements for governments. The new enhancements are designed to enhance the effectiveness of governmental financial reports by focusing on essential information for decision-making and assessing a government's accountability and address certain application issues. This Statement changes existing requirements related to (1) management's discussion and analysis, (2) Unusual or infrequent items (previously known as extraordinary and special items), (3) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, (4) major component unit information, and (5) budgetary comparison information. This Statement is effective for reporting periods beginning after June 15, 2024, and all reporting period thereafter. Management is currently evaluating the impact this Statement will have on the System's financial statements.

New Accounting Pronouncement

As of June 30, 2024, the System adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB No. 62*. The adoption of this Statement and related guidance during the year ended June 30, 2024 did not have a material impact of the financial statements of the System.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

2. Cash and Cash Equivalents

The carrying amounts, which represent both cost and fair value, of cash and cash equivalents for the System at June 30, 2024 and 2023 are presented below:

	<u>2024</u>	<u>2023</u>
Cash in bank	\$ 11,066,034	\$ 19,159,634
Deposits in transit (outstanding checks)	2,576	20,305
State Treasurer's Cash Pool	<u>28,105,044</u>	<u>28,424,798</u>
	<u>\$ 39,173,654</u>	<u>\$ 47,604,737</u>

The bank account balances are covered by depository insurance up to \$250,000 at each bank at June 30, 2024 and 2023. The cash in bank in excess of depository insurance is collateralized by a \$1,000,000 stand-by letter of credit with the Federal Home Loan Bank. Cash in bank in excess of \$1,250,000 is uncollateralized. The System has established internal procedures to monitor credit risk relating to deposits in financial institutions.

The State Treasurer's Cash Pool (the Pool), established by the Maine State Treasurer, is not rated by a nationally recognized statistical rating organization. However, the Pool is limited by State law to invest in obligations of the U.S. Treasury and its agencies and instrumentalities that mature within 36 months; repurchase agreements that are secured by obligations of the U.S. Government and its agencies and instrumentalities and mature within 12 months; prime commercial paper; tax-exempt municipal obligations rated no less than AA; corporate bonds rated AAA; money market funds; bankers' acceptances not exceeding 180 days; and time certificates of deposit not exceeding two years.

The System's management considers this investment to be a money market instrument and carries the amounts at cost, which approximates fair value.

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Notes to Financial Statements

June 30, 2024 and 2023

3. Investments

The fair value of investments for the System at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Management account investments		
Investments at net asset value (NAV)		
Equity	\$ 31,575,324	\$ 29,973,621
Fixed-income	<u>46,024,390</u>	<u>39,733,620</u>
Total management account investments	77,599,714	69,707,241
Other investments	<u>5,290</u>	<u>6,439</u>
Total investment balance	<u>\$ 77,605,004</u>	<u>\$ 69,713,680</u>

The System's investments are reported in the financial statements at June 30, 2024 and 2023 as follows, based on the portfolios underlying fund investments:

	<u>2024</u>	<u>2023</u>
Short-term investments	\$ 60,205,187	\$ 53,971,488
Endowment investments	<u>17,399,817</u>	<u>15,742,192</u>
	<u>\$ 77,605,004</u>	<u>\$ 69,713,680</u>

Interest Rate Risk

The System manages interest rate risk according to its investment policy by maintaining investments that are both liquid, as determined by a readily available market, and highly diversified, using institutional class mutual funds or exchange-traded funds.

Credit Risk

The System limits its exposure to credit risk in its investment policy by investing in highly diversified fixed-income funds. Collectively taken, the majority of the underlying holdings in these funds in which the System may invest are investment grade as rated by a nationally recognized statistical rating organization (NRSRO). The System further reduces potential credit risk by not investing directly in individual fixed-income securities. Management periodically reviews the exposure to securities that are unrated or below investment grade in its portfolios to ensure the System limits its credit risk.

A summary of fixed-income investments and their related interest rate and credit risks as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>		<u>2023</u>	
<u>Rating</u>	<u>Amount</u>	<u>Maturity</u>	<u>Amount</u>	<u>Maturity</u>
AA	<u>\$ 46,024,390</u>	8.5 years	<u>\$ 39,733,620</u>	6.1 years

The ratings are, and the maturities are the weighted averages of, the debt securities in which the funds invest.

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Notes to Financial Statements

June 30, 2024 and 2023

3. Investments (Continued)

Concentration of Credit Risk

The System has not defined a limit in its investment policies regarding the amount that can be placed in one issuer. However, the investment policy defines that the portfolio should be well diversified as to limit exposure to one issuer or security. Also, within the individual funds, the net credit exposure to any single issuer is not to represent 5% or more of the fund with the exception of U.S. Treasuries and Agencies and investment grade Organization for Economic Co-operation and Development member countries and their instrumentalities. As of June 30, 2024 and 2023, individual investments representing more than 5% of the System's investments were as follows:

	<u>Percentage of Investments</u>	
	<u>2024</u>	<u>2023</u>
Wellington Trust Co. (WTC)-Common Trust Funds (CTF)		
Ultra Short Duration	- %	10.8 %
WTC-CTF Intermediate Bond	40.7	28.5
WTC-CTF Global Opportunities Equity Fund	16.5	18.1
WTC-CTF Core Bond Plus	18.6	17.7
WTC-CTF Research Equity	8.9	9.7

Custodial Credit Risk

All of the System's investments are held with a third-party custodian in the System's name.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB No. 72 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Notes to Financial Statements

June 30, 2024 and 2023

3. Investments (Continued)

At June 30, 2024 and 2023, certain investments were measured at NAV, which is fair value estimated by management using values provided by the investment managers. Management does not anticipate that these funds will be liquidated, although relative positions are rebalanced periodically.

Assets measured at fair value on a recurring basis are summarized below:

<u>Fair Value Measurements at June 30, 2024, Using:</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and short-term investments	\$ 5,290	\$ <u>5,290</u>	\$ <u>-</u>	\$ <u>-</u>
Investments at NAV				
Equity funds	31,575,324			
Fixed-income funds	<u>46,024,390</u>			
	<u>\$ 77,605,004</u>			
<u>Fair Value Measurements at June 30, 2023, Using:</u>				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash and short-term investments	\$ 6,439	\$ <u>6,439</u>	\$ <u>-</u>	\$ <u>-</u>
Investments at NAV				
Equity funds	29,973,621			
Fixed-income funds	<u>39,733,620</u>			
	<u>\$ 69,713,680</u>			

Assets measured at NAV at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>	<u>Redemption</u>	<u>Redemption</u>
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Frequency</u>	<u>Notice Period</u>
Equity funds:				
CTF Enduring Assets (a)	\$ 3,859,177	\$ 3,361,263	Daily	On redemption date
CTF Global Quality Growth (b)	3,024,310	2,808,702	Daily	On redemption date
CTF Global Opportunities (c)	12,824,045	12,601,296	Daily	On redemption date
CTF Quality Value (d)	2,435,130	2,188,588	Daily	On redemption date
CTF Emerging Markets Research				10 days prior to
Equity (e)	507,713	400,118	Weekly	redemption date
CTF Research Equity (f)	6,919,006	6,743,651	Daily	On redemption date
CTF Small Cap Opportunities (g)	<u>2,005,943</u>	<u>1,870,003</u>	Daily	On redemption date
	<u>\$31,575,324</u>	<u>\$29,973,621</u>		

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2024 and 2023

3. Investments (Continued)

	<u>2024</u> <u>Fair Value</u>	<u>2023</u> <u>Fair Value</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Fixed-income funds:				
CTF Core Bond Plus (h)	\$ 14,434,360	\$ 12,346,403	Daily	On redemption date
CTF Intermediate Bond (i)	31,590,030	19,854,148	Daily	On redemption date
CTF Ultra Short Duration (j)	<u>-</u>	<u>7,533,069</u>	Daily	On redemption date
	<u>\$46,024,390</u>	<u>\$39,733,620</u>		

- (a) This fund invests in companies with long-lived physical assets that exhibit low levels of earnings volatility and is managed on a total return basis.
- (b) This fund invests in high quality growth companies to provide long-term total returns above the Morgan Stanley Capital International (MSCI) Index and is managed on a total return basis.
- (c) This fund invests primarily in common stock to provide long-term total return in excess of the MSCI All Country World Index and is managed on a total return basis.
- (d) This fund invests primarily in large-capitalization companies to provide long-term total return in excess of the Russell 1000 Value Index over full market cycles and it managed on a total return basis.
- (e) This fund invests in real estate securities, convertible bonds, preferred stock, exchange-traded funds, and similar liquid investments and is managed to provide a long-term total return in excess of the MSCI Emerging Markets Index.
- (f) This fund invests primarily in equity securities issued by companies incorporated or exercising a predominant part of their economic activities in the U.S. The fund may also invest up to 10% of the fund's assets in non-U.S. companies.
- (g) This fund invests in common stocks of U.S. companies with a market cap between \$100 million and \$3 billion. Up to 15% of the Portfolio's assets may be invested in non-US securities and less than 5% will be invested in cash (maximum of 10%).
- (h) This fund invests in U.S. Government and Agency securities, mortgage securities, municipal securities, and other similar assets to provide long-term total return in excess of the U.S. bond market represented by the Barclays Aggregate Bond Index. The fund also purchases debt obligations meeting similar risk and is managed on a total return basis.
- (i) This fund invests in investment-grade, U.S. dollar-denominated debt obligations of U.S. and non-U.S. issuers to provide long-term return in excess of the Barclays Capital Intermediate Government/Credit Bond Index and is managed on a total return basis.

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2024 and 2023

3. Investments (Concluded)

(j) This fund invests in investment grade, U.S. dollar-denominated debt obligations of U.S. and non-U.S. issuers to provide long-term total return in excess of the Barclays Capital 9 – 12 Month Treasury Index while maintaining liquidity and preserving capital. It is managed on a total return basis.

4. Accounts Receivable

Accounts receivable at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Grants and contracts	\$ 13,090,938	\$ 7,724,784
Student and general	5,661,582	4,651,126
Allowance for doubtful accounts	<u>(1,845,215)</u>	<u>(1,509,581)</u>
Total accounts receivable, net	<u>\$ 16,907,305</u>	<u>\$ 10,866,329</u>

5. Capital Assets

Capital assets activity for the year ended June 30, 2024 is summarized as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance</u> <u>June 30, 2024</u>
Non-depreciated assets:				
Land	\$ 3,963,348	\$ -	\$ -	\$ 3,963,348
Construction in process	<u>5,953,011</u>	<u>4,571,821</u>	<u>(4,945,031)</u>	<u>5,579,801</u>
	<u>9,916,359</u>	<u>4,571,821</u>	<u>(4,945,031)</u>	<u>9,543,149</u>
Depreciated assets:				
Buildings	155,653,701	-	(302,794)	155,350,907
Improvements	145,781,490	7,046,983	(6,390)	152,822,083
Furniture and equipment	90,506,360	5,394,682	(1,875,424)	94,025,618
Library books and periodicals	<u>3,790,355</u>	<u>25,643</u>	<u>(140,845)</u>	<u>3,675,153</u>
	<u>395,731,906</u>	<u>12,467,308</u>	<u>(2,325,453)</u>	<u>405,873,761</u>
Accumulated depreciation:				
Buildings	\$ (88,369,942)	\$ (3,148,359)	\$ 302,794	\$ (91,215,507)
Improvements	(53,134,759)	(4,518,465)	6,390	(57,646,834)
Furniture and equipment	(78,312,515)	(5,012,744)	1,875,424	(81,449,835)
Library books and periodicals	<u>(3,701,806)</u>	<u>(38,324)</u>	<u>140,845</u>	<u>(3,599,285)</u>
	<u>(223,519,022)</u>	<u>(12,717,892)</u>	<u>2,325,453</u>	<u>(233,911,461)</u>
Capital assets, net	<u>\$ 182,129,243</u>	<u>\$ 4,321,237</u>	<u>\$ (4,945,031)</u>	<u>\$ 181,505,449</u>

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Notes to Financial Statements

June 30, 2024 and 2023

5. Capital Assets (Concluded)

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

	Balance July 1, 2022	Additions	Retirements/ Reductions	Balance June 30, 2023
Non-depreciated assets:				
Land	\$ 3,963,348	\$ -	\$ -	\$ 3,963,348
Construction in process	<u>3,826,591</u>	<u>3,866,404</u>	<u>(1,739,984)</u>	<u>5,953,011</u>
	<u>7,789,939</u>	<u>3,866,404</u>	<u>(1,739,984)</u>	<u>9,916,359</u>
Depreciated assets:				
Buildings	155,653,701	-	-	155,653,701
Improvements	139,346,940	6,434,550	-	145,781,490
Furniture and equipment	86,126,669	4,583,735	(204,044)	90,506,360
Library books and periodicals	<u>3,758,755</u>	<u>36,498</u>	<u>(4,898)</u>	<u>3,790,355</u>
	<u>384,886,065</u>	<u>11,054,783</u>	<u>(208,942)</u>	<u>395,731,906</u>
Accumulated depreciation:				
Buildings	\$ (85,130,793)	\$ (3,239,149)	\$ -	\$ (88,369,942)
Improvements	(48,782,435)	(4,352,324)	-	(53,134,759)
Furniture and equipment	(73,233,472)	(5,267,369)	188,326	(78,312,515)
Library books and periodicals	<u>(3,659,740)</u>	<u>(46,964)</u>	<u>4,898</u>	<u>(3,701,806)</u>
	<u>(210,806,440)</u>	<u>(12,905,806)</u>	<u>193,224</u>	<u>(223,519,022)</u>
Capital assets, net	<u>\$ 181,869,564</u>	<u>\$ 2,015,381</u>	<u>\$ (1,755,702)</u>	<u>\$ 182,129,243</u>

6. Leases

The System entered into a 10-year operating lease, effective February 1, 2020, for the building in which the central administrative office of the System is currently located. Each year the annual rent may be adjusted by an inflation factor. There was an 8% and 6% adjustment in 2024 and 2023, respectively. The amount of rent paid in excess of amortization for 2024 and 2023 was \$21,087 and \$10,294, respectively.

The following table presents the lease-related assets and liabilities as of the years ended June 30:

	<u>2024</u>	<u>2023</u>
Right-of-use asset	\$ 1,100,615	\$ 1,100,615
Accumulated amortization on right of use asset	<u>(461,505)</u>	<u>(345,131)</u>
Right-of-use asset, net	<u>\$ 639,110</u>	<u>\$ 755,484</u>
Lease obligation—current portion	\$ 114,031	\$ 111,373
Lease obligation—long-term portion	<u>555,921</u>	<u>669,952</u>
Total lease obligation	<u>\$ 669,952</u>	<u>\$ 781,325</u>

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Notes to Financial Statements

June 30, 2024 and 2023

6. Leases (Concluded)

A maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the lease obligation, and certain other statistical data related to these leases, follows:

2025	\$ 128,673
2026	128,673
2027	128,673
2028	128,673
2029	128,673
Thereafter	<u>72,525</u>
Total	715,890
Less discount	<u>(45,938)</u>
Total	<u>\$ 669,952</u>
Weighted-average discount rate	2.00 %
Weighted average remaining lease term	6 years

7. Software Subscriptions

The total subscription assets were \$13,754,498 and \$15,619,593 as of June 30, 2024 and 2023, respectively. In 2023, the System initiated four additional SBITAs increasing the SBITA right-to-use assets by \$17,751,701 and included implementation costs of \$4,404,430. During the years ended June 30, 2024 and 2023, the System incurred \$1,865,095 and \$1,744,196, respectively, in SBITA amortization expense.

The following is a schedule by year of future minimum SBITA payments as of June 30, 2024:

<u>Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2025	\$ 1,610,484	\$ 622,163	\$ 988,321
2026	1,544,049	557,649	986,400
2027	1,567,508	492,770	1,074,738
2028	1,591,354	422,185	1,169,169
2029	1,519,592	351,677	1,167,915
2030 – 2033	<u>5,940,938</u>	<u>572,804</u>	<u>5,368,134</u>
Total minimum lease payments	<u>\$ 13,773,925</u>	<u>\$ 3,019,248</u>	<u>\$ 10,754,677</u>

Subsequent to the end of the year, the System entered into one SBITA arrangement that resulted in an additional ROU asset and lease liability equal to \$715,969 at the time of the lease inception.

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Notes to Financial Statements

June 30, 2024 and 2023

8. Long-Term Debt

Long-term debt activity for the year ended June 30, 2024 is summarized as follows:

	2024					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Premium Accretion</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	<u>\$14,388,768</u>	<u>\$ -</u>	<u>\$ 935,000</u>	<u>\$ 127,421</u>	<u>\$13,326,347</u>	<u>\$ 980,000</u>

Long-term debt activity for the year ended June 30, 2023 is summarized as follows:

	2023					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Premium Accretion</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	<u>\$15,411,188</u>	<u>\$ -</u>	<u>\$ 895,000</u>	<u>\$ 127,420</u>	<u>\$14,388,768</u>	<u>\$ 935,000</u>

Notes payable consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Notes payable to Maine Health and Higher Educational Facilities Authority (MHHEFA) in conjunction with revenue bonds:		
Series 2016A (including original issue premium of \$2,548,411), which bears interest at rates ranging from 3.00% to 5.00%; annual principal payments due in amounts ranging from \$960,000 to \$1,470,000. The notes will be paid in full in fiscal 2036.	<u>\$ 13,326,347</u>	<u>\$ 14,388,768</u>

In June of 2016, the System issued revenue bonds with a par value of \$19,010,000 through MHHEFA (direct borrowing) with an average annual interest rate of 4.7% and a final maturity in July 2035. MHHEFA requires that \$1,527,700 of the bond proceeds be transferred to a debt reserve fund. The amount transferred to the debt reserve fund is retained by MHHEFA in an interest-bearing account and is to be used by MHHEFA to make the final payment of principal and interest in 2035. Accordingly, funds transferred to MHHEFA are not included as assets and are deducted from the amounts owed in the System's statement of net position. The bonds were issued at a premium of \$2,548,411. These revenue bonds were used to refund the MHHEFA Series 2006F revenue bonds originally issued in September 2006.

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2024 and 2023

8. Long-Term Debt (Concluded)

The notes are collateralized by the gross receipts of the System. The System is required to make monthly deposits of principal and interest of amounts sufficient to make the semi-annual interest payments and annual principal payments and to maintain a ratio of income available for debt service to annual debt service of at least 1.20 for each fiscal year. At June 30, 2024, the System met the debt service ratio.

At June 30, 2024, future payments in conjunction with the notes payable to MHHEFA related to the Series 2016A revenue bonds are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 980,000	\$ 525,350	\$ 1,505,350
2026	960,000	485,800	1,445,800
2027	1,050,000	441,900	1,491,900
2028	1,070,000	390,450	1,460,450
2029	1,120,000	341,300	1,461,300
2030 – 2034	6,430,000	898,675	7,328,675
2035 – 2036	<u>187,300</u>	<u>33,075</u>	<u>220,375</u>
Total payments	11,797,300	<u>\$ 3,116,550</u>	<u>\$ 14,913,850</u>
Unamortized premium	<u>1,529,047</u>		
Total	<u>\$ 13,326,347</u>		

9. Other Long-Term Liabilities

A summary of changes in other long-term liabilities for the years ended June 30, 2024 and 2023 is as follows:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>	<u>Current Portion</u>
Lease obligation (Note 6)	\$ 781,325	\$ -	\$ (111,373)	\$ 669,952	\$ 114,031
Subscription liabilities (Note 7)	11,873,635	-	(1,118,958)	10,754,677	988,321
Net pension liability (Note 10)	39,038,376	2,941,634	-	41,980,010	-
Net OPEB liability (Note 11)	<u>3,109,401</u>	<u>2,698</u>	<u>-</u>	<u>3,112,099</u>	<u>-</u>
	<u>\$ 54,802,737</u>	<u>\$ 2,944,332</u>	<u>\$ (1,230,331)</u>	<u>\$ 56,516,738</u>	<u>\$ 1,102,352</u>

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June 30, 2024 and 2023

9. Other Long-Term Liabilities (Concluded)

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>	Current <u>Portion</u>
Lease obligation (Note 6)	\$ 890,103	\$ -	\$ (108,778)	\$ 781,325	\$ 111,373
Subscription liabilities (Note 7)	387,913	12,571,445	(1,085,723)	11,873,635	1,118,958
Net pension liability (Note 10)	26,390,375	12,648,001	-	39,038,376	-
Net OPEB liability (Note 11)	<u>2,591,142</u>	<u>518,259</u>	<u>-</u>	<u>3,109,401</u>	<u>-</u>
	<u>\$ 30,259,533</u>	<u>\$ 25,737,705</u>	<u>\$ (1,194,501)</u>	<u>\$ 54,802,737</u>	<u>\$ 1,230,331</u>

10. Retirement Plans

Defined Benefit Pension Plan

The System participates in the SET Pension Plan, a multiple-employer cost sharing plan administered by the Maine Public Employees Retirement System (the MainePERS). The MainePERS provides pension benefits to its members, which include employees of the State, certain public school employees, and employees of local municipalities and other public entities in Maine. There are approximately 239 employers in the SET Pension Plan. All state employees and teachers become members of the SET Pension Plan as a condition of their employment.

The MainePERS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C.421, 423, and 425. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the SET Pension Plan. That report is available online at www.mainebers.org or may be obtained by writing to the Maine Public Employees Retirement System, PO Box 349, Augusta, Maine 04332-0349.

The SET Pension Plan provides defined retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age (prior to October 1, 1999, the service credit requirement is ten years); normal retirement age for the SET Pension Plan is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by Maine statute.

**MAINE COMMUNITY COLLEGE SYSTEM
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June 30, 2024 and 2023

10. Retirement Plans (Continued)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits. The annual rate of interest credited to members' accounts is set by the MainePERS Board of Trustees and is currently 3.88%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost and by earnings on investments. In accordance with Maine statute, members are required to contribute 7.65% of their earnable compensation to the SET Pension Plan. The System is required to contribute at an actuarially-determined rate (21.07% and 22.24% of annual payroll for fiscal years 2024 and 2023, respectively) that, when combined with the contributions of other reporting entities, will be adequate to fund the SET Pension Plan.

The contribution rate is determined using an entry-age normal actuarial funding method for retirement benefits and a term-cost method for ancillary benefits. The System may be required to make contributions to fund the SET Pension Plan's pooled unfunded actuarial liability, if any. The contribution requirements of the SET Pension Plan members and the System are established by, and may be amended by, the State legislature.

Total System and employee contributions (which equal the actuarially-required contributions) to the SET Pension Plan are as follows:

	<u>2024</u>	<u>2023</u>
System	\$ 9,050,342	\$ 8,466,766
Employee	<u>3,196,242</u>	<u>2,826,199</u>
Total	<u>\$ 12,246,584</u>	<u>\$ 11,292,965</u>

MAINE COMMUNITY COLLEGE SYSTEM
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June 30, 2024 and 2023

10. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to the SET Pension Plan

At June 30, 2024 and 2023, the System reported a liability for its proportionate share of the net pension liability of the SET Pension Plan. At June 30, 2024 and 2023, the net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The System's proportionate share of the net position liability was based on a projection of the System's long-term share of contributions to the SET Pension Plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the System's proportion was 4.51%, which was a decrease of 0.30% from its proportion measured as of June 30, 2022.

The System recognized pension expense of \$8,692,140 and \$4,074,843 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the System reported deferred outflows of resources and deferred inflows of resources related to the SET Pension Plan from the following sources:

	2024		2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,336,092	\$ -	\$ 589,790	\$ -
Changes in assumptions	-	-	4,358,523	-
Net difference between projected and actual earnings on SET Pension Plan investments	-	3,227,421	-	6,227,073
Changes in proportion and differences between System contributions and proportionate share of contributions	2,361,603	-	800,426	769,127
System contributions subsequent to the measurement date	<u>9,050,342</u>	<u>-</u>	<u>8,466,766</u>	<u>-</u>
	<u>\$ 13,748,037</u>	<u>\$ 3,227,421</u>	<u>\$ 14,215,505</u>	<u>\$ 6,996,200</u>

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10. Retirement Plans (Continued)

The deferred outflows of resources resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SET Pension Plan will be recognized as a reduction of or addition to pension expense as follows for the years ending June 30:

2025	\$ 5,254
2026	(2,009,833)
2027	3,317,677
2028	157,176

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method—The entry age normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the SET Pension Plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his/her expected future salary.

The normal cost for each member is the product of his/her pay and his/her normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses (i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions) affect the unfunded actuarial-accrued liability.

Asset Valuation Method—The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization—The net pension liability is amortized on a level percentage of payroll over the amortization period then in effect under Maine statutory and constitutional requirements.

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Notes to Financial Statements

June 30, 2024 and 2023

10. Retirement Plans (Continued)

Significant actuarial assumptions employed by the actuary in the actuarial valuation and for funding purposes as of June 30, 2023 and 2022 are as follows:

Investment Rate of Return—6.50% per annum for the years ended June 30, 2023 and 2022, compounded annually.

Salary Increases, Merit and Inflation—3.26% – 9.43%, including inflation of 2.75%.

Mortality Rates—For active members and non-disabled retirees, the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table is used, for males and females, projected generationally using the REC_2020 model.

Cost of Living Benefit Increases—2.20% per annum. All service and disability retirement and survivor benefits are adjusted each year that there is a percentage change in the Consumer Price Index, based on the index. The maximum annual increase is 3%. If the percentage change is negative, then no adjustment is made in that year. In subsequent years, the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. The process of adjustments may occur over a multi-year period if needed to recoup the full value of the negative changes in the index.

The long-term expected rate of return on the SET Pension Plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. 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 geometric real rates of return for each major asset class included in the SET Pension Plan's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	30.0 %	6.0 %
U.S. Government	7.5	2.6
Private equity	15.0	7.6
Real assets		
Real estate	10.0	5.2
Infrastructure	10.0	5.3
Natural resources	5.0	5.0
Traditional credit	7.5	3.2
Alternative credit	5.0	7.4
Diversifiers	10.0	5.0

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Notes to Financial Statements

June 30, 2024 and 2023

10. Retirement Plans (Continued)

Discount Rate—The discount rate used to measure the collective total pension liability was 6.50% for 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that SET Pension Plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the SET Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SET Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the System's proportionate share of the net pension liability as of June 30, 2023 and 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
<u>2023</u>			
The System's proportionate share of the net pension liability	\$ <u>73,804,620</u>	\$ <u>41,980,020</u>	\$ <u>15,271,539</u>
	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
<u>2022</u>			
The System's proportionate share of the net pension liability	\$ <u>68,641,773</u>	\$ <u>39,038,376</u>	\$ <u>15,480,918</u>

Changes in the net pension liability are recognized in pension expense with the following exceptions:

Differences between Expected and Actual Experience—The differences between expected and actual experience with regard to economic or demographic factors are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. For the 2023 and 2022 actuarial valuations, this was three years.

Differences between Projected and Actual Investment Earnings—Differences between projected and actual investment earnings are recognized in pension expense using a straight-line amortization method over a closed five-year period.

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June 30, 2024 and 2023

10. Retirement Plans (Concluded)

Changes in Assumptions—Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions—Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer-specific liability.

Rationale for Assumptions—The assumptions were adopted by the SET Pension Plan trustees as a result of the latest experience study covering the period July 1, 2015 through June 30, 2020.

Defined Contribution Plan

Certain employees participate in an optional defined contribution plan with TIAA-CREF, a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed, plus investment earnings. Only confidential employees and, as of July 1999, Maine Education Association (MEA) Administrators and faculty are eligible to participate in the TIAA-CREF defined contribution plan. The System contributes 12.88% and 6.04% of total salaries for eligible confidential and MEA employees, respectively. The System contribution is funded as it accrues and, along with the contributions of the employees, is immediately vested. Employees make contributions at an average of 6.62% of total salaries (7.49% in 2023). Total employer contributions to the TIAA-CREF program in fiscal years 2024 and 2023, respectively, amounted to \$1,957,827 and \$1,836,846, which consisted of \$627,958 and \$569,800 for confidential employees and \$1,329,870 and \$1,267,046 for MEA employees, respectively. MEA employee contributions amounted to \$1,005,403 and \$1,902,526 in 2024 and 2023, respectively.

Total salaries and wages for covered employees participating in TIAA-CREF were \$26,893,161 and \$25,401,490 for fiscal years 2024 and 2023, respectively. Subject to applicable bargaining agreements, the Board of Trustees of the System is the authority under which benefits and contribution rates are established and may be amended.

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June 30, 2024 and 2023

11. OPEB-Maine Public Employees Retirement System

Plan Description

In addition to providing pension benefits, MainePERS administers cost-sharing multiple-employer defined post-employment life insurance plans. The SET OPEB Plan is a multiple-employer cost sharing plan. As of June 30, 2023 there were approximately 234 employers, including the State, participating in the plan. The Group Life Insurance Plan provides basic group life insurance benefits, during retirement, to retirees who participated in the SET OPEB Plan prior to retirement for a minimum of 10 years. The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life insurance is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500. For participants who become disabled, the 10-year participation requirement does not apply and the amount of basic life insurance will be in full force until retirement age then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500. The MainePERS Board of Trustees is the authority under which benefit terms and contribution rates are established or may be amended.

Contributions

Premium rates are those determined by the MainePERS' Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. The rate for fiscal year 2024 was \$0.42 per \$1,000 of coverage.

Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution.

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the SET OPEB Plan

At June 30, 2024 and 2023, the System reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability is measured as of June 30, 2023 and 2022, and was determined by an actuarial valuation performed as of June 30, 2023 and 2022. The System's proportionate share of the net OPEB liability was based on a projection of the System's long-term share of contributions to the SET OPEB Plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, the System's proportion of the net OPEB liability was as follows:

	2024	2023
SET OPEB Plan net OPEB liability	\$ 71,148,642	\$ 73,371,797
The System's share of the net OPEB liability	\$ 3,112,099	\$ 3,109,401
The System's proportion of the net OPEB liability	4.37 %	4.24 %

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Notes to Financial Statements

June 30, 2024 and 2023

11. OPEB-Maine Public Employees Retirement System (Continued)

The System recognized OPEB expense of \$270,879 and \$241,719 for the years ended June 30, 2024 and 2023, respectively. The System reported deferred outflows of resources and deferred inflows of resources related to the SET OPEB Plan from the following sources at June 30:

	2024		2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on SET OPEB Plan investments	\$ 50,963	\$ -	\$ 147,809	\$ -
Difference between expected and actual experience	18,624	26,452	31,098	30,754
Changes in proportion	159,917	177,203	110,742	270,962
Changes in assumption	105,902	-	135,259	-
System contributions subsequent to the measurement date	<u>423,103</u>	<u>-</u>	<u>351,305</u>	<u>-</u>
	<u>\$ 758,509</u>	<u>\$ 203,655</u>	<u>\$ 776,213</u>	<u>\$ 301,716</u>

The deferred outflows of resources resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SET OPEB Plan will be recognized as a reduction of (increase in) SET OPEB Plan expense as follows for the years ending June 30:

2025	\$ 15,879
2026	(4,430)
2027	91,204
2028	(4,908)
2029	21,031
Thereafter	12,975

Actuarial Methods and Assumptions

The total SET OPEB Plan liability in the June 30, 2023 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

Inflation: 2.75%

Salary increases: Individual and aggregate salary increases 3.26% – 9.43%.

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June 30, 2024 and 2023

11. OPEB-Maine Public Employees Retirement System (Continued)

Mortality rates: For active members and non-disabled retirees of the SET OPEB Plan, the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table is used, for males and females, projected generationally using the REC_2020 model.

The long-term expected rate of return on SET OPEB Plan assets of 6.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of SET OPEB Plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the SET OPEB Plan's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	70 %	6.0 %
Real estate	5	5.2
Traditional credit	15	3.2
U.S. Government securities	10	2.3

Discount rate: The discount rate used to measure the total SET OPEB liability was 6.50% in 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that SET OPEB Plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current SET OPEB Plan members. Therefore, the long-term expected rate of return on SET OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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June 30, 2024 and 2023

11. OPEB-Maine Public Employees Retirement System (Concluded)

The following table shows how the System's proportionate share of the SET OPEB plan liability as of June 30, 2023 and 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2023</u>			
The System's proportionate share of the net OPEB liability	<u>\$ 3,868,472</u>	<u>\$ 3,112,099</u>	<u>\$ 2,494,068</u>
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>2022</u>			
The System's proportionate share of the net OPEB liability	<u>\$ 3,831,818</u>	<u>\$ 3,109,401</u>	<u>\$ 2,519,879</u>

Rationale for Assumptions: The assumptions were adopted by the SET OPEB Plan trustees as a result of the latest experience study covering the period June 30, 2015 through June 30, 2020.

The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the SET OPEB Plan. That report is available online at www.maineopers.org or may be obtained by writing to the Maine Public Employees Retirement System, PO Box 349, Augusta, Maine 04332-0349.

12. Other Post-Employment Health Insurance Benefit Plan and Trust

The System established and administers a defined benefit post-employment healthcare plan, a single employer defined benefit plan, used to provide post-employment benefits other than pensions. This plan covers all employees who retire and participate in MainePERS or TIAA-CREF and provides healthcare benefits for retirees. Benefits are provided through a third-party insurer and the full cost of the benefits is covered by the plan.

The System records an expense for the post-employment healthcare plan as costs are incurred for current employees while the employees are performing services for the System. The amount in future years will be based on a calculation related solely to the System's employees and retirees. The System's contributions cover retirees only; additional family members are paid for by the retirees. Subject to applicable bargaining agreements, the Board of Trustees of the System is the authority under which benefits and contribution rates are established and may be amended. The System is required to contribute at an actuarially determined rate that will be adequate to fund the Plan. The System does not issue a stand-alone financial report for this plan.

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June 30, 2024 and 2023

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Employees covered by benefit terms: At June 30, 2024 (the census date), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Active employees	825
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	372

Net OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the Plan

The System's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System recognized OPEB income of \$5,124,554 and \$2,113,767 for the years ended June 30, 2024 and 2023, respectively. The System reported deferred outflows of resources and inflows of resources related to the OPEB plan from the following sources at June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ -	\$ 26,832,831	\$ -	\$ 20,546,522
Change in assumptions	5,518,133	1,477,501	5,547,178	2,136,936
Net difference between projected and actual earnings in OPEB plan investments	<u>-</u>	<u>1,860,225</u>	<u>2,364,823</u>	<u>-</u>
	<u>\$ 5,518,133</u>	<u>\$ 30,170,557</u>	<u>\$ 7,912,001</u>	<u>\$ 22,683,458</u>

Amounts reported as deferred inflows of resources related to the OPEB plan will be recognized as a reduction of OPEB plan expense as follows for the years ending June 30:

2025	\$ (5,643,820)
2026	(3,415,985)
2027	(4,628,550)
2028	(4,096,532)
2029	(3,338,603)
Thereafter	(3,528,934)

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12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases: Individual and aggregate salary increases 3.00%—Annual Service Cost is a constant percentage of a participant's salary that is assumed to increase according to the salary increases.

Healthcare cost trend rates: 8% in the first year, trending down to 4.5% by fiscal year 2033 for Pre-65. 6.5% in the first year, trending down to 4.5% by fiscal year 2033 for Post-65.

Mortality Table: In 2023, the Mortality table for healthy retirees has been updated from SOA RPH-2006 Total Dataset Mortality Table fully generational using Scale MP-2020 to SOA RPH-2006 Total Dataset Mortality Table fully generational using Scale MP-2021.

Discount rate: The discount rate used to measure the total OPEB liability was 5.88% and 6.07% for June 30, 2024 and June 30, 2023, respectively. The System is expected to continue contributing the Actuarially Determined Contribution and paying the pay-as-you-go cost from the OPEB Trust. Under this arrangement, the OPEB Trust is expected to be able to pay for all future benefit payments.

Rationale for Assumptions: The assumptions were adopted by the trustees as a result of the latest experience study covering the period July 1, 2005 through June 30, 2009.

The long-term expected rate of return on plan assets was 5.88% and 6.07% for June 30, 2024 and June 30, 2023, respectively, and was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense) are developed for each major class of assets. 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	35.0 %	6.9 %
U.S. large cap equities	17.5	6.3
U.S. small cap equities	10.0	7.6
Emerging market equities	2.5	7.8
Infrastructure equities	5.0	7.0
Intermediate bonds	15.0	3.4
Core bonds	15.0	3.6

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June 30, 2024 and 2023

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Changes in the net OPEB asset for the years ended June 30, 2024 and 2023 are as follows:

	<u>Increases (Decreases)</u>		
	<u>Total OPEB</u> <u>Liability</u>	<u>Plan Fiduciary</u> <u>Net Position</u>	<u>Net OPEB</u> <u>Asset</u>
Balance as of June 30, 2022	\$ <u>41,520,270</u>	\$ <u>47,020,753</u>	\$ <u>(5,500,483)</u>
Change for the year:			
Service cost	1,217,391	-	1,217,391
Interest	2,595,134	-	2,595,134
Changes in assumptions	2,063,826	-	2,063,826
Differences between expected and actual experience	(9,065,806)	-	(9,065,806)
Benefit payments	(1,513,083)	(1,513,083)	-
Employer contributions	-	1,713,730	(1,713,730)
Net investment income	-	4,846,968	(4,846,968)
Administrative expenses	<u>-</u>	<u>(55,000)</u>	<u>55,000</u>
Net changes	<u>(4,702,538)</u>	<u>4,992,615</u>	<u>(9,695,153)</u>
Balance as of June 30, 2023	<u>36,817,732</u>	<u>52,013,368</u>	<u>(15,195,636)</u>
Change for the year:			
Service cost	1,268,026	-	1,268,026
Interest	2,267,267	-	2,267,267
Changes in assumptions	1,116,799	-	1,116,799
Differences between expected and actual experience	(11,731,547)	-	(11,731,547)
Benefit payments	(1,489,439)	(1,489,439)	-
Employer contributions	-	1,897,396	(1,897,396)
Net investment income	-	7,981,067	(7,981,067)
Administrative expenses	<u>-</u>	<u>(55,000)</u>	<u>55,000</u>
Net changes	<u>(8,568,894)</u>	<u>8,334,024</u>	<u>(16,902,918)</u>
Balance as of June 30, 2024	<u>\$ 28,248,838</u>	<u>\$ 60,347,392</u>	<u>\$ (32,098,554)</u>

At June 30, 2024 and 2023, the plan fiduciary net position as a percentage of the total OPEB liability was 213.6% and 141.3%, respectively.

**MAINE COMMUNITY COLLEGE SYSTEM
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12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

The net OPEB asset of the System, as well as what the System's net OPEB asset would be if it were calculated using a discount rate that is 1% point lower or 1% point higher, follows:

	1% Decrease (4.88%)	Current Discount Rate (5.88%)	1% Increase (6.88%)
<u>2024</u>			
Net OPEB asset	<u>\$ (28,343,416)</u>	<u>\$ (32,098,554)</u>	<u>\$(35,211,035)</u>
	1% Decrease (5.07%)	Current Discount Rate (6.07%)	1% Increase (7.07%)
<u>2023</u>			
Net OPEB asset	<u>\$ (10,302,703)</u>	<u>\$ (15,195,636)</u>	<u>\$(19,254,181)</u>

The net OPEB asset of the System, as well as what the System's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than current healthcare cost trend rates, follows:

	1% Decrease (7.00% Decreasing to 3.50%)	Trend Rate (8.00% Decreasing to 4.50%)	1% Increase (9.00% Decreasing to 5.50%)
<u>2024</u>			
Net OPEB asset	<u>\$ (35,194,305)</u>	<u>\$ (32,098,554)</u>	<u>\$ (28,251,486)</u>
	1% Decrease (6.50% Decreasing to 3.50%)	Trend Rate (7.50% Decreasing to 4.50%)	1% Increase (8.50% Decreasing to 5.50%)
<u>2023</u>			
Net OPEB asset	<u>\$ (19,079,916)</u>	<u>\$ (15,195,636)</u>	<u>\$ (10,400,807)</u>

Post-Employment Benefit Trust

The System established the Post-Employment Benefit Trust as an irrevocable trust for the sole purpose of accumulating assets to provide funding for certain of the System's post-employment benefits. The System was named Trustee of the Trust. The effective date of the establishment of the Trust was June 30, 2009.

Plan assets include amounts in the Post-Employment Benefit Trust relating to current year annual required contributions.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

The significant accounting policies followed by the Trust are set forth below:

Basis of Accounting

The Trust follows the accrual basis of accounting as set forth by GASB.

Cash

Cash held by the trust in a financial institution at June 30, 2024 was fully covered by federal depository insurance. Bank balances were \$149,094 and \$147,669 at June 30, 2024 and 2023, respectively.

Investments

The fair value of investments in the Trust at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Investments measured at NAV		
Fixed-income	\$ 14,969,765	\$ 14,232,618
Equity	<u>44,875,573</u>	<u>37,633,081</u>
	<u>\$ 59,845,338</u>	<u>\$ 51,865,699</u>

Revenue Recognition

Contributions are recognized as additions in the period when they become due, pursuant to formal commitments or statutory or contractual requirements; supplemental contributions are recognized when received. Investment and interest income and loss are recognized on the accrual basis when earned or incurred.

Net Position

Net position at June 30, 2024 and 2023 was for funding certain post-employment benefits.

Administrative Expenses

Substantially all administrative expenses of the Trust are paid by the Trust.

Interest Rate Risk

The Trust manages interest rate risk according to its investment policy by maintaining investments that are both liquid, as determined by a readily available market, and highly diversified, using institutional class mutual funds and exchange-traded funds.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Continued)

Credit Risk

The Trust limits its exposure to credit risk in its investment policy by investing in highly diversified fixed-income funds. Collectively taken, the majority of the underlying holdings in these funds in which the Trust may invest are investment grade as rated by an NRSRO. The Trust further reduces potential credit risk by not investing directly in individual fixed-income securities. Management periodically reviews the exposure to securities that are unrated or below investment grade in its portfolio to ensure the Trust limits its credit risk.

A summary of fixed-income investments and their related interest rate and credit risks follows:

<u>Rating</u>	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Maturity</u>	<u>Amount</u>	<u>Maturity</u>
A	<u>\$14,969,765</u>	8.47 years	<u>\$14,232,618</u>	9.07 years

The ratings are, and maturities are the weighted averages of, the debt securities in which the funds invest.

Concentration of Credit Risk

The Trust has not defined a limit in its investment policies regarding the amount that can be placed in one issuer. However, the investment policy states that the portfolio should be well-diversified as to limit exposure to one issuer or security.

Custodial Credit Risk

All of the Trust's investments are held with a third-party custodian in the Trust's name.

Fair Value Measurement

At June 30, 2024, all investments were measured at NAV, which is fair value estimated by management using values provided by the investment managers. Management does not anticipate that these funds will be liquidated, although relative positions are rebalanced periodically.

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2024 and 2023

12. Other Post-Employment Health Insurance Benefit Plan and Trust (Concluded)

Assets measured at NAV are as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash	\$ 149,094	\$ 147,669
Fixed-income:		
CTF Core Bond Plus	7,460,798	7,118,561
CTF Intermediate Bond	7,508,967	7,114,057
Equity:		
CTF Enduring Assets	2,629,496	2,434,709
CTF Global Quality Growth	10,012,197	8,030,379
CTF Global Opportunities	13,693,646	11,194,727
CTF Quality Value	2,807,340	2,526,896
CTF Research Equity	8,675,751	6,954,332
CTF Emerging Markets Research Equity	1,249,344	1,149,976
CTF Small Cap Opportunities	<u>5,807,799</u>	<u>5,342,062</u>
	<u>\$ 59,994,432</u>	<u>\$ 52,013,368</u>

See Note 3 for additional disclosures.

Rate of Return

All of the Trust's investments are held with a third-party custodian in the Trust's name. For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

13. Commitments and Contingencies

The System is covered by a commercial insurance policy for workers' compensation. The State of Maine has the primary obligation for self-insured claims and reimburses the System for payments made. In 2024 and 2023, the System made payments of \$54,086 and \$49,796, respectively, which were reimbursed by the State of Maine. The contingent liability for estimated unpaid workers' compensation claims at June 30, 2024 and 2023 is \$281,000 and \$1,152,000, respectively.

The System owns property with a book value of approximately \$14.9 million in Brunswick, Maine for the use of the Southern Maine Community College. This property must be used solely and continuously for educational programs until November 2041 under the terms by which the property was donated.

From time-to-time, the System is named as a defendant in legal actions and other claims incident to the normal conduct of its operations. Management does not expect to suffer any material liability by reason of such actions, nor does it expect that such actions will have a material effect on the financial position of the System.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

13. Commitments and Contingencies (Concluded)

The System has entered into various construction and renovation contracts. The System has outstanding commitments under these contracts of approximately \$2.4 million at June 30, 2024.

The System participates in various federally-funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time.

The System entered into a three-year contract on July 1, 2019 to receive net energy billing credits. This contract is to be completed no later than June 30, 2022, with two one-year extensions. Both of the one-year extensions were executed for fiscal year 2023 and 2024. A one-year extension was signed for fiscal year 2025.

14. Proceeds from State for Grants and Capital Asset Acquisition

In November 2017, a State of Maine general-purpose bond issue was authorized; the System's portion of the bond is \$15,000,000 and is to be used for facility repairs, improvements, information technology infrastructure upgrades, and capital equipment. The System is not required by the State of Maine to assume the bond liability when activities are complete. Through June 30, 2024, the System has spent \$14,965,005 on these projects. Revenues recognized from the State in fiscal years 2024 and 2023 amounted to \$280,730 and \$369,659, respectively, and are included as other revenues in the statements of revenues, expenses, and changes in net position.

15. State Appropriations

During the years ended 2024 and 2023, the System's State appropriations revenue was unrestricted. These appropriations include general appropriations as well as special appropriations.

16. Maine Community College Educational Foundations

The significant accounting policies followed by the Maine Community College Educational Foundations (the Foundations), as set forth below, are governed by the Financial Accounting Standards Board (FASB). As such, certain revenue and expense recognition criteria and presentation requirements differ from GASB. No modifications have been made to the Foundations' financial information included here for these differences.

Basis of Accounting

The Foundations follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Continued)

Newly Adopted Accounting Pronouncement

During 2024, the Foundations adopted FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (Topic 326), and related guidance as amended, that is referred to as the current expected credit loss (CECL) methodology. The CECL methodology is applicable to financial assets measured at amortized cost, including accounts and loan receivables. The Foundation's adoption of Topic 326 during the year ended June 30, 2024 did not have a material impact on its financial statements.

Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and all liquid investments with an original maturity of three months or less, except for cash to be invested in funds of perpetual duration. The Foundations maintain cash accounts with various financial institutions. At times, amounts held exceed federally insured limits.

Subsequent Events

For the purposes of recognition and disclosure in these financial statements, management of the Foundations has evaluated subsequent events through October 15, 2024, which is the date these financial statements were available to be issued.

Pledges

Pledges receivable are recorded at their net present value and net of allowance for uncollectible amounts. Pledges receivable at June 30, 2024 and 2023 are substantially all due within five years. Pledges receivable are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 1,994,938	\$ 4,350,290
Due after one year and within five years	<u>821,795</u>	<u>2,637,123</u>
	2,816,733	6,987,413
Less allowance for uncollectible pledges	(4,923)	(167,312)
Less discount to reflect present value	<u>(134,097)</u>	<u>(179,022)</u>
Net pledges receivable	\$ <u>2,677,713</u>	\$ <u>6,641,079</u>

Appreciation on Endowments

The Boards of Directors have interpreted State of Maine law as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The expendable portion of income on such assets is reported in the statement of activities as investment income with donor restrictions and reclassified to net assets without donor restrictions when the stipulated donor restriction is accomplished.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Continued)

Investments

Investments held by the Foundations at June 30, 2024 and 2023, which are carried at fair value, consisted of the following:

	<u>2024</u>	<u>2023</u>
U.S. government securities	\$ 1,976,294	\$ 3,074,467
Corporate bonds	4,574,924	3,201,910
Common stock	7,180,063	5,953,379
Mutual funds	2,863,963	2,706,092
Investments measured at NAV		
Fixed-income	494,489	392,502
Equity	1,152,931	1,034,961
Money market funds and certificates of deposit	<u>10,515,658</u>	<u>612,833</u>
	<u>\$ 28,758,322</u>	<u>\$ 16,976,144</u>

The fair value of investments is primarily based on quoted prices in active markets; certificates of deposit are carried at cost which approximates fair value.

The Foundations each have their own investment policies that allow for a range of investment options.

Endowment investments by class of net assets at June 30 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
<u>2024</u>		
Donor-restricted	\$ -	\$ 21,067,565
Board designated	<u>2,603,903</u>	<u>-</u>
	<u>\$ 2,603,903</u>	<u>\$ 21,067,565</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
<u>2023</u>		
Donor-restricted	\$ -	\$ 15,784,796
Board designated	<u>1,081,141</u>	<u>-</u>
	<u>\$ 1,081,141</u>	<u>\$ 15,784,796</u>

MAINE COMMUNITY COLLEGE SYSTEM
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Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Continued)

Changes in endowment net assets and a summary of investment return for the years ended June 30 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Investments</u>
Endowment net assets, June 30, 2023	\$ 1,081,141	\$ 15,784,796	\$ 16,865,937
Investment income, net	265,892	1,783,605	2,049,497
Deposits	22,045	5,789,715	5,811,760
Other	1,064,454	101,832	1,166,286
Appropriated withdrawals	(34,449)	(2,187,563)	(2,222,012)
Change in donor intent	<u>204,820</u>	<u>(204,820)</u>	<u>-</u>
Endowment net assets, June 30, 2024	<u>\$ 2,603,903</u>	<u>\$ 21,067,565</u>	<u>\$ 23,671,468</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Investments</u>
Endowment net assets, June 30, 2022	\$ 647,675	\$ 14,414,012	\$ 15,061,687
Investment income, net	97,143	1,179,882	1,277,025
Deposits	63,254	1,888,618	1,951,872
Appropriated withdrawals	(88,332)	(1,336,315)	(1,424,647)
Change in donor intent	<u>361,401</u>	<u>(361,401)</u>	<u>-</u>
Endowment net assets, June 30, 2023	<u>\$ 1,081,141</u>	<u>\$ 15,784,796</u>	<u>\$ 16,865,937</u>

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Continued)

Fair Value Measurement

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements.

FASB ASC Subtopic 820-10-20 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Subtopic 820-10-20 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below.

	Fair Value Measurements at June 30, 2024			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>1,369,224</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,369,224</u>
Money market funds and certificates of deposit	\$ 10,515,658	\$ 10,515,658	\$ -	\$ -
Common stock	7,180,063	7,180,063	-	-
Fixed income				
Corporate bonds	4,574,924	3,131,570	1,443,354	-
U.S. government securities	1,976,294	734,857	1,241,437	-
Mutual funds	<u>2,863,963</u>	<u>2,863,963</u>	<u>-</u>	<u>-</u>
	27,110,902	\$ <u>24,426,111</u>	\$ <u>2,684,791</u>	\$ <u>-</u>
Pooled investments at NAV as a practical expedient	<u>1,647,420</u>			
Total investments measured at fair value on a recurring basis	\$ <u>28,758,322</u>			

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Continued)

	Fair Value Measurements at June 30, 2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ <u>1,241,609</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,241,609</u>
Money market funds and certificates of deposit	\$ 612,833	\$ 612,833	\$ -	\$ -
Common stock	5,953,379	5,953,379	-	-
Fixed income				
Corporate bonds	3,201,910	2,263,148	938,762	-
U.S. government securities	3,074,467	1,028,866	2,045,601	-
Mutual funds	<u>2,706,092</u>	<u>2,706,092</u>	<u>-</u>	<u>-</u>
	15,548,681	\$ <u>12,564,318</u>	\$ <u>2,984,363</u>	\$ <u>-</u>
Pooled investments at NAV as a practical expedient	<u>1,427,463</u>			
Total investments measured at fair value on a recurring basis	\$ <u>16,976,144</u>			

Assets measured at fair value on a recurring basis consist of investments which are valued using Level 1 inputs with the exception of corporate bonds which are valued using Level 2 inputs and the market approach, investments measured at NAV and beneficial interest in assets held by others. Beneficial interest in assets held by others is valued based on the fair value of underlying assets reported by the trustee. Investments measured at NAV represent the Foundation for Maine's Community College Educational Foundations' allocable portion of the System's portfolio (generally 5.5%). Assets measured at NAV are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Fixed-income:		
CTF Core Bond Plus	\$ 246,892	\$ 196,302
CTF Intermediate Bond	247,597	196,200
Equity:		
CTF Enduring Assets	81,540	66,790
CTF Global Quality Growth	247,325	220,784
CTF Global Opportunities	328,914	308,202
CTF Quality Value	82,553	70,951
CTF Research Equity	207,035	189,784
CTF Emerging Markets Research Equity	41,520	31,452
CTF Small Cap Opportunities	<u>164,044</u>	<u>146,998</u>
	\$ <u>1,647,420</u>	\$ <u>1,427,463</u>

See Note 3 for additional disclosures.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Continued)

Investments in general are exposed to various risks, such as interest rates, credit, and overall market volatility. As such, it is reasonably possible that changes could materially affect the amounts reported in the balance sheets.

Net Assets

The net assets of the Foundations are reported as follows:

Net Assets without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundations. These net assets may be used at the discretion of the Foundations' management and the Boards of Directors.

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundations or by the passage of time, at which time they are reclassified to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Gifts and Contributions

Gifts and contributions are recorded when an unconditional promise to give is received, or when assets are received in a contribution, whichever comes first. Contributed assets are recorded at fair value.

Related Party Transactions

Support consists of amounts paid to the System in support of the System's various programs. At June 30, 2024 and 2023, substantially all accounts payable and accruals are payable to the System for such support. The System also provides funding and in-kind support to the Foundations. This support totaled approximately \$368,000 and \$352,000 in 2024 and 2023, respectively, which is included in gifts and contributions revenue on the statement of activities.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose:		
Scholarships	\$ 9,122,177	\$ 14,984,700
Programs	4,948,134	1,735,488
Appreciation on funds of perpetual duration		
without purpose restrictions	1,902,986	1,123,843
Contributions receivable for endowment	-	238,225
Funds of perpetual duration	<u>12,763,167</u>	<u>11,439,602</u>
	<u>\$ 28,736,464</u>	<u>\$ 29,521,858</u>

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Financial Statements

June 30, 2024 and 2023

16. Maine Community College Educational Foundations (Concluded)

Liquidity and Availability of Financial Assets

The Foundations regularly monitor the availability of resources required to meet operating needs, while also striving to maximize the investment of its available funds. The Foundations have various sources of liquidity at their disposal, including cash and cash equivalents, investments, and pledges receivable.

The following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures, which includes grants to the System:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,537,397	\$ 9,426,144
Investments	28,758,322	16,976,144
Pledges receivable	2,677,713	6,641,079
Beneficial interest in assets held by others	<u>1,369,224</u>	<u>1,241,609</u>
	36,342,656	34,284,976
Less net assets with donor restrictions	<u>(28,736,464)</u>	<u>(29,521,858)</u>
Financial assets available to meet cash needs for general expenditures in one year	<u>\$ 7,606,192</u>	<u>\$ 4,763,118</u>

Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2024</u>	<u>2023</u>
Salaries and benefits	\$ 111,928	\$ 122,137
Rent	46,194	42,530
Software support	<u>13,097</u>	<u>13,097</u>
	<u>\$ 171,219</u>	<u>\$ 177,764</u>

The Foundations recognized contributed nonfinancial assets within revenue and are substantially utilized within the same fiscal year the contribution occurred. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services from salaries and benefits consist primarily of services provided from the System and are valued based on an estimate of fair value of current rates for similar services. The Foundations utilize space in South Portland, which is rent free, and is valued based on similar property in South Portland. Finally, software support is support paid for by the System, which is valued based on the estimated cost of the software.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Required Supplementary Information

**Schedule of the System's Proportionate
Share of the Net Pension Liability**

State Employee and Teacher Plan—State Employee Portion

Last 10 Fiscal Years*

**Measurement Date as of June 30
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The System's proportion of the net pension liability	4.51 %	4.21 %	4.09 %	4.30 %	4.61 %	4.70 %	4.61 %	4.97 %	6.64 %
The System's proportionate share of the net pension liability	\$ 41,980,020	\$ 39,038,376	\$ 26,390,375	\$ 51,040,842	\$ 48,215,367	\$ 49,279,510	\$ 52,462,480	\$ 66,740,128	\$ 68,006,887
The System's covered employee payroll	\$ 38,211,222	\$ 33,294,996	\$ 32,075,165	\$ 31,982,861	\$ 31,133,842	\$ 30,421,527	\$ 29,200,966	\$ 30,244,628	\$ 32,008,027
The System's proportionate share of the net pension liability as a percentage of its covered employee payroll	109.9 %	117.3 %	82.3 %	160.2 %	154.9 %	162.0 %	179.7 %	220.7 %	212.5 %
Plan fiduciary net position as a percentage of the total pension liability	84.5 %	84.1 %	88.6 %	77.0 %	79.4 %	78.7 %	76.1 %	76.2 %	81.2 %

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year. Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

See accompanying independent auditor's report.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Required Supplementary Information

Schedule of the System's Pension Contributions

State Employee and Teachers Plan

Last 10 Fiscal Years

**Year Ended June 30
(UNAUDITED)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 9,050,342	\$ 8,466,766	\$ 7,386,034	\$ 7,035,912	\$ 7,029,833	\$ 7,414,754	\$ 7,347,216	\$ 6,862,506	\$ 7,367,698	\$ 8,328,072
Contributions in relation to the contractually-required contribution	<u>(9,050,342)</u>	<u>(8,466,766)</u>	<u>(7,386,034)</u>	<u>(7,035,912)</u>	<u>(7,029,833)</u>	<u>(7,414,754)</u>	<u>(7,347,216)</u>	<u>(6,862,506)</u>	<u>(7,367,698)</u>	<u>(8,328,072)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The System's covered employee payroll	\$42,953,688	\$38,211,222	\$ 33,294,996	\$32,075,165	\$31,982,861	\$31,133,842	\$30,421,527	\$29,200,966	\$30,244,628	\$32,008,027
Contributions as a percentage of covered employee payroll	21.07 %	22.16 %	22.18 %	21.94 %	21.98 %	23.82 %	24.15 %	23.50 %	24.36 %	26.02 %

See accompanying independent auditor's report.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Required Supplementary Information

**Schedule of the System's Proportionate
Share of the Net OPEB Liability**

Retired State Employees and Teachers Plan

Last 10 Fiscal Years*

**Measurement Date as of June 30
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Plan total OPEB liability	\$ 124,426,546	\$ 119,403,083	\$ 115,123,392	\$ 106,398,135	\$ 102,240,873	\$ 98,707,399
Less: Plan net fiduciary position	<u>(53,277,904)</u>	<u>(46,031,286)</u>	<u>(51,849,291)</u>	<u>(38,587,121)</u>	<u>(36,961,097)</u>	<u>(34,638,335)</u>
Plan net OPEB liability	<u>\$ 71,148,642</u>	<u>\$ 73,371,797</u>	<u>\$ 63,274,101</u>	<u>\$ 67,811,014</u>	<u>\$ 65,279,776</u>	<u>\$ 64,069,064</u>
The System's proportionate share of the net OPEB liability	\$ 3,112,099	\$ 3,109,401	\$ 2,591,142	\$ 2,992,572	\$ 2,998,031	\$ 2,849,172
The System's proportion of the net OPEB liability	4.37 %	4.24 %	4.10 %	4.41 %	4.59 %	4.45 %
The System's covered employee payroll	\$ 32,808,064	\$ 30,935,681	\$ 28,824,906	\$ 30,231,881	\$ 28,188,961	\$ 26,565,023
The System's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	9.5 %	10.1 %	9.0 %	9.9 %	10.6 %	10.7 %
Plan fiduciary net position as a percentage of the total OPEB liability	42.8 %	38.6 %	45.0 %	36.3 %	36.2 %	35.1 %

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year. Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios
Post-Employment Health Insurance Plan

Last 10 Fiscal Years*

June 30, 2024
(UNAUDITED)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability								
Service cost	\$ 1,268,026	\$ 1,217,391	\$ 1,421,779	\$ 1,233,815	\$ 1,221,424	\$ 1,624,172	\$ 1,607,490	\$ 1,431,234
Interest	2,267,267	2,595,134	2,956,037	3,082,496	2,993,988	3,498,015	3,484,152	3,315,490
Differences between expected and actual experience	(11,731,547)	(9,065,806)	(8,669,051)	(4,348,283)	(1,157,551)	(5,346,242)	(3,243,432)	(3,617,568)
Changes of assumptions	1,116,799	2,063,826	(423,017)	5,986,128	-	(4,852,463)	-	5,915,472
Benefit payments	<u>(1,489,439)</u>	<u>(1,513,083)</u>	<u>(1,583,221)</u>	<u>(1,845,275)</u>	<u>(1,767,775)</u>	<u>(1,675,995)</u>	<u>(1,658,023)</u>	<u>(1,647,873)</u>
Net change in total OPEB liability	(8,568,894)	(4,702,538)	(6,297,473)	4,108,881	1,290,086	(6,752,513)	190,187	5,396,755
Total OPEB liability, beginning of year	<u>36,817,732</u>	<u>41,520,270</u>	<u>47,817,743</u>	<u>43,708,862</u>	<u>42,418,776</u>	<u>49,171,289</u>	<u>48,981,102</u>	<u>43,584,347</u>
Total OPEB liability, end of year	<u>28,248,838</u>	<u>36,817,732</u>	<u>41,520,270</u>	<u>47,817,743</u>	<u>43,708,862</u>	<u>42,418,776</u>	<u>49,171,289</u>	<u>48,981,102</u>
Plan fiduciary net position								
Contributions—System	1,897,396	1,713,730	1,541,526	1,493,107	1,525,122	2,142,140	2,096,898	2,090,345
Net investment income (loss)	7,981,067	4,846,968	(9,015,815)	12,201,762	2,458,551	1,873,651	2,836,346	4,769,443
Benefit payments	(1,489,439)	(1,513,083)	(1,583,221)	(1,845,275)	(1,767,775)	(1,675,995)	(1,658,023)	(1,647,873)
Administrative expense	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,015)</u>	<u>(55,040)</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,150)</u>
Net change in plan fiduciary net position	8,334,024	4,992,615	(9,112,510)	11,794,579	2,160,858	2,284,796	3,220,221	5,156,765
Plan fiduciary net position, beginning of year	<u>52,013,368</u>	<u>47,020,753</u>	<u>56,133,263</u>	<u>44,338,684</u>	<u>42,177,826</u>	<u>39,893,030</u>	<u>36,672,809</u>	<u>31,516,044</u>
Plan fiduciary net position, end of year	<u>60,347,392</u>	<u>52,013,368</u>	<u>47,020,753</u>	<u>56,133,263</u>	<u>44,338,684</u>	<u>42,177,826</u>	<u>39,893,030</u>	<u>36,672,809</u>
Net OPEB (asset) liability—end of year	<u>\$ (32,098,554)</u>	<u>\$ (15,195,636)</u>	<u>\$ (5,500,483)</u>	<u>\$ (8,315,520)</u>	<u>\$ (629,822)</u>	<u>\$ 240,950</u>	<u>\$ 9,278,259</u>	<u>\$ 12,308,293</u>
Plan fiduciary net position as a percentage of the total OPEB liability	213.6 %	141.3 %	113.2 %	117.4 %	101.4 %	99.4 %	81.1 %	74.9 %
Covered employee payroll	\$ 63,471,471	\$ 55,376,047	\$ 49,593,349	\$ 48,762,264	\$ 47,919,193	\$ 46,733,530	\$ 47,627,297	\$ 46,240,094
Net OPEB (asset) liability as a percentage of covered employee payroll	(50.6)%	(27.4)%	(11.1)%	(17.1)%	(1.3)%	0.5 %	19.5 %	26.6 %

* Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Required Supplementary Information

Schedule of Contributions
Post-Employment Health Insurance Plan

June 30, 2024
(UNAUDITED)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 435,438	\$ 954,936	\$ 1,016,104	\$ 1,280,107	\$ 1,413,409	\$ 2,303,706	\$ 2,456,206	\$ 2,289,969	\$ 1,814,116
Contributions in relation to the actuarially determined contribution	<u>1,897,396</u>	<u>1,713,730</u>	<u>1,541,526</u>	<u>1,493,107</u>	<u>1,525,122</u>	<u>2,142,140</u>	<u>2,096,898</u>	<u>2,096,898</u>	<u>2,187,091</u>
Contribution (excess) deficiency	<u>\$ (1,461,958)</u>	<u>\$ (758,794)</u>	<u>\$ (525,422)</u>	<u>\$ (213,000)</u>	<u>\$ (111,713)</u>	<u>\$ 161,566</u>	<u>\$ 359,308</u>	<u>\$ 193,071</u>	<u>\$ (372,975)</u>
Covered employee payroll	\$ 63,471,471	\$ 55,376,047	\$ 49,593,349	\$ 48,762,264	\$ 47,919,193	\$ 46,733,530	\$ 47,627,297	\$ 47,627,297	\$ 46,887,000
Contributions as a percentage of covered employee payroll	3.0 %	3.1 %	3.1 %	3.1 %	3.2 %	4.6 %	4.4 %	4.4 %	4.7 %

See accompanying independent auditor's report.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Required Supplementary Information

**Schedule of Investment Returns
Post-Employment Health Insurance Plan**

Last 10 Fiscal Years*

**June 30, 2024
(UNAUDITED)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return (loss), net of investment expense	16.01 %	10.97 %	(15.45)%	29.78 %	5.45 %	4.70 %	7.73 %	15.15 %

* Schedule is intended to show 10 years. Data has been provided for fiscal years in which the data is available.

**MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)**

Notes to Required Supplementary Information

**June 30, 2024
(UNAUDITED)**

Factors that significantly affect the identification of trends in the amounts reported in the schedules are:

Schedule of System's Proportionate Share of the Net Pension Liability and Schedule of the System's Pension Contributions

The discount rate decreased to 6.50% in 2021, down from 6.75% in 2020 through 2018, 7.5% in 2017 and 7.125% in both 2016 and 2015.

Schedules of Funding Progress and Employer's Contributions—Post-Employment Health Insurance Plan

The Plan was established in 2009.

In 2023, the per capita costs were calculated using current enrollment and aging factors and the mortality table was changed from SOA RPH-2006 Total Dataset Mortality Table fully generational using Scale MP-2021. Actuarially determined contributions were determined using a discount rate of 6.07%, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2021, the per capita costs were calculated using current enrollment and aging factors and the mortality table was changed from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2020. This change caused a decrease in liabilities. Actuarially determined contributions were determined using a discount rate of 6.10%, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2019, the per capita costs were increased using current enrollment and aging factors and the mortality table was changed from RPH-2015 Total Dataset Mortality Table Fully Generational using Scale MP-2015 to RPH-2018 Total Dataset Mortality Table Fully Generational using Scale MP-2018. Actuarially determined contributions were determined using a discount rate of 7.00%, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2017, the per capita costs were increased using current enrollment and aging factors and the mortality table was changed from RPH-2014 Total Dataset Mortality Table Fully Generational using Scale MP-2014 to RPH-2015 Total Dataset Mortality Table Fully Generational using Scale MP-2015. Actuarially determined contributions were determined using a discount rate of 7.00% as of July 1, 2021 and 6.10% as of June 30, 2020, a payroll growth factor of 3.00% and entry age normal as the actuarial cost method.

In 2015, the per capita costs were increased using current enrollment and aging factors and the mortality table was changed from RP-2000 Combined Mortality Table Fully Generational using Scale AA to RPH-2014 Total Dataset Mortality Table Fully Generational using Scale MP-2014. There were no changes in 2016.

See accompanying independent auditor's report.

MAINE COMMUNITY COLLEGE SYSTEM
(A Component Unit of the State of Maine)

Schedule of Activities

Year Ended June 30, 2024

(Dollars in Thousands)

Functions/Programs	Program Revenues					Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Investment Income	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Units
Primary government									
Business-type activities									
Education	\$ 179,164	\$ 14,559	\$ -	\$ 82,512	\$ 281	\$ -	\$ (81,812)	\$ (81,812)	\$ -
Total primary government	<u>\$ 179,164</u>	<u>\$ 14,559</u>	<u>\$ -</u>	<u>\$ 82,512</u>	<u>\$ 281</u>	<u>-</u>	<u>(81,812)</u>	<u>(81,812)</u>	<u>-</u>
Component units	<u>\$ 10,298</u>	<u>\$ -</u>	<u>\$ 2,812</u>	<u>\$ 7,795</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309</u>
General revenues									
Unrestricted interest and investment gains						-	9,054	9,054	-
Non-program specific grants, contributions, and appropriations						-	84,890	84,890	-
Miscellaneous income						-	3,380	3,380	-
Total general revenues and extraordinary items						-	97,324	97,324	-
Change in net position						-	15,512	15,512	309
Net position, beginning of year						-	241,160	241,160	33,085
Net position, end of year						<u>\$ -</u>	<u>\$ 256,672</u>	<u>\$ 256,672</u>	<u>\$ 33,394</u>

See accompanying independent auditor's report.

Appendix C

MCCS FY25 Board Approved Budget

Maine Community College System Operating Budget – Fiscal Year 2025

Current Operating Funds

REVENUES	
Students	49,480,357
Appropriations	102,152,591
Gov't Grants & Contracts	65,842,145
Private Gifts, Grants, Contracts	20,612,112
Investments	4,900,086
Sales and Services	17,230,191
Other Revenue	1,797,117
Non-Revenue Receipts	1,661,691
<u>TOTAL REVENUES</u>	<u>263,676,290</u>
EXPENDITURES	
Salary & Wages	89,959,671
Other Compensation	1,373,176
Payroll Tax	2,203,014
Fringe Benefits	31,694,529
<u>TOTAL PERS. SERVICES</u>	<u>125,230,390</u>
Professional Services	30,925,360
Travel Expenses	1,781,452
Vehicle Operations	321,385
Utilities Services	3,401,091
Rents	3,423,147
Repairs	3,400,578
Insurance	1,325,626
OPEGA General Operating	1,519,661
Other General Operating	4,475,021
Food	467,725
Fuel	1,862,529
Supplies	6,202,760
Education Grants & Other	70,388,517
<u>TOTAL ALL OTHER</u>	<u>129,494,852</u>
Equipment	3,506,212
Land, Bldg. & Improvements	5,193,288
<u>TOTAL CAPITAL</u>	<u>8,699,500</u>
<u>TOTAL EXPENDITURES</u>	<u>263,424,744</u>
Use of Program Reserves	736,446
NET CHANGE	987,992

Appendix D

Fall 2024 MCCS Enrollment Headcount by Program

	A	B	C	D	E	F	G	H
1	FALL 2024 Program Headcount							
2	<i>A = Associate degree; C= Certificate program; D = Diploma</i>							
3								
4	ARTS, HUMANITIES, DIGITAL MEDIA, AND COMMUNICATION	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
5	Animation, Interactive Technology, Video Graphics, and Special Effects					A-236		A-84
6	General Studies	A-646		A-60				
7	Graphic Communications, General	A-69						
8	Liberal Arts and Sciences, General Studies and Humanities, Other					A-18		
9	Liberal Arts and Sciences/Liberal Studies	A-80	A-179	A-116	A-65/C-5	A-1062	A-49	A-164
10	BUSINESS AND HOSPITALITY	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
11	Accounting	A-117		A-73	A-23			A-33
12	Arts, Entertainment, and Media Management, General	A-3						
13	Business Administration and Management, General	A-364/C-14	A-196		A-72	A-701	A-57	A-163/C-18
14	Business/Corporate Communications, General							C-1
15	Culinary Arts/Chef Training	A-48/C-4	A-44	A-30		A-132		
16	Entrepreneurship/Entrepreneurial Studies				C-6		C-12	
17	General Office Occupations and Clerical Services				C-2			
18	Hospitality Administration/Management, General					A-39		
19	Marketing/Marketing Management, General			A-133/C-8				
20	Parks, Recreation, and Leisure Studies						A-8/C-1	
21	Restaurant, Culinary, and Catering Management/Manager	A-3	A-8					
22	Small Business Administration/Management		C-26					
23	COMPUTER SCIENCE AND INFORMATION TECHNOLOGY	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
24	Computer and Information Systems Security/Auditing/Information Assurance	A-55				A-132		
25	Computer Graphics		A-62/C-3					
26	Computer Programming/Programmer, General		A-44/C-9					
27	Computer Science					A-168		A-2
28	Network and System Administration/Administrator	A-89	A-32/C-7		A-17/C-1	A-68	A-11	A-54/C-5
29	EDUCATION, HUMAN SERVICES, AND SOCIAL AND BEHAVIORAL SCIENCES	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
30	Criminology	A-15						
31	Early Childhood Education and Teaching	A-66	A-48	A-135	A-23/C-2	A-163	A-20/C-3	
32	Education, General	A-72	A-64/C-22			A-77	A-21	A-62
33	Forensic Social Work							A-35
34	Gerontology							A-3
35	Human Services, General	A-148/C-9	A-53			A-78/C23	A-39	A-87/C-14
36	Psychology, General	A-136		A-69				
37	Teacher Assistant/Aide					C-1		
38	HEALTH SCIENCES	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC

	A	B	C	D	E	F	G	H
39	Agricultural and Domestic Animal Services, Other							A-48
40	Cardiovascular Technology/Technologist					A-27		
41	Dietetic Technician					A-52		
42	Emergency Medical Technology/Technician (EMT Paramedic)		A-30/C-3	A-7/C-30	A-23/C-15	A-26		
43	Health Information/Medical Records Technology/Technician			A-45				
44	Health Services/Allied Health/Health Sciences, General			C-303		A-1141	C-28	A-142
45	Licensed Practical/Vocational Nurse Training					C=1		
46	Medical Administrative/Executive Assistant and Medical Secretary						C=3	
47	Medical Insurance Coding Specialist/Coder	A-99/C-13		C-20	C-24			
48	Medical Office Assistant/Specialist		A-3/C-13					
49	Medical/Clinical Assistant		A-27/C-9	A-5/C-16	A-9/C-3	A-59	A-12	
50	Mental and Social Health Services and Allied Professions, Other			A-58/C-11				
51	Occupational Therapist Assistant			A-9				
52	Phlebotomy Technician/Phlebotomist						C-8	
53	Physical Fitness Technician	A-17						
54	Physical Therapy Assistant			A-32				
55	Radiologic Technology/Science - Radiographer		A-51	A-34		A-42		
56	Registered Nursing/Registered Nurse	A-122	A-118	A-103	A-61	A-218	A-13	A-56
57	Respiratory Care Therapy/Therapist			A-35		A-32		
58	Substance Abuse/Addiction Counseling		C-7				C-19	C-21
59	Surgical Technology/Technologist		A-19					
60	Therapeutic Recreation/Recreational Therapy						A-3	
61	Veterinary/Animal Health Technology/Technician and Veterinary Assistant							A-38/C-6
62	INDUSTRIAL TECHNOLOGY AND TRANSPORTATION	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
63	Agroecology and Sustainable Agriculture					A-65		
64	Aquaculture						A-1	
65	Autobody/Collision and Repair Technology/Technician				A-19			
66	Automobile/Automotive Mechanics Technology/Technician	A-111	A-49/C-1		A-15/C-2	A-96	A-8/C-7	
67	Building Construction Technology/Technician	A-64/C-4	A-33/C-4	C-1	C-14	A-41/C-5		
68	Building/Property Maintenance	A-5						
69	Cabinetmaking and Millwork		A-20/C-3					
70	Civil Engineering Technologies/Technicians	A-11						
71	Computer Numerically Controlled (CNC) Machinist Technology/CNC Machinist				C-6	C-5		
72	Construction Trades, Other							A-2
73	Construction/Heavy Equipment/Earthmoving Equipment Operation						C-10	
74	Diesel Mechanics Technology/Technician				A-23/C-5		C-5	
75	Electrical, Electronic, and Communications Engineering Technology/Technician			A-37/C-1		A-112		
76	Electrician		C-159	A-36/C-20	A-52	C-87	D-19	C-20

	A	B	C	D	E	F	G	H
77	Heating, Air Conditioning, Ventilation and Refrigeration Maintenance Technology/Technician	A-57/C-12	A-27	A-18/C-3	C-1	A-30/C-11	C-9	
78	Heavy Equipment Maintenance Technology/Technician		A-34				C-2	
79	Lineworker			C-27				
80	Machine Tool Technology/Machinist	A-31/C-3		C-14		A-33		
81	Mechanic and Repair Technologies/Technicians, Other						A-11	
82	Mechanical Drafting and Mechanical Drafting CAD/CADD							C-2
83	Metal Fabricator	A-11						
84	Multi-/Interdisciplinary Studies, Other	A-2	A-262	A-53	A-98/C-1		A-2	A-12
85	Plumbing Technology/Plumber	A-43/C-12	C-14	C-4	A-17/C-3	A-45/C-21		
86	Small Engine Mechanics and Repair Technology/Technician						C-7	
87	Vehicle Maintenance and Repair Technology/Technician, General					C-9		
88	Water Quality and Wastewater Treatment Management and Recycling Technology/Technician				A-10/C-1			
89	Welding Technology/Welder		A-11/C-26	C-19	C-13		C-13	
90	Wind Energy System Installation and Repair Technology/Technician				C-7			
91	PUBLIC SAFETY	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
92	Corrections						A-6	
93	Criminal Justice/Safety Studies	A-143/C-6	A-53			A-124	A-25/C-2	A-35
94	Environmental/Natural Resources Law Enforcement and Protective Services	A-28/C-1						
95	Fire Science/Fire-fighting		A-24/C-4			A-82/C-8		
96	Forensic Science and Technology	A-39						
97	SCIENCES, ENGINEERING, AND MATHEMATICS	CMCC	EMCC	KVCC	NMCC	SMCC	WCCC	YCCC
98	Biology/Biological Sciences, General	A-28		A-32				
99	Biotechnology					A-43		
100	Drafting and Design Technology/Technician, General	A-19				A-124		A-21/C-5
101	Electrical/Electronic Engineering Technologies/Technicians, Other		A-39					
102	Electromechanical/Electromechanical Engineering Technology/Technician	A-81/C-15					A-9	
103	Engineering, General					A-146		
104	Exercise Science and Kinesiology	A-37						
105	Marine Biology and Biological Oceanography					A-92		

Appendix E

Maine Public Higher Education System Coordinating Committee Report

DATE: Feb. 15, 2024
TO: Joint Standing Committee on Education & Cultural Affairs
FROM: UMS Chancellor Dannel P. Malloy & MCCS President David Daigler
RE: **2024 Public Higher Education System Coordinating Committee Report**

Senator Rafferty, Representative Brennan and distinguished members of the Joint Standing Committee on Education & Cultural Affairs:

The University of Maine System (UMS) and the Maine Community College System (MCCS) prepare Maine's workforce and ensure all Mainers have the opportunity to realize the transformative power of public postsecondary education.

Since 2003, UMS and MCCS have collectively awarded more than 150,000 degrees and credentials, more than two-thirds of those earned through UMS and the remainder through MCCS. Robust enrollment and a range of educational options from short-term workforce training to advanced graduate degrees are critical to our institutions' leadership role in helping the State meet its statutory goal of having 60% of Mainers holding a degree or credential of value by 2025, which is also a goal of Maine's 10-year economic strategy. As founding members of MaineSpark, the state's two public higher education institutions actively work to support that goal.

In Fall 2023, **the two public systems enrolled 38,557 students** — 24,134 at UMS and 14,423 at MCCS. In addition, 5,054 high school students earned free early college credits through MCCS and 4,724 through UMS, with some students participating in courses through both systems.

There are also thousands of students participating in short-term workforce training at Maine's community colleges, which are a critical component to help Maine meet its 60% attainment goal. Those programs take less than a year to complete, and MCCS is on track to enroll 24,000 Mainers in short-term workforce training programs by 2025, with many of those students earning an industry-recognized credential of value or an academic credential such as a medical assisting certificate. Tens of thousands of Mainers also participate each year in non-credit bearing UMS educational programs, including more than 30,000 youth who participate in University of Maine Cooperative Extension 4-H programming annually.

Shared services and sites

Maine's public universities and community colleges have a long tradition of working together. They are doing so now more closely than ever before given the needs of Maine students and employers and the institutions' imperative to achieve efficiencies and savings through partnership.

As required by Public Law 2015, Chapter 261, the leaders of both UMS and MCCS and their Boards of Trustees' Chairs comprise the Public Higher Education Systems Coordinating Committee (HECC), which is expected to advance, and report annually to the Governor and Legislature about, shared efforts to promote efficiency, cooperation and strategic planning. This memo serves as that report for 2024, and is intended to demonstrate our public systems' continued commitment to collaboration by highlighting new and most notable initiatives.

As mentioned in prior HECC reports, the two public systems have so-called "piggyback clauses" in their requests for proposals and contracts that allow for procurement of goods and services by the other system under equal pricing and terms — creating economies of scale and efficiency. Leveraging this, in 2021, MCCS, as well as Maine Maritime Academy (MMA) and the State of Maine, joined UMS in contracting with Gordian, a third-party that benchmarks capital needs. By doing so, we have been able to ascertain that collectively, **Maine's public institutions of higher education are burdened with more than \$2 billion in deferred maintenance and imminent infrastructure need:** \$1.65 billion across Maine's seven public universities and law school, \$263 million across Maine's seven community colleges and \$96 million at MMA.

Increasingly, **UMS and MCCS are partnering on federal grants and other externally funded initiatives that benefit Maine.** In 2023, UMS worked with Rep. Jared Golden with the support of the Maine delegation to secure a \$7 million Congressionally Directed Spending award, commonly referred to as an earmark. This one-time funding will enable the R1 UMaine to lead the creation of Industry 4.0 training innovation centers across the state that provide talent pipelines of an agile, well-trained workforce for aerospace, defense and other manufacturing companies here, including Bath Iron Works. The initiative is being led by UMaine's Advanced Manufacturing Center, which will host one of these training centers in Orono, but nearly half of the federal funds UMaine is receiving will be sub-awarded to Southern Maine Community College, which will also host training centers on its Brunswick and South Portland campuses. As SMCC's president at the time of the award announcement noted, "Our partnership with the University of Maine will help us train students to improve manufacturing efficiency throughout the region, making a positive impact on Maine's economy to the tune of hundreds of millions of dollars."

Additionally, through its Harold Alfond Center for the Advancement of Maine's Workforce, MCCS has provided or subsidized free professional development training for 868 university employees saving UMS \$660,297 in training costs.

The two public systems also share space, which in-turn saves money and strengthens student and community access and opportunity. UMS and MCCS both have centers that are co-located in East Millinocket (Eastern Maine Community College and University of Maine at Augusta) and Brunswick Landing (SMCC and UMA). Meanwhile, the University of Maine at Farmington delivers its bachelor's in early childhood education at SMCC's South Portland campus, ensuring this in-demand degree program is accessible to recent community college graduates and to other working adults in southern Maine who wish to create strong foundations for the youngest Mainers. MCCS also provides dedicated space for UMS admissions on its campuses. There are many other examples of the two systems making their space and resources accessible to one

another including EMCC students having access to UMaine's Fogler Library, and UMA student athletes using Central Maine Community College facilities.

Seamless transfer from MCCS to UMS to the Maine workforce

At the same time, it is important to acknowledge that **the two public systems are operating in a state with a declining number of high school graduates, and that a declining percentage of those graduates are pursuing postsecondary education.** Maine's free community college tuition program is intended to encourage more Mainers to go to college, including those who may not have believed they could afford postsecondary education. In the initial two years of the program, it has proven very popular and led to significant gains in MCCS enrollment. However, data demonstrate this initiative has contributed to a decrease in first-year in-state students enrolling at UMS. Longer term, Maine's free MCCS tuition program should be positive for enrollment with both public systems in large part because Maine's community colleges are the largest source of transfer students into UMS. In total, 546 MCCS students transferred to UMS in Fall 2023, down 30% from 2015 but representing the first year-over-year increase since then.

For UMS, MCCS and Maine's workforce to realize the benefits of the free tuition program, the two systems must partner to enable seamless transfer from Maine's community colleges to its public universities when students' professional and personal goals necessitate them continuing their education beyond a two-year degree. And we are doing so together.

Maine students should be able to enroll in postsecondary education with confidence and progress through their educational experience with clear pathways and few obstacles to timely graduation. To meet that shared goal, UMS and MCCS are working together to create Guided Pathways between our two systems and from high school. These pathways are highly structured, educationally coherent program maps that align with students' goals for careers and further education. Incoming students are given support to explore careers, choose a program of study, and develop an academic plan early on; have a clear road map of the courses they need to take to complete a credential; and receive guidance and support to help them stay on plan.

In fact, the new UMS strategic plan released in 2023 — that system's first in nearly two decades — prioritizes strengthening MCCS pathways to Maine's public universities and working with MCCS to improve and measure transfer processes and outcomes. (MCCS is currently in the process of developing its next strategic plan.)

In addition there are **now more than 180 formal articulation agreements between specific programs of study** (see complete list attached) that allow MCCS students to transfer into UMS and have all their Maine community college credits count. Just since last summer, UMF has developed and signed 55 articulation agreements with MCCS institutions, enabled in part by that university's transition from a four-credit to three-credit model.

These articulation agreements often require the participating institutions to make curricular changes, as UMA recently made to its cybersecurity degree programs to ease relevant transfer from MCCS. To support this important alignment between Maine's public universities and community colleges, faculty often serve on advisory boards for each other's relevant programs.

For example, a business/economics professor from UMF serves on the Business Advisory Board at CMMC, and a biology professor serves on the Biology Advisory Board at Kennebec Valley Community College, as well as the Liberal Studies Advisory Board at Washington County Community College.

The two public systems prioritize development of these transfer pathways based on state workforce needs and by identifying which UMS programs are most sought after by MCCS students. To this point, some examples of new articulation agreements or those actively under development include:

- KVCC and UMA recently signed two articulation agreements that allow KVCC's early childhood education students to transfer seamlessly into UMA's early childhood and early elementary degree programs.
- Similarly, UMA is in the process of finalizing articulation agreements with KVCC, SMCC and York County Community College in mental health and human services related programs.
- Northern Maine Community College and the University of Maine at Presque Isle have recently entered into articulation agreements for students in several NMCC associate degree programs to transfer to UMPI to pursue a bachelor's in social work.
- Downeast, the University of Maine at Machias is finalizing an articulation agreement with WCCC that will allow WCCC human services students to transfer into UMM's psychology and community studies program with zero credit loss.
- Last year, CMCC and the University of Maine at Fort Kent entered into an articulation agreement that allows CMCC associate degree recipients in computer technology and cybersecurity to transfer to UMFK to complete a bachelor's in computer sciences administration, which prepares them for great-paying Maine careers in software engineering, database administration and systems management.
- USM is currently creating the first advanced/accelerated educational pathway for an associate degree nurse to doctoral degree in Maine. As part of this agreement, SMCC students can earn up to six credits at USM at the community college tuition rate.
- SMCC and USM are also partnering to grow Maine's special educator workforce, including through an articulation agreement and an innovative apprenticeship program geared toward those already working Maine schools, like Ed Techs. Leveraging public funding, USM has agreements with several southern Maine school districts, including Gorham, Scarborough, and SAD 6, to hire apprentices who will complete their associates degrees through SMCC and then complete their bachelor's degree in special education at USM.

All of these partnerships are intended to grow the size and skill of the workforce in high-need fields for the state.

Collaboration is increasingly going well beyond individual program-specific articulation agreements between institutions, and is institution-wide. Perhaps the most embedded example of this is between SMCC and USM, which last year launched Southern Maine Pathways, a partnership that includes additional 13 articulation agreements as well as expanded housing and student life opportunities.

The special relationship between these two institutions recognizes that most SMCC graduates who continue their postsecondary education will do so at USM, located just five miles away. As a university administrator noted, “USM is the inevitable next step for SMCC students.” A one-stop transfer website allows the many community college students who earn an associate degree in liberal studies to see how they can transfer into a large number of USM majors and easily complete their bachelor’s degree in two years. Some of these SMCC-to-USM students won’t have far to go, as more than 100 SMCC students are now being hosted in USM’s new Portland Commons residence hall, living alongside USM and University of Maine School of Law students.

Meanwhile, the state’s flagship and public research university has been negotiating a memorandum of understanding with MCCC to create the Black Bear Advantage program. This will allow students to enroll in any MCCC institution and if they take one class at UMaine or its regional campus in Machias (UMM) each semester, they will also be considered a Black Bear with the ability to access all of the resources available to UMaine and UMM students. In addition, UMaine will be sending advisors to each community college every semester to help advise these students on the courses they would need to seamlessly transition to UMaine or UMM in their third year.

Both public systems are increasingly serving adult learners. In Maine, it’s estimated that 190,000 adults have some college but no door-opening degree or credential. Within UMS, 40% of matriculated learners are now 25 and older, and within MCCC, 29%.

UMPI’s YourPace is an entirely online competency-based degree program designed for working adults that has driven a 67% growth in that rural university’s enrollment over the past five years. As part of their commitment to meeting the education and upskilling needs of busy adults, the two public systems are currently developing a transfer pathway for graduating MCCC students to go into YourPace.

While many community college students will move directly into the workforce — 81% of MCCC students are in career or occupational programs — the smooth transfer pathways between the state’s public higher education institutions ensures that all students will always have the option to return for a four-year or advanced degree when it’s the right time for them. In today’s economy, many adults need low-barrier, life-long learning opportunities to advance their careers, or switch careers. This is critical given the increased earning potential associated with higher levels of degree attainment, including four-year and advanced degrees.

Recommendations

Last year, the two public systems supported LD 1264, *Resolve, Establishing the Commission to Update Maine’s Public Policy on Higher Education*. Absent a State agency or overarching

governing body strategically focused on higher education, HECC believes **a comprehensive review of the state's public higher education policy** is long overdue, and looks forward to the Commission's work, which was delayed until later this year. The Commission, or another body, may wish to also evaluate the State's funding of its public higher education institutions' operations, given State appropriation has failed to keep pace with rising costs — especially compensation and energy — and student tuition now provides the greatest share of operating revenue at UMS, MCCS and MMA. The increasing needs of Maine's postsecondary students, including for mental health services, academic advising and even basic needs, also must be considered and adequate funding provided so our public institutions can support the success of all students.

Similarly, HECC agrees that Maine's free community college tuition program has sent a strong and important message to all Maine people that postsecondary education is within their reach and a public good. We support the State **building upon the initial success of free MCCS tuition by further advancing affordability within UMS**, including for transfer students. One such proposal that the Legislature's Education and Cultural Affairs Committee has endorsed is a so-called "last-dollar" promise program to subsidize Maine students with demonstrated financial need enrolling in a UMS bachelor's degree program without paying out-of-pocket for tuition and fees. While not as expansive as the existing two-year free college tuition program, this would be a meaningful next step forward and be especially helpful to students who benefited from tuition-free MCCS and wish to continue their education, as well as the nearly half of all UMS students from Maine who are Pell-eligible.

Additionally, **the \$2 billion in infrastructure investment needed across Maine's public higher education institutions must be meaningfully addressed**. UMS, MCCS and MMA have not had a general obligation bond issue since 2018 — making this period the longest in at least three decades that Maine has not bonded to improve its public higher education infrastructure. A 2020 task force made recommendations as to how the State could provide adequate funding to sustain this vital public infrastructure without burdening Maine students with unreasonable tuition and fee increases. Advancing the task force's recommendations, specifically those pertaining to State-funded debt service and regular general obligation bonding, is essential to supporting accessible, affordable modern education, workforce training and research, and ensuring the competitiveness of these institutions in recruiting and retaining students, including from out-of-state (especially UMS and MMA).

Finally, with the release of a new UMS strategic plan last year and a new MCCS strategic plan expected this summer, it will be important for HECC to consider alignment and coordinated implementation and monitoring of these two plans. In the meantime, please know the state's two public higher education systems are more committed than ever before to meeting the evolving needs of Maine and its learners and doing so through creative partnerships.

Program-to-Program Articulation Agreements between University of Maine System and Maine Community College System

This list of transfer agreements does not include System-wide agreements focused on block transfer, reverse transfer, and liberal studies transfer ([Advantage U](#)).

Central Maine Community College (50)	
CMCC College Degree	Transfer Degree
A.A. Liberal Studies	UM B.A. Economics
A.A. Liberal Studies	UM B.A. History
A.A. Liberal Studies	UM B.A. Political Science
A.A. Psychology	UMF B.A. Psychology
A.A. Social Sciences	UMF B.A. Psychology
A.A.S. Accounting	UM B.S. B.A. Accounting
A.A.S. Computer Technology	UMFK B.S. Computer Systems Administration
A.A.S. Computer Technology	USM B.S. Technology, Concentration Information and Communications Technology
A.A.S. Criminal Justice	UMF B.A. Psychology
A.A.S. Criminal Justice	USM B.A. Social and Behavioral Sciences, Concentrations available: Counseling, Generalist, Public Health
A.A.S. Cybersecurity—Digital Forensics	UMFK B.S. Computer Systems Administration
A.A.S. Early Childhood Education	UMA B.A. Liberal Studies Early Childhood Teacher minor
A.A.S. Early Childhood Education	UMA B.S. Elementary Education (K-3)
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education, B-K Certification
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education, PK-3 Certification
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Special Education, B-5 Cert.
A.A.S. Early Childhood Education	USM B.A. Social and Behavioral Sciences, Concentrations available: Counseling, Generalist, Public Health
A.A.S. Forensic Science	USM B.A. Chemistry
A.A.S. Forensic Science	USM B.S. Chemistry
A.A.S. Forensic Science	USM B.A. Criminology
A.A.S. Human Services	UMF B.S. Rehabilitation and Human Services
A.A.S. Human Services	USM B.A. Psychology
A.A.S. Human Services	USM B.A. Social and Behavioral Sciences, Concentrations available: Counseling, Generalist, Public Health
A.A.S. Physical Fitness Specialist	UMF B.S. Community Health Education, Physical Activity and Nutrition Concentration
A.A.S. Physical Fitness Specialist	USM B.S. Health Sciences
A.A.S. Precision Machining Technology	USM B.S. Technology Management, Concentration in Precision Manufacturing
A.S. Business Transfer	UM B.S. Business Administration Accounting
A.S. Business Transfer	UM B.S. Business Administration Finance
A.S. Business Transfer	UM B.S. Business Administration Management
A.S. Business Transfer	UMF B.S. Business Administration Management
A.S. Business Transfer	UM B.S. Business Administration Marketing
A.S. Computer Technology	UMFK B.S. Computer Systems Administration
A.S. Computer Technology	USM B.S. Information Technology

A.S. Education	UMA B.A. Liberal Studies Early Childhood Teacher Minor
A.S. Education	UMA B.S. Elementary Education (K-3)
A.S. Education	UMA B.S. Elementary Education (K-8)
A.S. Education	UMA B.S. Secondary Education (7-12) With content area concentrations in: English, Life Science, Physical Science, Mathematics, Social Studies
A.S. Education	UMF B.S. Elementary Education
A.S. Justice Studies	UMF B.A. Psychology
A.S. Life Science	UMF B.A. Biology, Ecology & Conservation Concentration
A.S. Life Science	UMF B.A. Biology, General Biology Concentration
A.S. Life Science	UMF B.A. Biology, Pre-Professional Concentration
A.S. Life Science	UMF B.S. Earth & Environmental Science, Environmental Science Concentration
A.S. Life Science	USM B.S. Biochemistry
A.S. Life Science	USM B.S. Biology
A.S. Life Science	USM B.S. Biology: Biotechnology Concentration
A.S. Life Science	USM B.S. Health Sciences, Pre-Professional Track
A.S. Nursing	UMA B.S. Nursing (B.S.N.)
A.S. Nursing	UMFK B.S. Nursing (B.S.N.)
A.S. Nursing	USM B.S. Nursing (B.S.N.)
Eastern Maine Community College (40)	
EMCC College Degree	Transfer Degree
A.A. Liberal Studies	UM B.A. University Studies
A.A. Liberal Studies	UMA A.S. Dental Assisting
A.A. Liberal Studies	UMA B.A. English
A.A. Liberal Studies	UMA B.A. Social Science
A.A.S. Automotive Technology	UMFK B.S. Business Management – Technology Concentration
A.A.S. Building Construction	UMFK B.S. Business Management – Technology Concentration
A.A.S. Building Construction	UM B.S. Construction Engineering Technology
A.A.S. Business Management	UM B.S. Business Administration
A.A.S. Business Management	UM B.S. Business Administration Finance
A.A.S. Business Management	UM B.S. Business Administration Marketing
A.A.S. Business Management	UMA B.S. Business Administration – Accounting
A.A.S. Business Management	UMA B.S. Business Administration – Management
A.A.S. Business Management	UMFK B.S. Business Management
A.A.S. Computer Technology	UMA B.S. Computer Information Systems
A.A.S. Computer Technology	UMFK B.S. Business Management – Technology Concentration
A.A.S. Criminal Justice	UMA B.S. Justice Studies
A.A.S. Culinary Arts	UMFK B.S. Business Management – Technology Concentration
A.A.S. Digital Graphic Design	UMFK B.S. Business Management – Technology Concentration
A.A.S. Digital Graphic Design	USM B.A. Communication
A.A.S. Digital Graphic Design	USM B.A. Media Studies

A.A.S. Early Childhood Education	UM B.S. Childhood Development/Family Relations, ECE Education Option
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education
A.A.S. Early Childhood Education	UMFK B.S. Business Management – Technology Concentration
A.A.S. Education	UM B.S. Elementary Education
A.A.S. Education	UMF B.A. Liberal Studies – Education Pathways
A.A.S. Education	UMFK B.S. Business Management – Technology Concentration
A.A.S. Education (CTE Option)	UMFK B.S. Business Management – Technology Concentration
A.A.S. Electrical and Automation Technology	UM B.S. Electrical Engineering Technology
A.A.S. Electrical and Automation Technology	UMFK B.S. Business Management – Technology Concentration
A.A.S. Electrical and Automation Technology	USM B.S. Technology – Management Concentration
A.A.S. Emergency Medical Services	UMFK B.S. Business Management – Technology Concentration
A.A.S. Emergency Medical Services	UM B.S. University Studies – Leadership Track
A.A.S. Fine Woodworking and Cabinetmaking	UMFK B.S. Business Management – Technology Concentration
A.A.S. Hospitality and Tourism Management	USM B.A. Tourism and Hospitality Equivalency
A.A.S. Human Services	UMA B.S. Human Services*
A.A.S. Medical Office Technology	UMFK B.S. Business Management – Technology Concentration
A.A.S. Medical Radiography	USM B.S. Health Science
A.A.S. Refrigeration, Air Conditioning and Heating	UMFK B.S. Business Management – Technology Concentration
A.A.S. Nursing	USM B.S. Nursing
A.A.S. Surgical Technology	UMFK B.S. Business Management – Technology Concentration
Kennebec Valley Community College (22)	
KVCC College Degree	Transfer Degree
A.A.S. Business Administration	UMA B.S. Business Administration
A.A.S. Mental Health Rehabilitation	UMA B.S. Mental Health and Human Services
A.A.S. Early Childhood Education	UMA B.A. Liberal Studies, Education Pathway
A.S. Nursing	UMA B.S. Nursing
A.A.S. Early Childhood Education	UMF B.S. Childhood Education
A.A.S. Mental Health Rehabilitation	UMF B.S. Rehabilitation Program
A.A.S. Mental Health Rehabilitation	UMF B.A. Psychology
A.A.S. Energy Services Technology	USM B.S. Applied Technical Leadership
A.A.S. Electrical Technology	USM B.S. Applied Technical Leadership
A.A.S. Mental Health Rehabilitation	UM B.A. Social Work
A.S. Psychology	UM B.A. Psychology
A.A.S. Medical Assisting	USM B.S. Health Sciences
A.A.S. Health Information Management	USM B.S. Health Sciences
A.A.S. Occupational Therapy Assistant	USM B.S. Health Sciences
A.A.S. Occupational Therapy Assistant	USM Master of Occupational Therapy

A.A.S. Electrical Technology	USM B.S. Industrial Technology
A.A.S. Energy Services and Technology	USM B.S. Industrial Technology
A.A.S. Culinary Arts	USM B.A. Tourism and Hospitality with Food Studies Minor
A.S. Radiologic Technology	USM B.S. Health Sciences
A.S. General Science/Biology	USM B.S. Environmental Science
A.A.S. Physical Therapist Assistant	USM B.S. Health Sciences
A.A.S. Respiratory Therapy	USM B.S. Health Sciences
Northern Maine Community College (23)	
NMCC College Degree	Transfer Degree
A.A.S. Accounting	UMPI B.A. Accounting
A.A.S. Business Administration	UMPI B.A. Business Management
A.A.S. Automotive Collision Repair	UMFK B.S. Business Management
A.A.S. Automotive Technology	UMFK B.S. Business Management
A.A.S. Business Administration	UMFK B.S. Business Management
A.A.S. Building Construction Technology	UMFK B.S. Business Management
A.A.S. Network Administration & Cybersecurity (Computer and Network Technology)	UMFK B.S. Business Management
A.A.S. Diesel Hydraulics	UMFK B.S. Business Management
A.A.S. Early Childhood Education	UMFK B.S. Business Management
A.A.S. Electrical Construction and Maintenance	UMFK B.S. Business Management
A.A.S. Emergency Medical Services	UMFK B.S. Business Management
A.A.S. Medical Assisting	UMFK B.S. Business Management
A.A.S. Medical Coding (Health Information Management)	UMFK B.S. Business Management
A.A.S. Plumbing and Heating	UMFK B.S. Business Management
A.A.S. Precision Machining Technology	UMFK B.S. Business Management
A.A.S. Network Administration & Cybersecurity	UMA B.S. Cybersecurity
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education, PreK-Grade 3 Cert
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education, Birth to Kindergarten Cert.
A.A. Liberal Studies	UMPI B.S. Social Work Education
A.A.S. Early Childhood Education	UMPI B.S. Elementary Education—Early Childhood Education
A.A.S. Early Childhood Education	UMPI B.S. Social Work Education
A.S. Nursing	USM B.S. Nursing
A.A.S. Medical Assisting	USM B.S. Health Sciences
Southern Maine Community College (35)	
SMCC College Degree	Transfer Degree
A.S. Nutrition	UM B.S. Nutrition
A.S. Pre-engineering	UM B.S. Engineering Technology
A.S. Pre-Engineering	UM Chemical Engineering
A.S. Pre-Engineering	B.S. Computer Engineering
A.S. Early Childhood	UM B.S. Early Childhood
A.A.S. Human Services	UMA B.S. Public Administration

A.A.S. Cybersecurity	UMA B.S. Cybersecurity
A.A.S. Fire Science Technology	UMA B.S. Public Administration
A.A.S. Early Childhood Education	UMA B.S. Child Development/Family Relations Early Childhood Education
A.A.S. Human Services	UMA B.S. Mental Health and Human Services/Adult Mental Health Rehabilitation
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education, Birth to Five Cert.
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education, K-3 Certification
A.A.S. Human Services	UMF B.S. Rehabilitation & Human Services
A.A.S. Biotechnology	UMF B.S. Biotechnology
A.A. Biology	UMF B.S. Ecology and Conversation
A.S. Business Administration	UMF B.S. Business Administration
A.A.S Human Services	UMA B.S. Human Services
A.S. Computer Science	UMF B.A. Computer Science
A.A. Liberal Studies Math	UMF B.A. Math
A.A. Liberal Studies	UMF B.S. Earth and Environmental Science
A.A. Liberal Studies Music	UMF B.A. Performing Arts Music
A.S. Liberal Studies Psychology	UMF B.A. Psychology
A.A.S Fire Science Technology	USM B.S. Leadership and Organizational Studies
A.A.S. Horticulture	USM B.A. Environmental Planning & Policy
A.A.S. Horticulture	USM B.A. Environmental Science
A.A.S. Integrated Manufacturing/Precision Machining	USM B.S Technology Management Precision Manufacturing Concentration
A.A. Liberal Studies with a Focus Science	USM B.A. Environmental Planning and Policy
A.A. Liberal Studies with a Focus Science	USM B.S. Environmental Science
A.S. Business Administration	UMA B.S. Business Administration-Accounting
A.S. Nursing	UMFK B.S. Nursing (3+1)
A.S. Nursing	USM B.S. Nursing
A.A.S. Pre-Engineering	USM B.S. Electrical Engineering and Mechanical Engineering (renewal process)
A.A. Hospitality	UMF B.A. Outdoor Recreation Business Administration
A.S. Marine Science	UMF B.S. Earth and Environmental Sciences
A.S. Marine Science	UMF B.S. Biology Ecology and Conservation

Washington County Community College (13)

WCCC College Degree	Transfer Degree
A.A.S. Early Childhood Education	UMF B.S. Early Childhood Education
A.A.S. Early Childhood Education	UMA B.S. Elementary Education
A.A.S. Early Childhood Education	UMA B.A. Liberal Studies
A.A.S. Business Management	UMA B.S. Administration
A.A.S. Business Management	UMA B.S. Business Administration Management
A.A.S. Business Management	UMA B.S. Business Administration Accounting
A.A.S. Business Management	UMM B.S. Business and Entrepreneurial Studies
A.A.S. Computer Technology	UMA B.S. Computer Information Systems
A.A.S. Human Services	UMA B.S. Mental Health and Human Services
A.A.S. Human Services	UMM B.A. Psychology and Community Studies
A.A.S. Outdoor Leadership	UMM B.S. Recreation & Tourism Management

A.A.S Medical Assisting	USM B.S. Health Sciences
A.A. Liberal Studies	UMF B.A. Biology
York County Community College (4)	
YCCC College Degree	Transfer Degree
A.A.S. Information Technology	USM B.S. Information Technology
A.A.S. Behavioral Health Studies	USM B.S. Recreation & Leisure Studies
A.A.S. Behavioral Health Studies	USM B.A. Social Work
A.S. Nursing	USM B.S. Nursing

Appendix F

2024 Annual Maine Quality Center Report

JULY 1, 2023 - JUNE 30, 2024

SHORT-TERM WORKFORCE TRAINING THROUGH MAINE'S COMMUNITY COLLEGES.



ANNUAL REPORT 2024



A comprehensive report on Maine Quality Centers and
Maine Jobs and Recovery Plan funding

**MAINE
QUALITY
CENTERS**

SUPPORT FOR WORKFORCE TRAINING
A PROGRAM OF MAINE'S COMMUNITY COLLEGES





OFFICE OF THE PRESIDENT

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October 1, 2024

Senator Chip Curry, Chair
Representative Tiffany Roberts, Chair
Joint Standing Committee on Innovation, Development, Economic Advancement and Business

Ms. Suzanne Gresser
Executive Director, Maine State Legislature

Commissioner Heather Johnson
Maine Department of Economic and Community Development

I am pleased to submit the annual report from the Harold Alfond Center for the Advancement of Maine's Workforce to fulfill our statutory requirement in statute [20-A MRSA §12729](#). This report includes information on projects active during FY24 (July 1, 2023 to June 30, 2024).

The Maine Quality Centers, created by statute in 1994, is a program of the Maine Community College System. The program's mission is "...to meet the workforce education and training needs of new and expanding businesses in the State and provide new employment and career advancement opportunities for Maine people." The FY 24 funding provided by the state and expended by the Maine Quality Center program was \$466,817.26,

We have also included a summary of the additional workforce projects funded through Maine Jobs & Recovery Plan and Harold Alfond Center for the Advancement of Maine's Workforce. This inclusion also fulfills our requirements under [5 MRSA § 13070-J](#) to report to the Maine Legislature and the Department of Economic and Community Development "on the amount of public funds spent on job training programs directly benefiting businesses in the State."

If you have any questions or comments regarding this report or any of our work through the Harold Alfond Center for the Advancement of Maine's Workforce, please do not hesitate to contact me at DDaigler@MaineCC.edu or (207) 629-4000.

Sincerely,

David Daigler
President

Enclosure

Central Maine
Community College
Auburn
cmcc.edu

Eastern Maine
Community College
Bangor
emcc.edu

Kennebec Valley
Community College
Fairfield/Hinckley
kvcc.me.edu

Northern Maine
Community College
Presque Isle
nmcc.edu

Southern Maine
Community College
South Portland/
Brunswick
smccme.edu

Washington County
Community College
Calais
wccc.me.edu

York County
Community College
Wells
yccc.edu



**Submitted to the 131st Maine Legislature's Joint Standing
Committee on Innovation, Development, Economic Advancement
and Business**

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maine Quality centers

The Maine Quality Centers (MQC), a program of the Maine Community College System (MCCS), was created in 1994 by the Maine Legislature to meet the workforce education and training needs of new and expanding businesses in the state and provide new employment and career advancement opportunities for Maine people. The program provides grants to Maine employers to fund customized new hire or incumbent worker training delivered by the Maine's community colleges.

These efforts have significantly expanded training opportunities in a three-stage continuum of training for pre-hire, entry-level occupational training (Stage 1), incumbent worker and professional development training (Stage 2), and scholarships for individuals to continue on in a one-year certificate or two-year degree program.

MQC's statutory mission is "to meet the workforce education and training needs of new and expanding businesses in the State and provide new employment and career advancement

opportunities for Maine people." The statute defines three primary purposes for the program: job creation, workforce preparation, and creating partnerships. The program's public benefit is to serve the employer's need for additional skilled workers, give trainees portable work skills to compete in today's job market, and establish and maintain relationships that support regional economic growth.

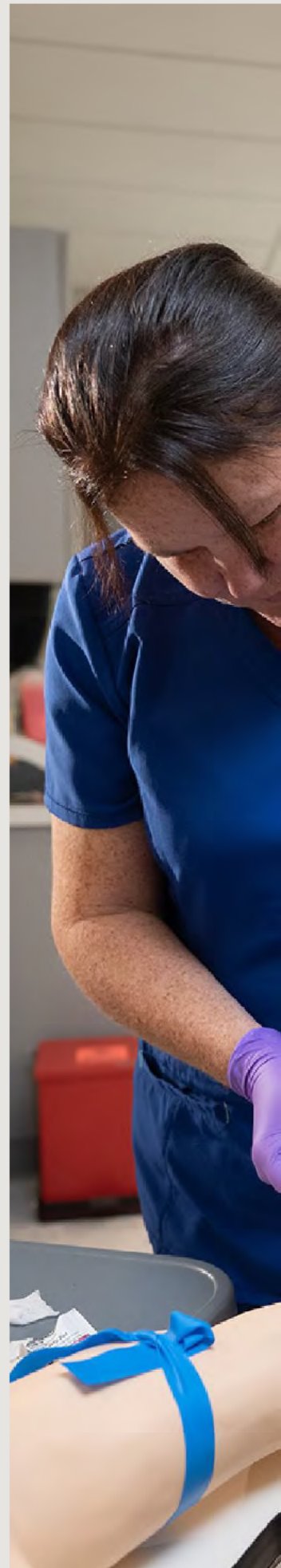
The MQC program is managed and coordinated by MCCS Chief Workforce Development Officer Dan Belyea, with individual project services delivered by employees at the Harold Alfond Center for the Advancement of Maine's Workforce and the system's seven colleges. Project funding supports customized training activities, as well as applicant recruitment and screening when appropriate. Most services are provided directly by a community college, although the statute provides for coordination with other education and training providers if necessary.



The success of our workforce programs is a testament to the power of collaboration. By working closely with our public and private partners, and our employers, we have created pathways that directly respond to Maine's workforce needs. Together, we are not only training individuals, we are strengthening the foundation of our economy and building a brighter future for the entire state.

Dan Belyea

CHIEF WORKFORCE DEVELOPMENT OFFICER,
HAROLD ALFOND CENTER FOR THE ADVANCEMENT OF MAINE'S WORKFORCE





FY24 MQC PROJECT ACTIVITY

Maine Quality Centers has been bolstering Maine's workforce efforts since 1994. With a commitment to the prosperity of Maine's employers, incumbent workers, and new hires, MQC provided support through projects which were active between July 1, 2023 and June 30, 2024.

MQC's FY24 initiatives totaled **\$466,817.26**, which helped implement 14 training programs. These initiatives encompassed a diverse range of fields, designed to cater to Maine's regional needs and multifaceted industrial sectors. The scope of these projects ranged from upskilling incumbent workers to industry-designed pre-hire training.

MQC's project budget varies year-to-year. Each initiative is carefully chosen based on its prospective impact, need, and relevance to Maine's job market and is assessed for its return on investment to guarantee its cost effectiveness.

One of the tangible outcomes of FY24 efforts is the creation of **132** new jobs. These positions were embedded across various sectors and regions and Maine; each role tailored to meet the growing demands of Maine's economy.

In FY24, unemployment rates remained at historically low rates. As a result, MQC focused on career advancement opportunities, as articulated in MSRS Title 20-A, Sec. 12724, and focused on training to further develop incumbent workers. By the close of FY24, **472** Mainers took part in training programs that will help them be more successful in their work and will help their employers be more successful and competitive.

In addition, four individuals began training efforts this fiscal year and will complete their training in FY25. Their success will be recognized in the FY25 Annual Report.

Since its inception, MQC has served over **300** new or expanding Maine businesses and trained **31,591** Maine residents.

31,591

MAINERS TRAINED FOR NEW AND Advanced POSITIONS
THROUGH MQC since 1994



The MQC approach

NEW HIRE TRAINING

MQC provides grants to Maine employers to support customized training for new and prospective hires. Projects are selected for funding based on the number of net new jobs, the skill level of the positions, wage and benefits levels, training required, possible return on public investment and other pertinent labor market considerations.

During FY24, MQC provided customized workforce training to some of Maine's largest employers as well as serving multiple small organizations with strategic statewide industry training.

Training was delivered across a wide

array of industries and in a variety of "hard" and "soft" skills. Among them: supervisory skills, leadership skills, communication, customer service, lean manufacturing, welding, healthcare, food service, SERV Safe, safety, financial management, and electricity and weatherization.

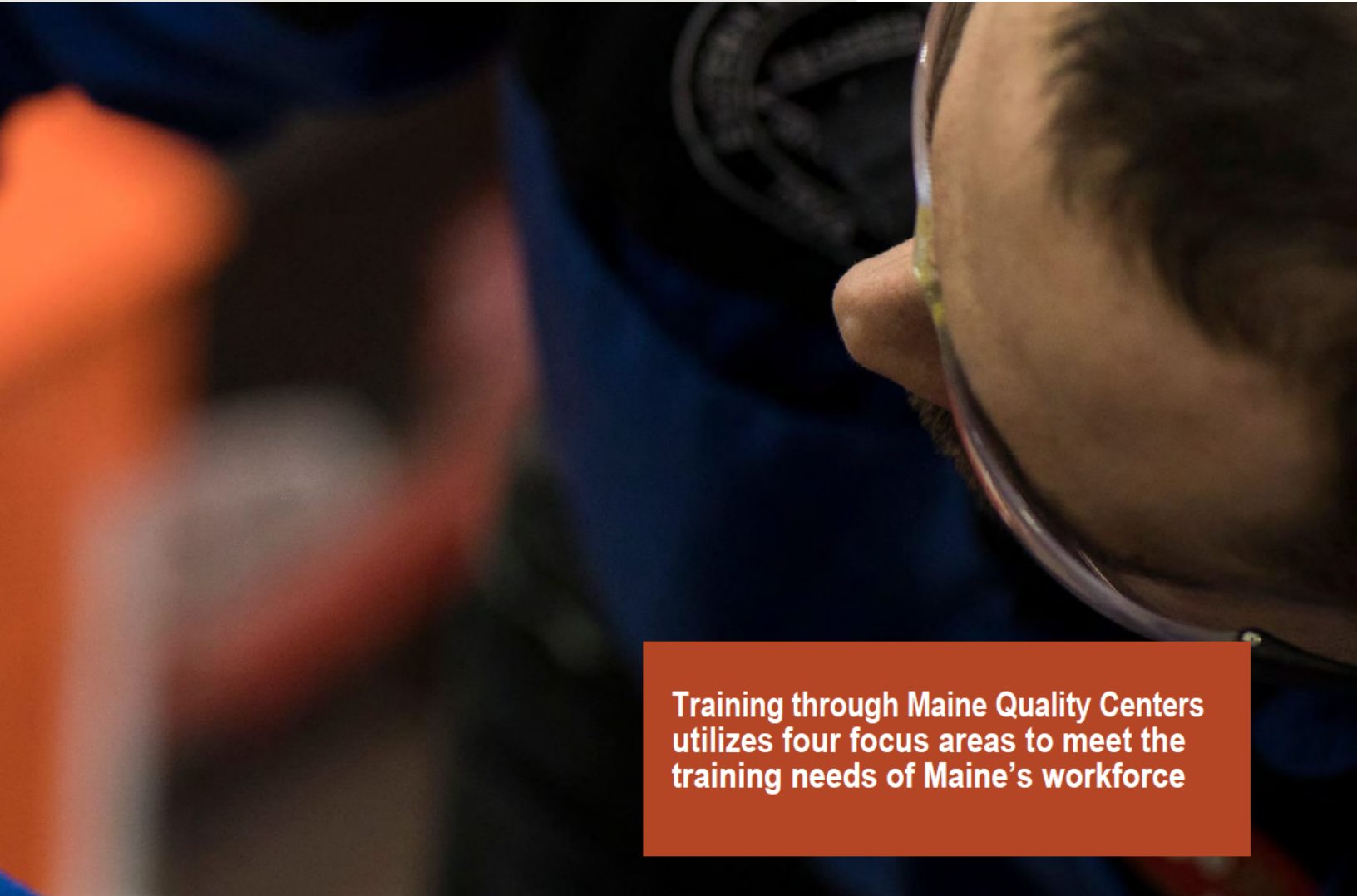
INCUMBENT WORKER TRAINING

Based on the need for greater incumbent worker training options, as identified by the 126th Maine Legislature's Joint Select Committee on Maine's Workforce and Economic Future, MQC began a pilot program in FY14 to provide training to employers' incumbent workers. Employers with

over 100 employees pay 50% of the project costs, while employers with between 51 and 100 employees pay 25% of costs. No match is required of employers with 50 or fewer employees. Over the past nine years, this offering has served 82 Maine businesses, updating the skills of their employees.

The demand for incumbent-worker training has increased and this option will continue to be a part of the MQC grant portfolio. It has also been the catalyst for The Harold Alfond Center for the Advancement of Maine's Workforce.

BENEFITS SIGNIFICANTLY FROM A IS SKILLED, EDUCATED, AND TRAINED



Training through Maine Quality Centers
utilizes four focus areas to meet the
training needs of Maine's workforce

COLLEGE INITIATED PROJECTS

Community colleges that have identified areas of in-demand training for unemployed or underemployed Maine residents in their communities may also submit applications directly to MQC. Current examples of this type of project are Central Maine Community College's Educator Pathway Program and Northern Maine Community College's Emergency Medical Services training.

PUT ME TO WORK

Created in the first session of the 127th Maine Legislature, the Put ME to Work program is designed to address demonstrated training needs for occupations that offer competitive wages and benefits. Projects need to include strong partnerships between business, industry and the community colleges and require a 50% cash and/or in-kind match by the employer or industry applicant.



The first Put ME to Work project, in FY17, was a mechanized logging program with the Professional Logging Contractors of Maine. The program continues today, and in FY24, MQC helped 14 students obtain a Class A commercial driver's licenses. Eleven students went on to new careers in the logging industry.

MAINE JOBS AND RECOVERY PLAN



Industry recognized credentials include:

AEMT | aquaculture | arboriculture | AWS | entrepreneurship | CDL | CCMA | medical coding | CNA | CNC machining | CompTIA | computer support | construction | dental assisting | early education | education technician | electric vehicle repair | EMS | EMT | fiber optic technician | heat pump installation | high pressure boiler | journeyman electrician | land surveyor | learning facilitator | LPN | manufacturing | marine design | mechanized logging operations | medical assistant | medical coding | medical records | MHRT-C | natural gas & propane | NCCER | new cook training | oil burner technician | paralegal | patient service rep | pharmacy technician | phlebotomy | production technology | refrigeration | respiratory therapy | ServSafe | surgical technology | virtual assistant | welding | and more!

MAINE JOBS AND RECOVERY PLAN AT MAINE'S COMMUNITY COLLEGES

The MCCS Maine Jobs and Recovery Plan (MJRP) efforts provide short-term training opportunities for Mainers, leading to industry-recognized credentials of higher value.

The Jobs Plan was approved by the Legislature in July 2021 and took effect October 18, 2021. The program became active at MCCS in December of 2021. The goal of the MCCS program is to train 8,500 Maine residents from January 1, 2022 through June 30, 2025.

In 30 months, Maine's community colleges have implemented **273** programs and provided training to **5,758** individuals, or 67.7% of the training goal. As the fiscal year came to an end, the total programs approved (past, present, and future) provide training to more than 8,500 individuals, which is 100% of MCCS's goal.

The total number of training completers in sectoral job training programs is **4,823** individuals.

5,758

Mainers took part in MJRP pre-hire training through June 30, 2024.



The MCCS Maine Jobs and Recovery Plan initiative focuses on short-term trainings supporting industry sectors negatively impacted by COVID-19 and provides pre-hire training for 8,500 impacted Mainers seeking employment in those industry sectors.



MAINE
JOBS AND
RECOVERY
PLAN

273

PROGRAMS
IMPLEMENTED
IN 30 MONTHS

Free short-term training that provides Mainers with industry recognized credentials and certifications, **providing career gateways that can transform lives.**

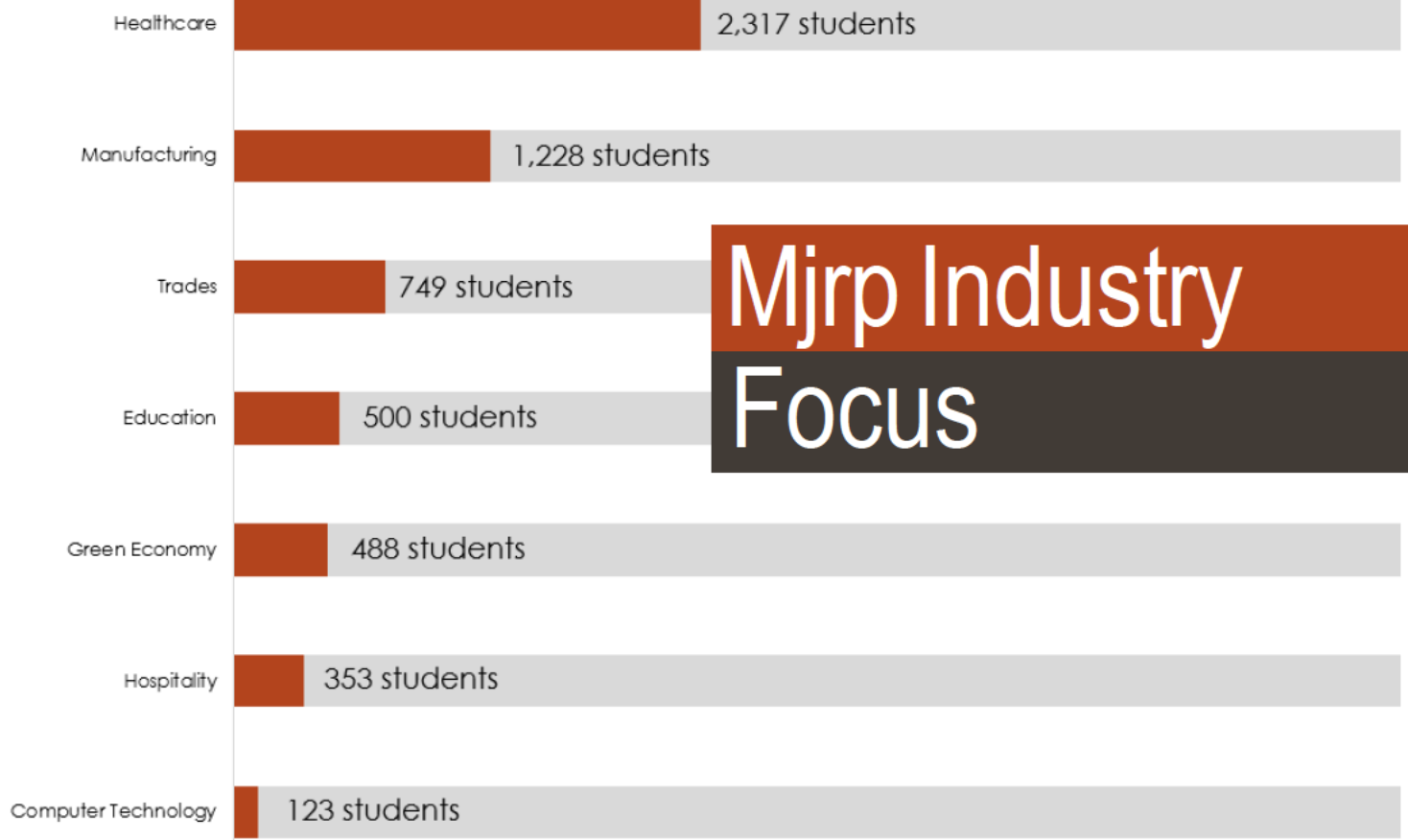
FROM HOMELESS VET TO SHAPING NAVAL DESTROYERS

THOMAS BAILEY

When Thomas returned to Maine, he was homeless, staying at a VA shelter in Lewiston. He learned about the Marine Design program, a partnership between Southern Maine Community College and Bath Iron Works, and contacted SMCC's workforce team. They set him up with dormitory housing, enabling him to attend classes. "They made it easy to go through this program. These grants make a really big difference." Now an electric designer for BIW, Thomas has his own apartment and is grateful for the opportunity to be working in a position that he feels he wouldn't have had the chance to pursue otherwise.



Out of 1,316 students surveyed, the cost of training was the number one barrier to finding work or training (48%), followed by the lack of opportunities in their area (47%), scheduling (53%), and childcare (20%).



SECTOR COORDINATION A CENTER PRIORITY IN FY25

The Center has hired a director of sector partnerships who will play a vital role in advancing Maine's workforce by leading the development of industry-focused training programs. The director works closely with employers, Maine's community colleges, and workforce organizations to identify key industry needs and build tailored pathways that align with current job market demands. The director will foster collaborations that drive innovative solutions, support students in finding career pathways, and enhance workforce development strategies for employers across sectors. Through targeted initiatives, the director aims to create new opportunities, bridge skill gaps, and ensure Maine's workforce remains competitive and well-prepared for the evolving economy.

healthcare training for me

- A partnership connecting Maine people to healthcare career training.
- Prioritized training includes:**
- Advanced Emergency Medical Technician
 - Behavioral Health Professional
 - Certified Clinical Supervisor
 - Certified Counseling Aide
 - Certified Dementia Care Provider
 - Certified Nursing Assistant (CNA)
 - CNA to LPN
 - Certified Residential Medication Aide (CRMA)
 - Dental Assistant
 - Direct Support Professional
 - Emergency Medical Technician (EMT)
 - Home Health Aide
 - Medical Assistant (MA)
 - Phlebotomist
 - Surgical Technologist



Harold Alfond center for the advancement of Maine's workforce

The Harold Alfond Center for the Advancement of Maine's Workforce coordinates all short-term workforce training programs, including Maine Quality Centers, Put ME to Work, and Maine Jobs and Recovery Plan, for Maine's community colleges, working closely with business and industry leaders statewide. Launched in 2021, the Alfond Center served over 27,000 Mainers in thirty months. A new historic gift of \$75.5 million from the Harold Alfond Foundation in June 2024 will enable the Center to train an additional 70,505 Mainers by 2030, significantly impacting Maine's workforce and economy through strategic private and public partnerships.

53%

Alfond Center students with less than a two-year degree

95%

Students that would recommend the training they took to others

84%

Students planning to take additional training in the future.
Four out of five would use Maine's community colleges.

60%

60% of Alfond Center students are over the age of 35; 85% are over the age of 25



Stackable Short-term Workforce Training

Addressing Maine's skills gap through three stages of training:

Stage 1: Pre-Hire Short-Term Training

Designed to equip underemployed people with the skills and knowledge needed to secure employment. Designed to meet the needs of regional employers and developed in collaboration with business and industry leaders. Short-term pre-hire training programs offer pathways into certificate and degree programs at Maine's community colleges and provide industry recognized credentials.

As of June 30th, 273 programs had been set up in 30 months.

Stage 2: Incumbent Worker Professional Development

Maine employers can sometimes double their training budget for their frontline workforce. By joining the Maine Workforce Development Compact, employers can access up to a \$1,200 match per employee per year to provide additional skills and knowledge to enhance their performance, advance their careers, and adapt to changing job requirements.

As of June 30th, 1,649 employers had joined the Compact, representing 315,412 members of Maine's workforce.

Stage 3: Scholarships for Continued Education

Enabling more Mainers to access opportunities to advance their education, Alfond Center Scholarships provide 50% off two community college courses each semester for working Mainers starting or pursuing a certificate or degree program. Students can access 4,000 courses statewide to customize their career pathway and help meet Maine's goal of 60% of Mainers having a credential of value.

maine workforce development compact

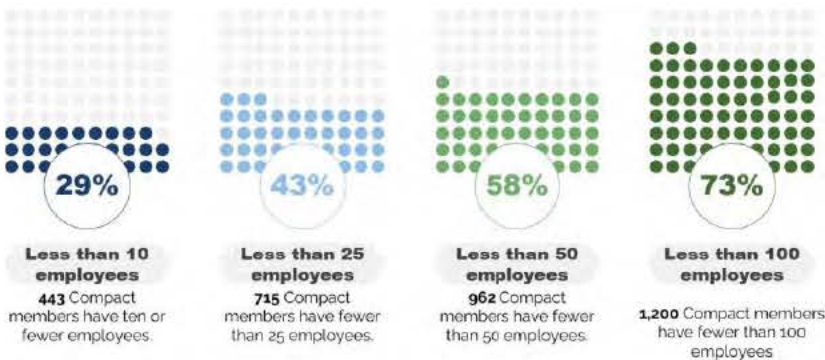
RESPONDING TO THE NEEDS OF MAINE'S EMPLOYERS

Historically low unemployment rates have forced businesses to consider a variety of strategies and approaches to manage their workforce needs. The Maine Workforce Development Compact, offered through Maine's community colleges, helps employers invest and upskill their frontline incumbent employees.

By joining the **Maine Workforce Development Compact**, businesses, associations, nonprofits, municipalities, and school districts can upgrade workers' skills through professional development that leads to career advancement, job security, and retainment. The Compact serves

frontline staff, who make up 82% of Maine's workforce. Training can take place through any of Maine's community colleges or through an approved third-party vendor. Through our grant with the Harold Alfond Foundation, the Center will provide up to a **\$1,200** match for professional development per frontline employee.

Additionally, scholarships for Maine's community colleges are available to encourage incumbent workers to continue their training by pursuing a one-year certificate or a two-year associate degree. Two scholarships per semester are available to employees of Compact members.



SUPPORT FOR ALL MAINE'S BUSINESSES

At the Alfond Center, we passionately believe that collaboration isn't just a concept; it's our driving force. We've forged dynamic partnerships with Maine's largest employers, driving industry change. Our commitment doesn't end there. Dedicated workforce development coordinators offer a guiding hand to the State's smaller employers - the businesses that are often overlooked and are without the HR and training resources of larger entities. A significant **58%** of our Compact employers have fewer than 50 employees; **29%** have fewer than ten. Together, we're changing the landscape of the workforce, one student at a time.

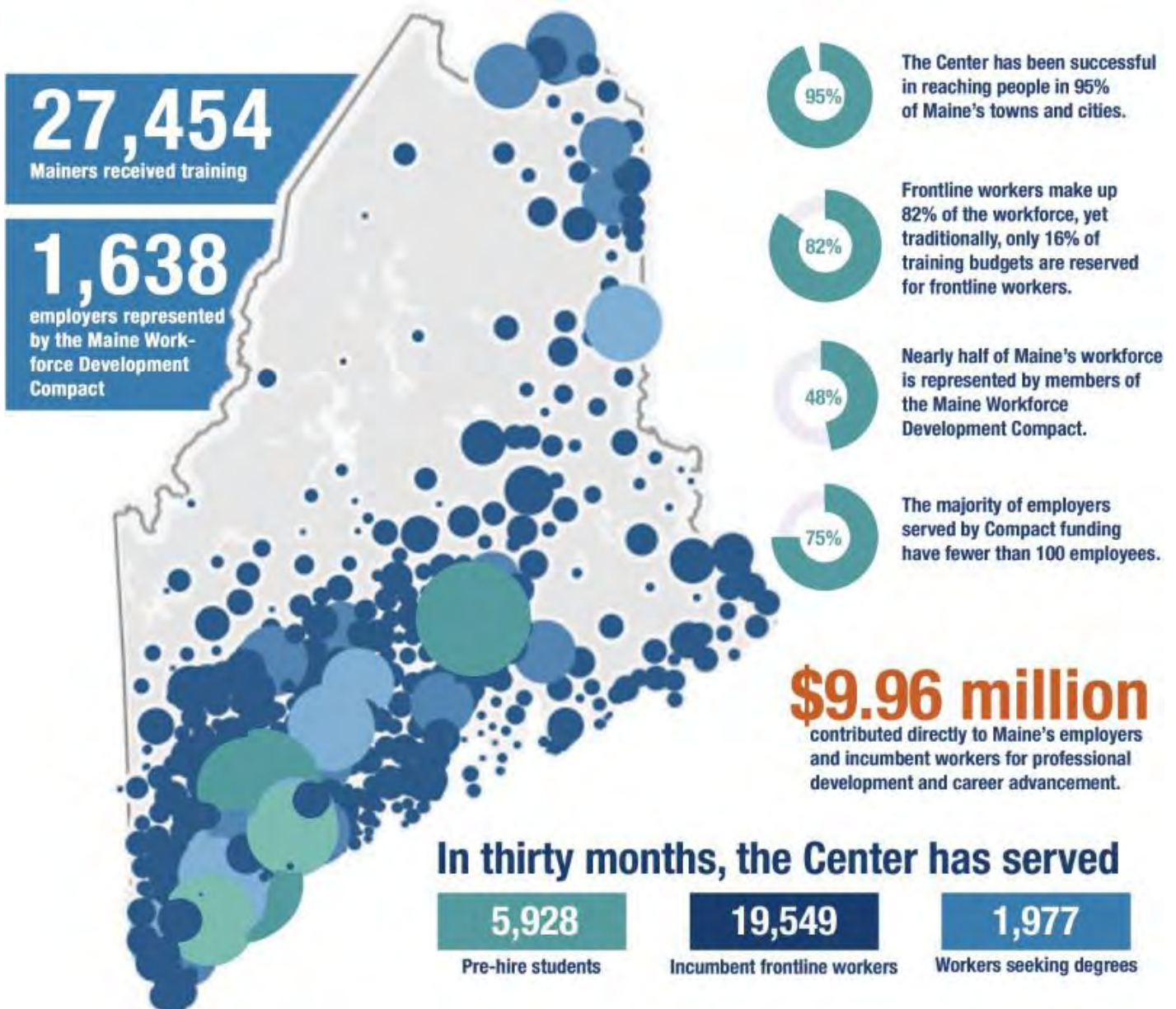
professional development helped better increased position keep practices now sit
duties training allowed experience find skill set others
irrelevant feel much helpful will certification advanced wel
prepare time opportunities N allowed better great st
people change given skills work job able also
industry team made need fi
rtified ability program use learned helped provided
irrelevant job led information knowledge career better unders
insights support teach new complete course gain organiz
training gave always impact life assist g
training provided expand knowledge Provided additional benefits
topic gave new

WHAT EMPLOYEES ARE SAYING ABOUT TRAINING

It has made me much more confident and knowledgeable in my position. I'm taking a more active role. I learned more about impactful customer services. I am new to my position and this training helped me grow the skills I need. It alleviated any financial burden associated with training. I am growing and learning daily to increase my knowledge to advance in my current company. It has helped provide a better workflow. What I learned I was able to share with others in my organization. It has given me insight on advanced leadership tactics and supporting my peers. This training fulfills an important component of my safety skillset. It has opened up many more opportunities for my career. I am able to take on more responsibility and contribute to growing the organization. It has made me more proficient at my job. I was able to get a promotion with the more advanced training I received. We have a very limited training budget and this has allowed us to take more specialized trainings. This training has helped me conduct myself more efficiently when I am in the field. I was able to become certified and can now train others in my organization. It has significantly enhanced my career confidence and overall marketability. I was able to obtain my professional license! This opens so many more opportunities for my business. I received a pay increase and recognition as a leader in my profession.

statewide impact

In just 30 months, the Harold Alfond Center has made a remarkable impact on Maine's workforce, training over 26,000 individuals and surpassing its goal of 24,000 by June 2025, a year ahead of schedule. It has reached 462 of Maine's 488 cities and towns, partnered with 1,638 employers, representing 323,600 employees. Through these efforts, the Center is fostering economic growth by enhancing workforce development across the state. This success is made possible with public and private partnerships and the support of the Harold Alfond Center, the Maine Jobs & Recovery Plan, Maine Quality Centers, Put ME to Work, and employer and industry contributions.





partnerships offer potential

Partnerships between industry and higher education provide the best learning experience for students. Such collaborations give students access to current industry trends, practices, and technological advances, allowing them to gain the skills needed to go to work quickly. Partnerships with employer partners are multi-faceted, from student support to classroom instruction. Building Maine's workforce starts here.



Employers Empowering New Americans

Summer Academy, held in partnership with JMG, allows recent high school graduates the opportunity to access free short-term training while experiencing college life, living on-campus, participating in career building activities and meeting employers, and earning the Maine Career Exploration Badge. The Cedars hosted the pilot CNA program for six New Mainers, providing language support and hands-on applicable training. Although not all participants passed the certification exam initially, The Cedars hired them all, allowing them to build their skills in a practical setting. This commitment underscores the dedication of employers to invest in their employees' growth and recognize the incredible talent individuals have to offer. The Academy's focus on skill development exemplifies the impact of partnerships, accessible training opportunities, and supportive work environments. It's a testament to the transformative power of community and organizational support, paving the way for a brighter, more inclusive future in healthcare.

Women in the Trades

Corinne serves as a vocational trades instructor at Southern Maine Women's Reentry Center in Windham, where she plays a pivotal role in empowering incarcerated women through vocational training. Corinne's primary roles involve teaching construction trades, providing women not only with job skills but also a means to self-sufficiency, which is crucial for their integration. Through the Alford Center's programs, participants can work in the community, earn money, and save for future independence, significantly improving their opportunities post-release. Corinne has been instrumental in setting up various training programs, including welding at Central Maine Community College. The initiative, developed in collaboration with CMCC, offers women the chance to learn valuable skills and build confidence. The positive impact of these programs is profound; participants have a boost in self-esteem and many secure employment post-release. These efforts underscore the transformative power of education and the opportunity in altering the lives of individuals, paving the way for a more hopeful and stable future.



The success of workforce students is intrinsically linked to the prosperity of their families and future generations. As students succeed, they pave the way to access greater opportunities and uplift subsequent generations.

SHORT-TERM PRE-HIRE TRAINING



A new road for a displaced worker

After a layoff, Avram from Van Buren found a new career path through Northern Maine Community College's free commercial driver's license course, hosted at Eastern Maine Community College in Bangor. Intrigued by the truck drivers he had observed in his previous role, Avram decided to pursue a Class A driving license, drawn to the potential of a career that offered salaries ranging from \$65,000 to \$100,000. The eight-week program was offered for free by the Alfond Center and significantly reduced the financial barrier for Avram, providing valuable training in both classroom settings and practical driving skills. His participation in the program not only prepared him for testing but positioned him for a promising new career trajectory, demonstrating the impactful role of accessible vocational training in facilitating career transitions and enhancing workforce opportunities.



Career growth in healthcare

Betsy's career transition from Certified Nursing Assistant to a certified Pharmacy Technician epitomizes lifelong learning and career reinvention. Before joining the Pharmacy Technician training program at York County Community College, Betsy worked in a retail pharmacy, a role that emerged from her rich background in medical care and a desire for change. Driven by a fascination with medications and their effects, Betsy started the program, which was conveniently offered online during the evenings to accommodate her work schedule. Her instructor was also a colleague at her pharmacy and played a pivotal role in making the learning accessible and engaging. This program enabled her to transition to a specialty pharmacy - a field that demands precise knowledge due to the critical nature of the medications dispensed. Today, Betsy is not just a certified professional she's a key player in her pharmacy, looking forward to advancing her skills in sterile and non-sterile compounding. Her journey proves that professional growth is always within reach.



From a single dad to a skilled educator

Todd, a single father wary of the debt associated with further education, found a transformative pathway through the new Educator Apprenticeship program at Southern Maine Community College. This program uniquely combined classroom learning with full-time employment, allowing Todd to immediately apply academic theories in real-world settings. The apprenticeship alleviated financial concerns, making higher education seem achievable and enabling Todd to model personal growth for his children. Grateful for the opportunity to work and learn simultaneously, Todd praises the program's practical approach, which significantly enhanced his educational experience compared to traditional theory-focused studies.

Looking AHEAD to 2030



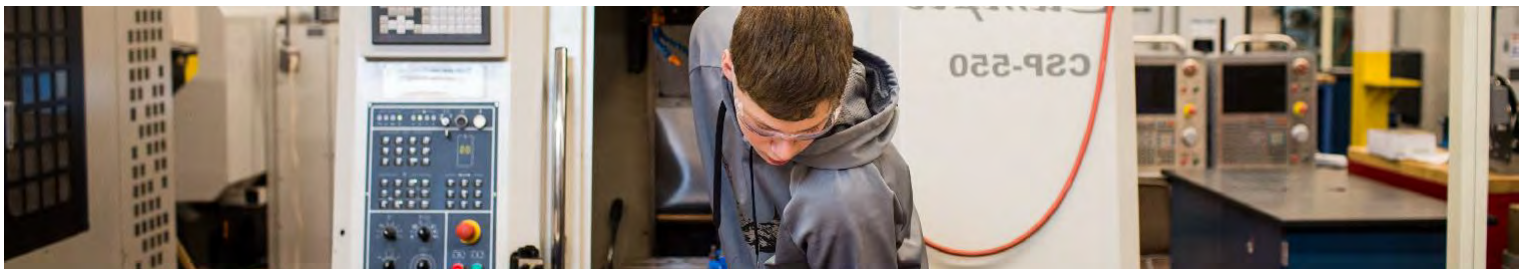
HISTORIC SHORT-TERM WORKFORCE TRAINING INVESTMENTS

1994 - Current	2018 - 2021	2022 - 2024	2025 - 2030
1994 Maine Quality Centers 2015 Put ME to Work Annual appropriation	Harold Alfond Foundation Grant I \$3.6 million	Harold Alfond Foundation Grant II \$15.5 million Maine Jobs & Recovery Plan \$35.5 million	Harold Alfond Foundation Grant III \$75.5 million
Total trained: 31,591	Total trained: 401	Total trained: 26,755	Training goal: 70,505
<p>MQC was created in 1994 by the Maine Legislature to meet the workforce education and training needs of new and expanding businesses in Maine and provide new employment and career advancement opportunities for Maine people. The program provides grants to Maine employers to fund customized new hire or incumbent worker training delivered by the Maine Community College System.</p>	<p>The first grant from the Harold Alfond Foundation provided funding to expand MQC programs. It created new short-term training programs in healthcare, information technology, construction, manufacturing, and the trades.</p>	<p>The second grant from the Harold Alfond Foundation vastly expanded the roster and reach of short-term workforce training programs and established the Harold Alfond Center for the Advancement of Maine's Workforce, which coordinates all short-term workforce training for the Maine's community colleges, including MQC projects. With the additional one-time funding from the Maine Jobs and Recovery Plan, the Alfond Center was able to set a goal of training 24,000 Mainers by 2025.</p>	<p>The third grant from the Harold Alfond Foundation continues the work and momentum from Grant II and provides funding for all three stages of training the Center offers: pre-hire training, incumbent worker training, and scholarships for working individuals to earn a degree. This grant aims to deepen relationships with industry sectors and the 1,700 employers that are part of the Center's Maine Workforce Development Compact.</p>
Pre-Hire Incumbent Worker	Pre-Hire	Pre-Hire Incumbent Worker Scholarships	Pre-Hire Incumbent Worker Scholarships

ALFOND CENTER TRAINING GOALS

With a \$163 million operational budget, the Harold Alfond Center will provide no- or reduced-cost training to 70,505 people in Maine's workforce. This training is made possible by industry investments, student and employer matched funds, Maine Quality Centers and Put ME to Work, the Maine Jobs and Recovery Plan, and a historic \$75.5 million grant from the Harold Alfond Foundation.

	 Pre-Hire Short-Term Training	 Incumbent Worker Professional Development	 Scholarships for continued education
Unduplicated Headcount			
Year Zero January 1, 2025 - June 30, 2025	1,897	5,923	260
Year One July 1, 2025 - June 30, 2026	3,323	7,199	1,368
Year Two July 1, 2026 - June 30, 2027	3,422	7,415	1,409
Year Three July 1, 2027 - June 30, 2028	3,508	7,601	1,444
Year Four July 1, 2028 - June 30, 2029	3,578	7,753	1,473
Year Five July 1, 2029 - June 30, 2030	3,614	7,830	1,488
70,505 Mainers by 2030	19,342	43,721	7,442



MQC FY24

PROJECTS & TRAINEES

Campus	Business Location	Business Served	Currently in Training	Number of Trainees	New Hires	MQC	Amount	Expenses
CMCC	Auburn	Auburn Manufacturing-14682**	4	14		-		-
CMCC	Auburn	Educator Pathway Program Cohort#1-4-14679*		100	100	35,116.76		35,116.76
CMCC	Auburn	CETP Training Cohort#2-14666		14	14	25,348.57		25,348.57
CMCC	Auburn	JMG Housing-14683		14		11,673.91		11,673.91
EMCC	Bangor	JMG Healthcare Exploration Housing-14683		7		2,020.00		2,020.00
KVCC	Skowhegan	Sappi Paper (PMTW)-14684		67		100,000.00	138,213.00	238,213.00
NMCC	Milford	CDL for Loggers Cohort#1-14536		14	11	74,165.83		74,165.83
NMCC	Presque Isle	EMS-Cohort#2-5-14607		11	7	19,935.60		19,935.60
MCCS	Statewide	Welcome ME Hospitality Badge		91		-		-
WCCC	Baileyville	Electro-Mechanical-14680*		15		-		-
YCCC	Sanford	PMT Pilot (Fall 2023)-14631*		2		9,216.16		9,216.16
YCCC	Sanford	Pratt & Whitney-Additional Foundations-14422*		94		15,616.20		15,616.20
YCCC	Online/Wells	Pratt & Whitney Apprenticeship-14230		19		35,511.23		35,511.23
YCCC	Online	Remote Worker Essentials-14681*		10		-		-
		Totals	4	472	132	328,604.26	138,213.00	466,817.26

If additional information is needed please contact David Daigler via email at ddaigler@maineccc.edu

*Preparation Fees/Training in FY23 and continued into FY24

**Preparation Fees/Training in FY24 and continued into FY25

MJRP PROJECTS BY COLLEGE

College	Project	Fiscal Year	Approved # of Trainees
CENTRAL MAINE COMMUNITY COLLEGE			
CMCC	Basic Life Support/CPR Training	2023	24
CMCC	Basic Life Support/CPR Training Cohort #5-10	2023-2024	36
CMCC	Basic Life Support Cohort#11-13	2024	24
CMCC	Basic Life Support Cohort#14-16		24
CMCC	Behavioral Health Provider	2023	32
CMCC	Broadband Technician Cohort#1-10	2024	200
CMCC	CDL-Cohort #1-5 (revised app)	2024-2025	50
CMCC	CETP Gas Training Cohort#1	2023-2024	18
CMCC	CETP Gas Training Cohort#3-4	2024-2025	36
CMCC	Child Development Associate Cohort#1-5	2023	100
CMCC	CNA Cohort #1-4	2023	32
CMCC	CNA-Lincoln Health-Cohort#5-8	2023	40
CMCC	CNA-Cohort#9-12	2023-2024	40
CMCC	CNA-Cohort#13-16	2024	32
CMCC	CompTIA IT Bundle & Equipment Cohort#1-2	2023	30
CMCC	CompTIA IT Bundle Cohort#3-4	2024-2025	30
CMCC	CompTIA Network+ Cohort#1-3	2023	45
CMCC	CompTIA Network+ Cohort#4-6	2024-2025	45
CMCC	CompTIA Security+ Cohort#1-3	2023	45
CMCC	CompTIA Security+ Cohort#4-6	2024-2025	45
CMCC	Computer Support	2022-2024	90
CMCC	Heat Pump Installer	2022-2023	32
CMCC	Heat Pump Installer Cohort #2	2023-2024	32
CMCC	Heat Pump Installer Cohort #3-7	2023-2024	60
CMCC	Heat Pump Installer Cohort #8-11	2024-2025	48
CMCC	High Pressure Boiler Operator (Multiple Cohorts)	2022-2023	24
CMCC	High Pressure Boiler Operator-Cohort #3-4	2023	24
CMCC	High Pressure Boiler Operator-Cohort #5-8	2024	48
CMCC	High Pressure Boiler Operator-Cohort#9-10	2025	24
CMCC	JMG-Land Surveyor Tech Cohort#1	2025	4
CMCC	JMG-Phlebotomy Cohort#1	2024	11
CMCC	JMG-Phlebotomy Cohort#2	2025	6
CMCC	JMG-Security+ Cohort#1	2024	16
CMCC	JMG-Security+ Cohort#2	2025	6
CMCC	JMG Welding Cohort#1	2024	7
CMCC	JMG Welding (2024)	2025	6
CMCC	Journeyman Electrician Cohort#1 (Revised)	2024	20
CMCC	Land Surveying Cohort#1-4 (Multiple Cohorts)	2022	48
CMCC	Land Surveying Cohort#5-7	2023-2024	36
CMCC	Land Surveying Cohort#8-9	2025	24
CMCC	Medical Assisting Cohort#1-2	2024	24
CMCC	NCCER	2023	30
CMCC	NCCER Core & Construction Craft Laborer	2024	12
CMCC	NCCER Project Supervisor Cohort#1-2	2024	30
CMCC	Pharmacy Technician #1-2	2022-2023	40
CMCC	Pharmacy Technician Cohort#3-4	2024-2025	40
CMCC	Pharmacy Technician Cohort#5	2025	20
CMCC	Phlebotomy (Multiple Cohorts)	2022-2023	48
CMCC	Phlebotomy-Cohort #2-5	2023-2024	48
CMCC	Phlebotomy-Cohort #6-9	2024	48
CMCC	Refrigeration	2022-2023	32
CMCC	Refrigeration Cohort #2	2023	64
CMCC	ServSafe	2023-2024	80
CMCC	TIPS-Alcohol & Seller training	2023	14
CMCC	Welding Cohort#1-6	2022-2023	260
CMCC	Welding Cohort#7-11	2024-2025	100
CMCC	Welding-Cohort #1-3 (Night)	2023	60
CMCC	Welding-Cohort #4-9 (Night)	2024-2025	120
CMCC	Welding-Cohort #10-12 (Night)	2025	60
Totals			2624

APPENDIX: MJRP Projects by College

College	Project	Fiscal Year	Approved # of Trainees
EASTERN MAINE COMMUNITY COLLEGE			
EMCC	AEMT	2024	15
EMCC	AEMT Cohort #2	2025	16
EMCC	Automotive Technician (NEVER RAN TRAINING)	2024-2025	30
EMCC	Clinical Assistant Cohort#1-2	2024	48
EMCC	CNA-KHEC Cohort#1	2023	10
EMCC	CNA-Dover Cohort#2	2023	10
EMCC	CNA-Dover Cohort #3	2023-2024	10
EMCC	CNA Cohort #4	2024	10
EMCC	CNA-Cohort#5 (Katahdin)	2024	10
EMCC	CNA-Cohort#6	2024	10
EMCC	CNA-Cohort#7	2024	10
EMCC	Culinary Bootcamps (NEVER RAN TRAINING)	2023	30
EMCC	Culinary Bootcamp Cohort#1-2	2024	10
EMCC	Culinary Bootcamp Cohort#3	2024	14
EMCC	Electric Vehicle	2023	20
EMCC	Electrician Technologist & Equipment	2022-2023	20
EMCC	Electrician-Cohort #2	2023-2024	20
EMCC	Electrician Cohort #3	2024-2025	20
EMCC	Emergency Telecommunicator Cohort#1-2	2024	40
EMCC	EMS-KHEC with equipment	2023	16
EMCC	EMS-Waldo with United Training	2023	20
EMCC	EMS-Cohort #3	2023-204	20
EMCC	EMS- Cohort 4-8- with United	2023-2024	121
EMCC	EMS-Cohort#9-11	2024	77
EMCC	EMS-Cohort#12	2024	16
EMCC	EMS-Cohort#13-15	2024	
EMCC	EMS-Cohort#16	2025	5
EMCC	Intro to Automotive Cohort#1-2	2024	20
EMCC	JMG Healthcare Exploration	2024	15
EMCC	Learning Facilitator Cohort#1-2	2022-2023	40
EMCC	Learning Facilitator Cohort#3-7	2024	100
EMCC	Medical Administrative Assistant Remote Worker Cohort#1-2	2024	40
EMCC	Medical Assisting-Cohort #1	2022-2023	20
EMCC	Medical Assisting & Equipment-Cohort #2-Waldo	2023-2024	20
EMCC	Medical Assisting-Cohort #3	2023-2024	20
EMCC	Medical Assisting-Cohort#4-Katahdin	2023-2024	12
EMCC	Medical Assisting Cohort#6	2024-2025	12
EMCC	Medical Assisting Cohort#7	2025	10
EMCC	Medical Records	2022-2023	30
EMCC	Medical Records (May-September 2022)	2022-2023	25
EMCC	Oil Burner Technician Cohort#1	2023	12
EMCC	Oil Burner Technician Cohort#2	2024	12
EMCC	Phlebotomy-Cohort #1	2022-2023	24
EMCC	Phlebotomy-Cohort #2 (June-August)	2022-2023	12
EMCC	Phlebotomy-Cohort #3 (Nov-Dec)	2023	20
EMCC	Phlebotomy-Cohort #4	2023	30
EMCC	Phlebotomy-Cohort #5-6	2023-2024	20
EMCC	Phlebotomy-Cohort #7-8	2024	40
EMCC	Phlebotomy-Cohort#9-11	2024-2025	60
EMCC	Propane Gas Technician	2023	12
EMCC	Propane & Natural Gas Cohort #2	2023-2024	12
EMCC	Propane & Natural Gas Cohort#3	2024	12
EMCC	Propane & Natural Gas Cohort#4	2024-2025	12
EMCC	Surgical Technician Cohort#1	2022-2023	12
EMCC	Surgical Technician Cohort#2	2024	12
Totals			1294

College	Project	Fiscal Year	Approved # of Trainees
KENNEBEC VALLEY COMMUNITY COLLEGE			
KVCC	Aluminum Welding-15109	2023/2024	96
KVCC	Basic EMT	2023	64
KVCC	Basic EMT-Northern Somerset #4	2023	24
KVCC	Basic EMT (Northern Light) #2	2023	28
KVCC	Basic EMT training (NLH) #1	2022-2023	20
KVCC	Basic EMT Cohort #5-20	2024-2025	224
KVCC	Business Entrepreneurship	2023-2024	75
KVCC	Class A CDL Cohort#1-2	2024-2025	20
KVCC	Class B CDL	2023	72

APPENDIX: MJRP Projects by College

College	Project	Fiscal Year	Approved # of Trainees
KVCC	Class B CDL Cohort #2	2024	60
KVCC	CNA Cohort#1	2023-2025	60
KVCC	CNA-Cohort #2-9	2024-2025	80
KVCC	Electric Boat Motor Cohort#1-3	2024-2025	36
KVCC	Electrical Technology Cohort#1	2022	20
KVCC	Electrical Technology-Cohort #2	2024-2025	20
KVCC	Electrical Technology Certificate Cohort#3	2025	20
KVCC	Emergency Medical Responders Cohort#1-3	2024-2025	30
KVCC	Extrusion & Leadership Training	2023	10
KVCC	Health Basics Cohort#1-2	2025	20
KVCC	High Pressure Boiler Training	2023-2024	28
KVCC	JMG-Culinary Bootcamp	2025	16
KVCC	Lead Safety Training	2022-2023	25
KVCC	Medical Assistant-Cohort #1 (Gray-New Gloucester)	2022-2023	18
KVCC	Medical Assisting-Cohort #2	2023-2024	20
KVCC	Medical Assisting-Cohort #3-6	2023-2024	40
KVCC	MHRT-C	2023	20
KVCC	MHRT-C Cohort #2	2023-2024	20
KVCC	Oil Burner Technician Cohort#1-2	2024	24
KVCC	Phlebotomy	2022-2023	10
KVCC	Phlebotomy-Fall 2022 Cohort#2	2023	20
KVCC	Phlebotomy-Cohort#3-5	2024-2025	30
KVCC	PMT-Operator (Formtek) Cohort#1	2022-2023	12
KVCC	PMT Operator-Cohort #2	2023	20
KVCC	PMT Operator-Cohort #3	2023-2024	24
KVCC	PMT Operator-Cohort #4-6	2024-2025	36
KVCC	PMT Operator-Cohort#7-8	2024-2025	24
KVCC	Respiratory Therapy Cohort#1-2	2023	48
KVCC	Virtual Assistant Training Cohort#1-3-Remote	2023-2024	45
KVCC	Virtual Assistant Training-Cohort#4-5-Remote	2024-2025	30
Totals			1489

College	Project	Fiscal Year	Approved # of Trainees
NORTHERN MAINE COMMUNITY COLLEGE			
NMCC	CDL-Class A & B (3 cohorts of 15)	2022	45
NMCC	CDL-Cohort #2	2023	15
NMCC	CDL-Cohort #3	2023	75
NMCC	CDL-Cohort#4	2024	15
NMCC	CDL-Cohort#5	2024	15
NMCC	CDL-Cohort#6	2024-2025	15
NMCC	CDL-Cohort#7	2025	15
NMCC	CDL-Cohort#8	2025	12
NMCC	Electrical Cohort#1	2024-2025	12
NMCC	EMS	2022	15
NMCC	HVAC High Pressure Boiler Operations Cohort#1-2	2024	24
NMCC	Mechanized Logging	2022-2023	15
NMCC	Mechanized Logging-Equipment	2022-2023	12
NMCC	Mechanized Logging-Cohort #2	2023-2024	30
NMCC	Medical Coding	2023-2024	72
Totals			387

College	Project	Fiscal Year	Approved # of Trainees
SOUTHERN MAINE COMMUNITY COLLEGE			
SMCC	AEMT-15004	2023	16
SMCC	Arboriculture	2023-2024	20
SMCC	AWS-Cloud Developer Training	2023	15
SMCC	BIW-Manufacturing (16 cohorts of 10)-FY24	2022-2023	160
SMCC	BIW-Manufacturing FY25	2025	160
SMCC	Construction Institute Cohort #1	2022	10
SMCC	Construction Institute Cohort #2	2023	12
SMCC	Construction Institute Cohort #3	2023	12
SMCC	Construction Institute Cohort #4	2024	12
SMCC	Construction Institute Cohort #5	2025	12
SMCC	Direct Support Professional	2023-2024	100

APPENDIX: MJRP Projects by College

College	Project	Fiscal Year	Approved # of Trainees
SOUTHERN MAINE COMMUNITY COLLEGE			
SMCC	Educator Apprentice Program-Cohort#1	2023-2024	12
SMCC	Educator Apprentice Program-Cohort #2	2023-2024	14
SMCC	Educator Apprentice Program-Cohort # 3 (MSAD 15)	2023-2024	12
SMCC	Educator Apprentice Program-Cohort #4-6	2024	36
SMCC	Electric Vehicle Repair	2023-2024	36
SMCC	EMT-Chegeague Island	2022	12
SMCC	EMT-Fall 2022 Cohort#3	2023-2024	41
SMCC	EMT-Summer Application 15043	2022	16
SMCC	EMT-Cohort#4-6	2024-2025	48
SMCC	JMG Summer Academy-CNA Cohort#1	2024	20
SMCC	JMG Summer Academy-CRMA & PSS	2025	6
SMCC	JMG Summer Academy-Manufacturing Technician Cohort#1	2024	1
SMCC	JMG Summer Academy--Manufacture Technology (2024)	2025	9
SMCC	JMG Summer Academy-Phlebotomy Cohort#1	2024	5
SMCC	JMG Summer Academy-Phlebotomy (2024)	2024-2025	10
SMCC	LPN Prerequisites	2023-2024	24
SMCC	OSHA & Leadership Training	2023-2024	500
SMCC	Marine Design-January-April 2022-Cohort #1	2022	24
SMCC	Marine Design-July 2022-Cohort #2.	2023	48
SMCC	Marine Design-Cohort #3-8	2023-2024	60
SMCC	Medical Assistant	2022-2023	16
SMCC	Medical Assistant Cohort #2	2023-2024	64
SMCC	Medical Assistant Cohort #3-6	2024	64
SMCC	NCCER Carpentry Cohort#1-3	2024	30
SMCC	Oil Burner Technician	2023	8
SMCC	Oil Burner Technician Cohort #2	2023	6
SMCC	Oil Burner Technician Cohort #3	2024	10
SMCC	Oil Burner Technician Cohort #4	2025	10
SMCC	Paralegal Certificate (training every 14 weeks) (MOA & Budget never sign	2023	20
SMCC	Pharmacy Technician	2023	15
SMCC	Phlebotomy	2023	140
SMCC	Radiology Technologist Assistant Cohort#1-2 (project not moving forward)	2024	20
SMCC	Respiratory Therapy Cohort #1 (Project not moving forward)-15116 (use	2024	20
SMCC	Roofing Technician	2023	16
SMCC	Sterile Processing	2023-2024	12
SMCC	Supervisor Trainings-Food & Beverage	2022	15
SMCC	Surgical Technology	2022-2023	32
SMCC	Surgical Technology-Cohort #2 (Spring 2023)	2023-2025	44
SMCC	Surgical Technology-Cohort #3	2024-2025	20
SMCC	TEAS Prep Course	2022-2023	60
SMCC	Yamaha University Cohort#1	2022	12
SMCC	Yamaha University Cohort#2	2023	12
SMCC	Yamaha University Cohort#3-6	2024	36
Totals			2145

College	Project	Fiscal Year	Approved # of Trainees
WASHINGTON COUNTY COMMUNITY COLLEGE			
WCCC	Aquaculture	2023	20
WCCC	CDL Bus Driver Training	2022-2023	20
WCCC	CDL Class A & B Cohort#1-5	2023	50
WCCC	CDL Class A & B Cohort#6-12	2024	68
WCCC	CDL Cohort#13-15	2025	28
WCCC	Certified Clinical Medical Assistant (CCMA)	2022-2023	24
WCCC	Certified Medical Coder Cohort#1	2022-2023	20
WCCC	Certified Medical Coder Cohort#2	2023	20
WCCC	Certified Medical Coder Cohort#4	2024	25
WCCC	Certified Medical Coder Cohort#5	2025	25
WCCC	Early Education Childhood Trauma Cohort#15037	2024-2025	25
WCCC	Early Education/Education Training-15039	2022-2023	50
WCCC	Education Technician Cohort#1-2-15038	2023-2024	50
WCCC	Education Technician Cohort#3-15038	2024-2025	25
WCCC	Education Technician Cohort#4	2025	22
WCCC	Educational Trip Leader Cohort#1	2023-2024	48
WCCC	Educational Trip Leader Cohort#2-3	2024-2025	38
WCCC	EMT	2023	16
WCCC	EMT-Cohort #2-4	2023-2024	48
WCCC	Fiber Optic Technician	2023	12

APPENDIX: MJRP Projects by College

College	Project	Fiscal Year	Approved # of Trainees
WCCC	First Responder EV	2023-2024	48
WCCC	Health Occupations Pathway	2023	50
WCCC	Heat Pump Installer/Repairer	2023-2024	20
WCCC	Heat Pump Cohort#3-4	2024	24
WCCC	Hybrid Electric Vehicle Technician & Equipment (Multiple Cohorts)	2022-2023	72
WCCC	Law Enforcement Corrections	2024-2025	60
WCCC	Logistics & Supply Chain Management Cohort#1	2024-2025	25
WCCC	Mechanical Technician	2024-2025	60
WCCC	MHRT-C #1-3	2023	25
WCCC	MHRT-C #4-5	2024	50
WCCC	Natural Gas & Propane	2023	10
WCCC	Natural Gas & Propane Cohort#2	2024	20
WCCC	Patient Service Rep I & II	2022-2023	25
WCCC	Patient Service Rep Cohort#3	2024	25
WCCC	Patient Service Rep Cohort#4	2025	25
WCCC	Production Technology & Equipment	2023	72
WCCC	Remote Work & College Access Cohort#1	2024-2025	10
WCCC	Rouxbe Sous Chef Apprenticeship	2024-2025	20
Totals			1275

College	Project	Fiscal Year	Approved # of Trainees
YORK COUNTY COMMUNITY COLLEGE			
YCCC	ACLS & PALS Cohort#1	2023-2024	1
YCCC	ACLS & PALS Cohort#2	2024	12
YCCC	AEMT and equipment Cohort#1	2022-2023	16
YCCC	AEMT Cohort #2	2023-2024	16
YCCC	AEMT-Cohort#3	2024-2025	16
YCCC	Art of Hospitality	2024-2025	60
YCCC	CNC-Cohort #1	2022	12
YCCC	CNC-Cohort #2 (Fall 2022)	2023	12
YCCC	CNC-Cohort #3 (Spring 2023)	2023	12
YCCC	CNC-Cohort#4 (Fall 2023)	2024	12
YCCC	CNC Academy-Cohort#5	2024	12
YCCC	CNC Academy-Cohort#6	2025	12
YCCC	Dental Assisting-Cohort #1	2022	12
YCCC	Dental Assisting-Cohort #2 (Fall 2022)	2023	12
YCCC	Dental Assisting-Cohort #3 (Spring 2023)	2023	12
YCCC	Dental Assisting-Cohort #4 (Fall 2023)	2024	12
YCCC	Dental Assisting-Cohort#5	2024	12
YCCC	Dental Assisting-Cohort#6	2025	12
YCCC	Electrical Cohort#1	2022-2023	20
YCCC	Electrical Cohort #2	2024	20
YCCC	Electrical Cohort#3 (Summer 2024)	2025	20
YCCC	EMT-Cohort # 1 (Fall 2022)	2023	16
YCCC	EMT-Cohort #2 (Spring 2023)	2023	16
YCCC	EMT-Cohort#3 (Fall 2023)	2024	16
YCCC	EMT-Cohort#4	2024	16
YCCC	EMT-Cohort#5	2025	16
YCCC	Expanded Function Dental Assistants Cohort#1	2023-2024	10
YCCC	Expanded Function Dental Assistants Cohort#2	2024	12
YCCC	Medical Assisting-Cohort#1	2022	18
YCCC	Medical Assisting-Cohort #2 (Fall 2022)	2023	18
YCCC	Medical Assisting-Cohort #3 (Spring 2023)	2023-2024	18
YCCC	Medical Assisting Apprenticeship-Cohort#4 (Fall 2023)	2024	18
YCCC	Medical Assisting Appretice-Cohort#5	2024	18
YCCC	Medical Assisting Appretice-Cohort#6	2025	18
YCCC	New Cook Training-Cohort #1	2022	10
YCCC	New Cook Training-Cohort #2	2023	40
YCCC	New Cook Training-Cohort#3-5	2024	30
YCCC	New Cook Training-Cohort#6	2024	10
YCCC	New Cook Training-Cohort#7	2024	30
YCCC	New Mainer English Language Cohort#1	2024	90
YCCC	Pharmacy Technician-Cohort #1	2022-2023	16
YCCC	Pharmacy Technician-Cohort #2 (Fall 2022)	2023	16
YCCC	Pharmacy Technician-Cohort #3 (Spring 2023)	2023-2024	16
YCCC	Pharmacy Technician-Cohort #4 (Fall 2023)	2024	16
YCCC	Pharmacy Technician-Cohort#5 (Spring 2024)	2024-20285	16
YCCC	Pharmacy Technician-Cohort#6 (Fall 2024)	2025	16
YCCC	Phlebotomy-Cohort #1-2	2023-2024	20
YCCC	Phlebotomy Cohort#3	2024	10
YCCC	Phlebotomy Cohort#4	2025	10
YCCC	ServSafe Cohort#1-5	2023	60
YCCC	ServSafe Cohort#6-9	2024	60
YCCC	Welding Cohort#1	2023-2024	12
YCCC	Welding Cohort#2	2024-2025	12
Totals			1025



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