

**ST. MARY'S COLLEGE OF MARYLAND**

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

**For the Years ended June 30, 2012 and 2011**



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

**JUNE 30, 2012 AND 2011**

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Trustees  
St. Mary's College of Maryland

We have audited the accompanying net assets of St. Mary's College of Maryland (the College), a component unit of the State of Maryland, as of June 30, 2012, and 2011, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the College's discretely presented component unit, St. Mary's College of Maryland Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it related to the amounts included for the College, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2012, and 2011, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Hunt Valley, MD  
October 15, 2012

*SB & Company, LLC*

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis

June 30, 2012

### Overview of the Financial Statements and Financial Analysis

St. Mary's College of Maryland (College) is pleased to present its financial statements for fiscal year 2012, with fiscal year 2011, and 2010, prior-year data for comparative purposes. There are three financial statements presented for each fiscal year: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows.

The discussion and analysis of the College's financial statements provide an overview of its financial activities for the year. This discussion has been prepared by management. The discussion and analysis is designed to focus on current activities and current known facts.

### Statements of Net Assets

The Statements of Net Assets present the assets, liabilities, and net assets of the College as of the end of each fiscal year. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a financial snapshot of St. Mary's College of Maryland. The Statements of Net Assets present end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (fund balances). From the data presented, readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors (accounts payable), investors (bonds payable) and banks (notes payable). Finally, the Statements of Net Assets provide a picture of the net assets and their availability for expenditure by the College.

### Condensed Statements of Net Assets (in thousands of dollars)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets:</b>			
Current Assets	\$ 13,899	\$ 16,889	\$ 15,080
Capital Assets, net	<u>148,268</u>	<u>148,923</u>	<u>152,280</u>
<b>Total Assets</b>	<u>162,167</u>	<u>165,812</u>	<u>167,360</u>
<b>Liabilities:</b>			
Current Liabilities	7,685	8,875	7,294
Noncurrent Liabilities	<u>35,903</u>	<u>37,748</u>	<u>43,341</u>
<b>Total Liabilities</b>	<u>43,588</u>	<u>46,623</u>	<u>50,635</u>
<b>Net Assets:</b>			
Invested in Capital Assets, net of debt	111,059	108,038	106,120
Restricted - nonexpendable	1,000	1,000	1,000
Restricted - expendable	108	151	116
Unrestricted	<u>6,412</u>	<u>9,999</u>	<u>9,488</u>
<b>Total Net Assets</b>	<u>\$ 118,579</u>	<u>\$ 119,188</u>	<u>\$ 116,724</u>

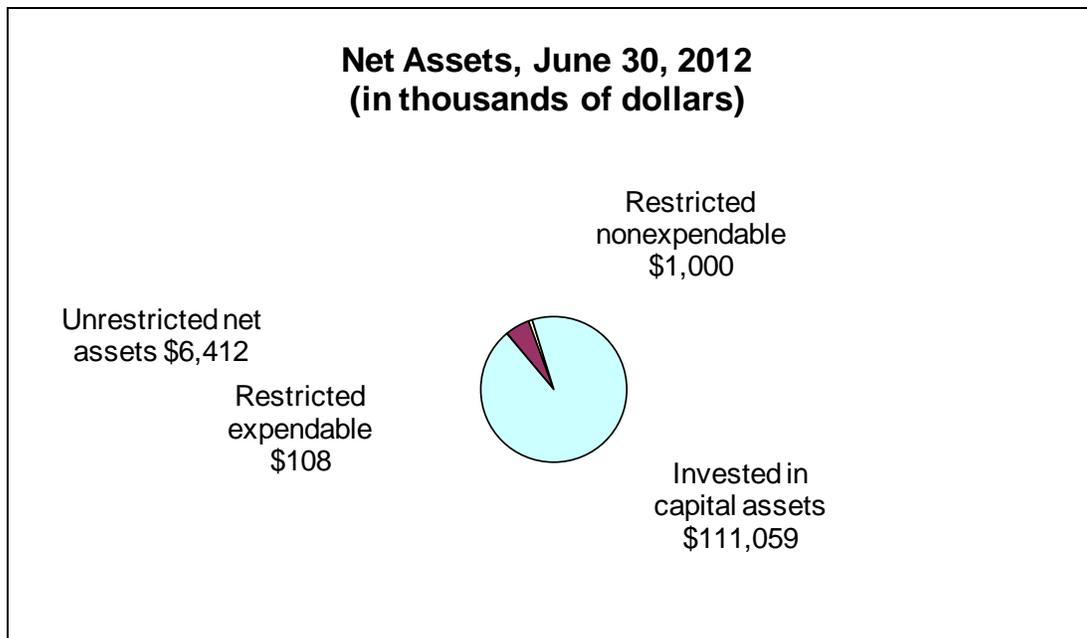
# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2012

### Statements of Net Assets (continued)

The total assets of the College decreased \$3.6 million. This decrease was primarily due to a decrease in investment funds that was used to increase the investment in capital assets and to decrease total liabilities. The total liabilities for the year decreased \$3 million, primarily through the routine retirement of debt (\$1.1 million) and the early satisfaction of the 2007 Bond Anticipation Note. This combination of a decrease in total assets of \$3.6 million and a decrease in total liabilities of \$3.0 million resulted in a decrease in total net assets of \$0.6 million. In the prior period, total assets decreased \$1.6 million and liabilities decreased \$4 million, resulting in a change in total net assets of \$2.5 million.

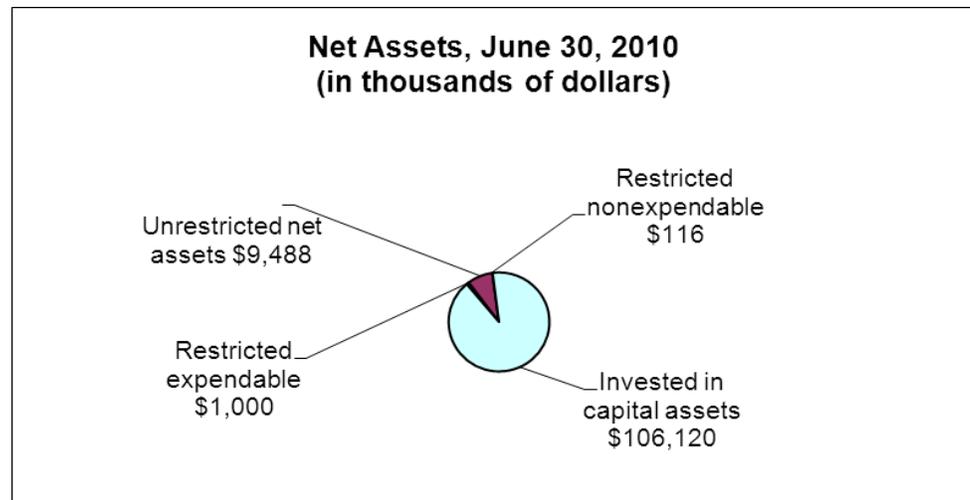
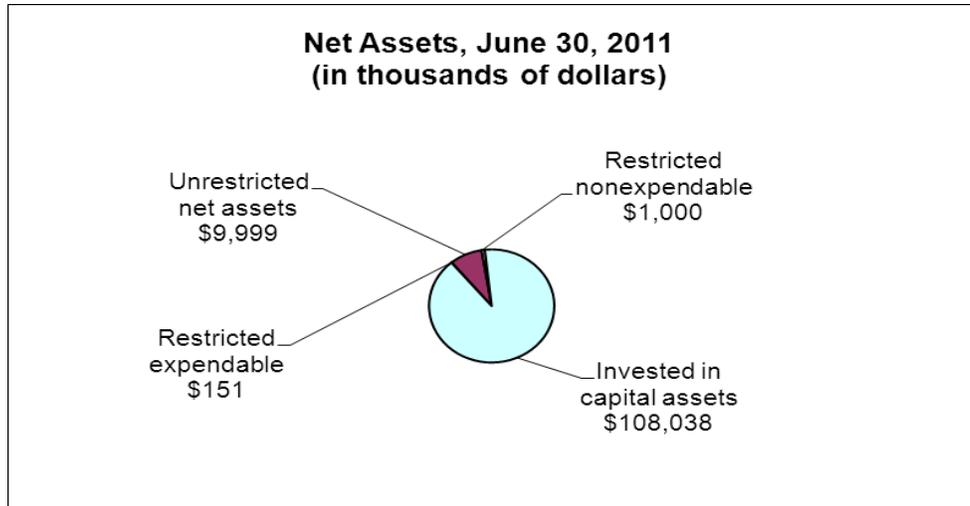
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for use by the College, but must be spent only for purposes specified by donors. The final category is unrestricted net assets, which are available to be expended for any lawful purpose of the College. The following graphs detail net assets by category held by the College as of June 30, 2012, 2011, and 2010, respectively.



**ST. MARY'S COLLEGE OF MARYLAND**

**Management's Discussion and Analysis  
June 30, 2012**

**Statements of Net Assets (continued)**



The breakdown of unrestricted net assets with comparisons to last year is shown below:

**Breakdown of Unrestricted Net Assets (in thousands of dollars)**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Encumbrances and carryovers for general operating purposes	\$ 885	\$ 1,221	\$ 1,237
Encumbrances for capital projects	480	803	397
Funds designated for current plant projects	103	533	959
Funds designated for debt payment	-	1,791	-
Funds designated for future plant projects	(1,232)	(1,173)	(992)
Funds functioning as endowments	1,460	1,394	2,915
Unrestricted funds for general operating purposes	4,716	5,430	4,972
<b>Total Unrestricted Net Assets</b>	<u>\$ 6,412</u>	<u>\$ 9,999</u>	<u>\$ 9,488</u>

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2012

### Statements of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Assets. The purpose of the statements is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or incurred by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating revenues are generated by incidental activities, gifts and subsidies. The financial reporting model classifies State appropriations and gifts to the College as non-operating revenues. Public higher education's dependency on State aid results in an operating deficit. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation. Depreciation indicates that the College is "using up" long-term assets, such as buildings, over time.

### Condensed Statements of Revenue, Expenses, and Changes in Net Assets (in thousands of dollars):

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating Revenues			
Tuition and fees, less scholarships and waivers	\$ 25,192	\$ 24,191	\$ 23,635
Grants and contracts	2,595	2,866	2,055
Sales and services of educational departments	1,293	1,209	1,387
Auxiliary enterprises	18,831	18,223	17,924
Other operating revenues	349	168	60
Total Operating Revenues	<u>48,260</u>	<u>46,657</u>	<u>45,061</u>
Operating Expenses	<u>66,862</u>	<u>62,832</u>	<u>60,410</u>
Operating loss	<u>(18,602)</u>	<u>(16,175)</u>	<u>(15,349)</u>
Non-operating revenues			
State appropriations	17,961	17,518	17,215
Other nonoperating income (deficit)	(780)	(1,219)	(1,446)
Net non-operating revenues	<u>17,181</u>	<u>16,299</u>	<u>15,769</u>
Operating surplus/(loss)	<u>(1,421)</u>	<u>124</u>	<u>420</u>
Capital appropriations	<u>812</u>	<u>2,341</u>	<u>3,576</u>
(Decrease) Increase in Net Assets	<u>(609)</u>	<u>2,464</u>	<u>3,996</u>
Net Assets at beginning of year	<u>119,188</u>	<u>116,724</u>	<u>112,728</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 118,579</u></u>	<u><u>\$ 119,188</u></u>	<u><u>\$ 116,724</u></u>

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2012

### Summary of Statements of Revenues, Expenses, and Changes in Net Assets (continued)

Net assets decreased by \$0.6 million, or 0.5%, for 2012. The decrease resulted primarily from operations. An overall increase in operating revenues of \$1.6 million is primarily due to increased tuition and fee revenue of \$1 million, an increase of \$0.6 million in auxiliary revenue, and increases in various grants and contracts. Operating expenses increased \$4 million mainly as a result of increased expenditures for current employee wages and benefits as well as supplies and other services and auxiliary expenses. The College incurred a one-time situation when mold growth was found in two residence halls during the fall 2011, semester. Repeated remediation attempts were unsuccessful and led to the October decision to close the two residence halls for the remainder of the fall 2011 semester, requiring the relocation of approximately 350 students aboard the chartered cruise liner Sea Voyager, which was docked in adjacent Historic St. Mary's City. Additionally, \$817 thousand in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments have been included in operating expenses in 2012, in accordance with accounting principles generally accepted in the United States. Similarly, net assets increased \$2.5 million, or 2%, between June 30, 2010, and June 30, 2011.

Non-operating revenues net of non-operating expenses increased by \$.9 million from the previous year.

### Operating Revenues

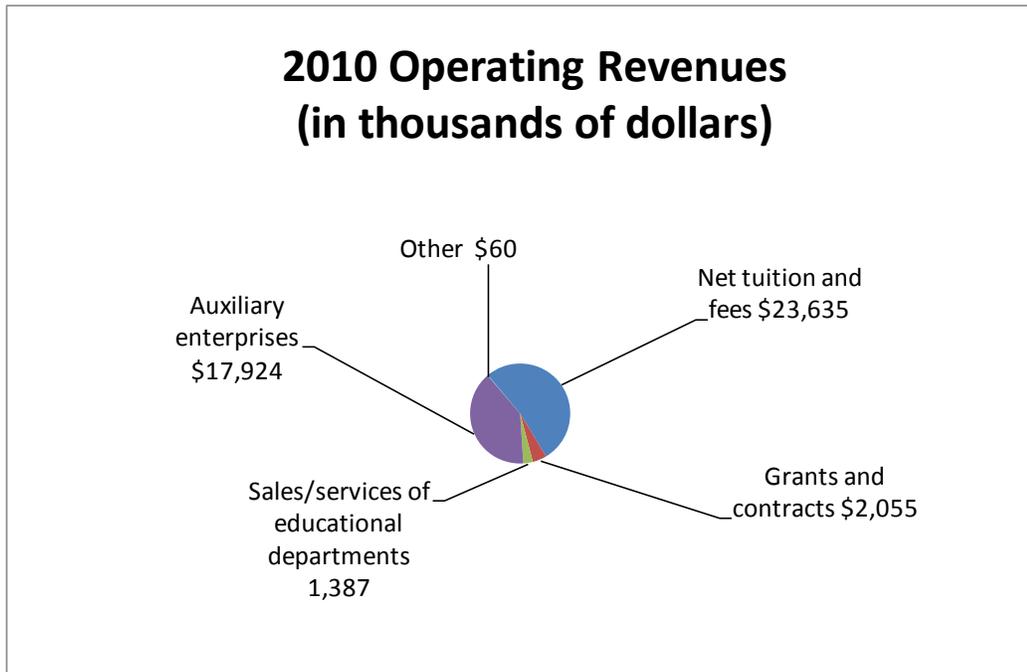
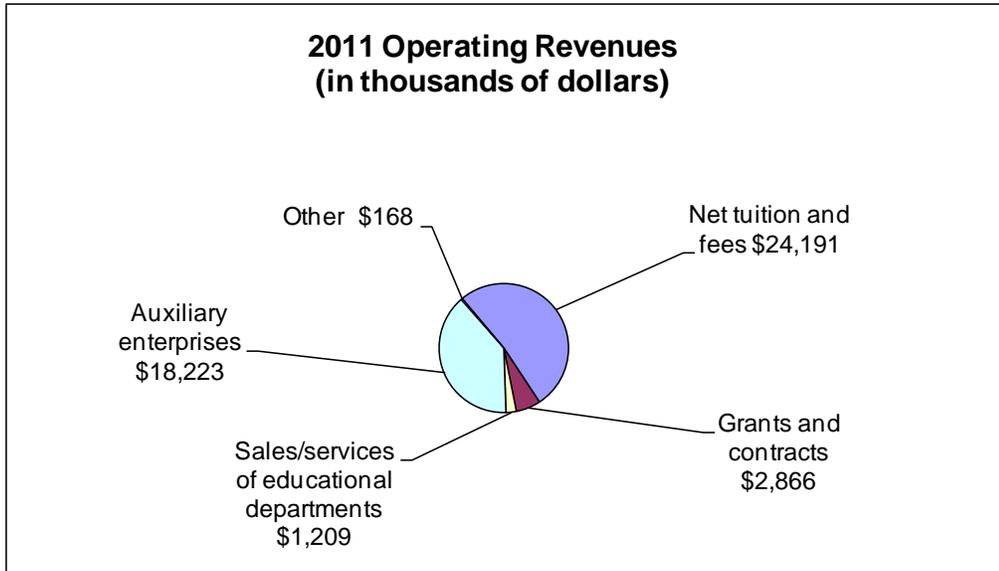
Total operating revenues for fiscal year 2012, were \$48.3 million. The graphs below show comparisons in operating revenues for fiscal years 2012, 2011, and 2010:



**ST. MARY'S COLLEGE OF MARYLAND**

**Management's Discussion and Analysis  
June 30, 2012**

**Operating Revenues (continued)**



## **ST. MARY'S COLLEGE OF MARYLAND**

### **Management's Discussion and Analysis**

**June 30, 2012**

#### **Tuition and Fees**

Tuition and fees, less scholarships and waivers, of \$25.2 million, accounted for 52% of total operating revenue and increased 4% from the prior year. Scholarships provided to students with College funds are often referred to as a tuition discount, or simply as discounting.

#### **Grants and Contracts**

This category includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent a claim to resources has been established.

#### **Auxiliary Enterprises**

Auxiliary enterprises consist of various entities that exist primarily to furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The College's largest auxiliary enterprises include residence halls, dining services, and the campus store. The operating expenses for auxiliary enterprises include depreciation and utilities.

#### **Sales and Services of Educational Activities**

Other operating revenues consist of sales and services of educational activities totaling \$1.3 million. Examples of educational activity include conferences and study abroad fees.

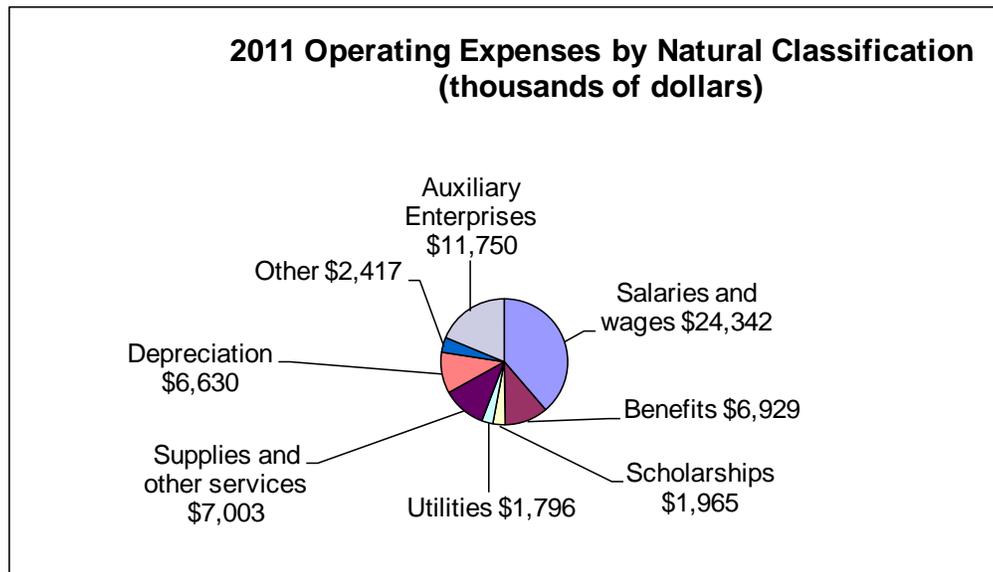
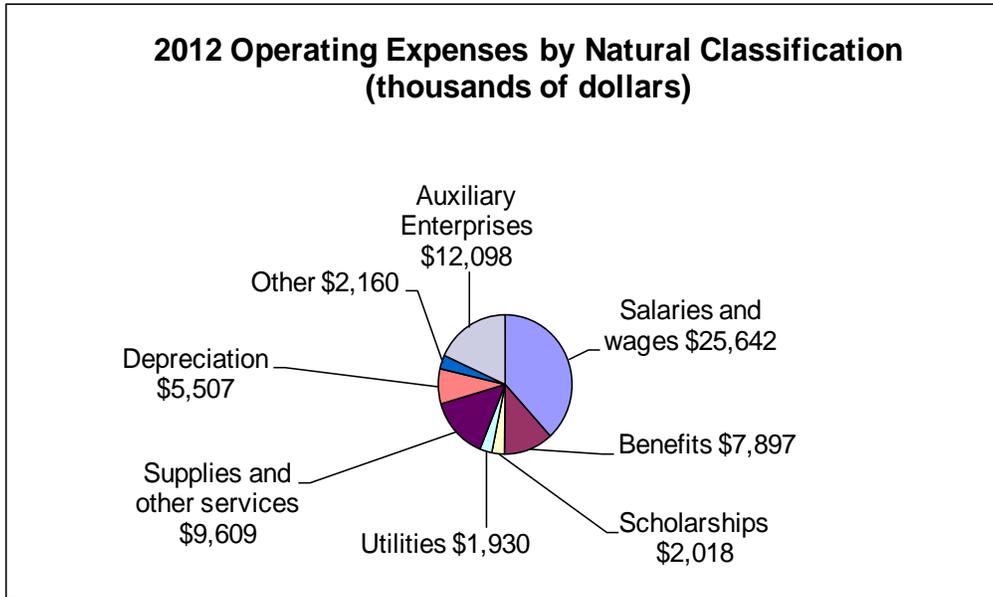
#### **Operating Expenses**

Operating expenses for 2012, totaled \$66.9 million. Of this total \$20.8 million, or 31%, was for instruction. Operating expenses include salaries and benefits of \$33.5 million, scholarships and grants of \$2 million, non-auxiliary utilities of \$1.9 million, supplies and other services of \$9.6 million, and depreciation of \$5.5 million. Depreciation of capital goods is carried as an accounting item; however, it does not require any cash outlay on behalf of the College. Depreciation does indicate how much of the College's physical plant is being "consumed" each year.

**ST. MARY'S COLLEGE OF MARYLAND**

**Management's Discussion and Analysis  
June 30, 2012**

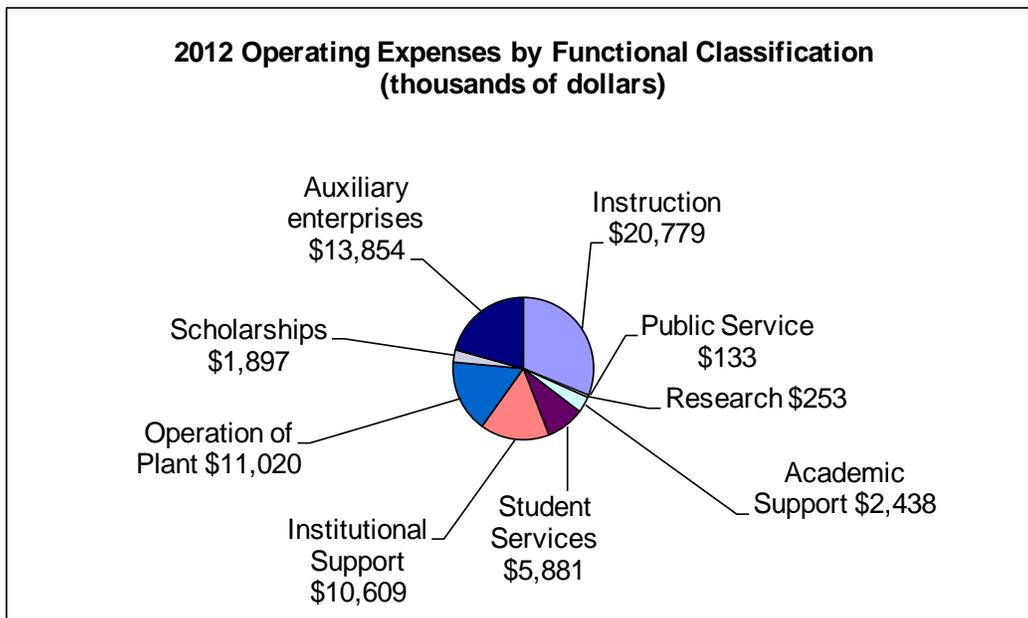
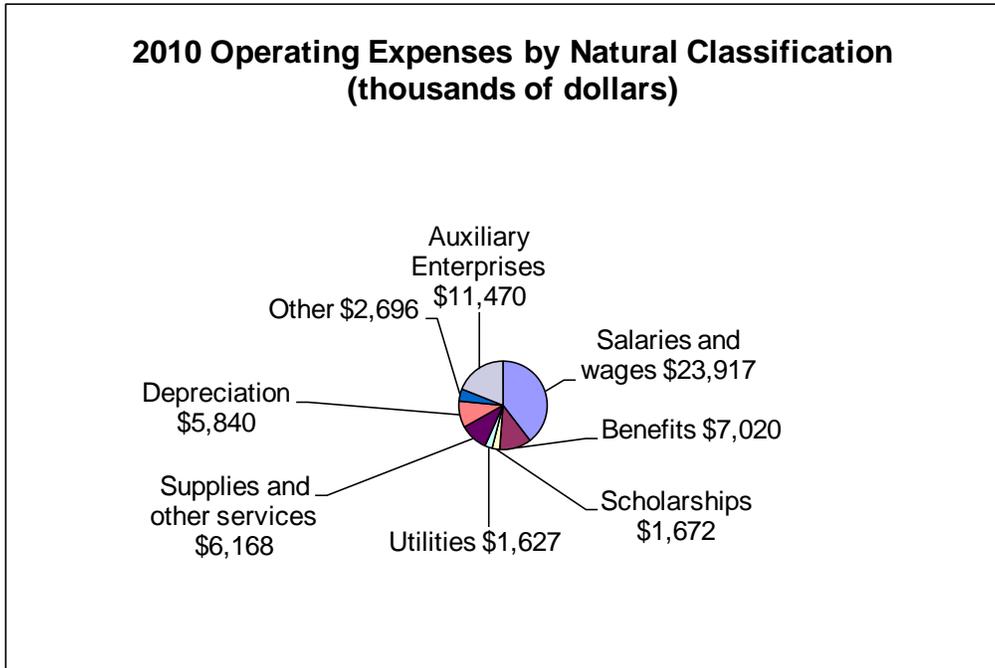
**Operating Expenses (continued)**



**ST. MARY'S COLLEGE OF MARYLAND**

**Management's Discussion and Analysis  
June 30, 2012**

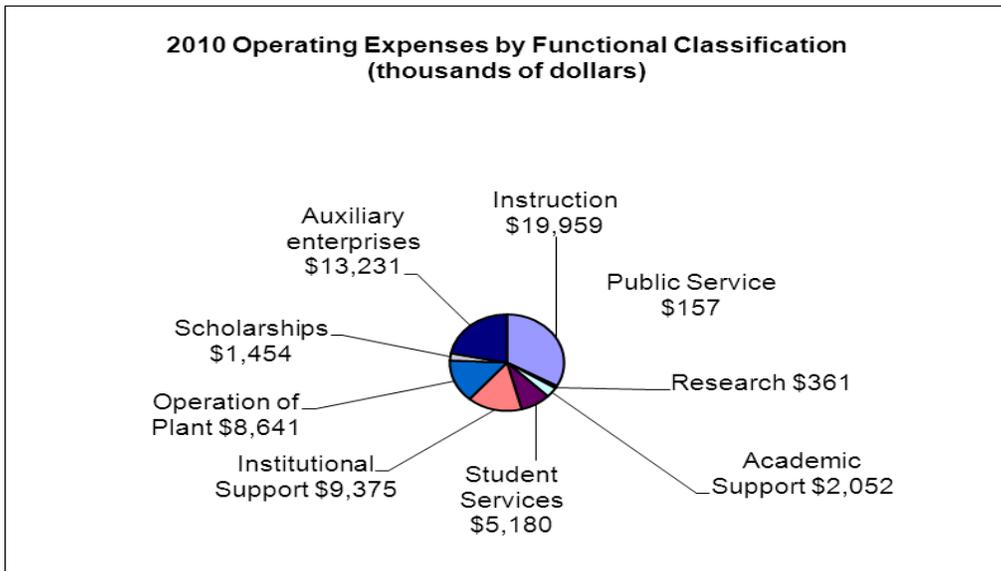
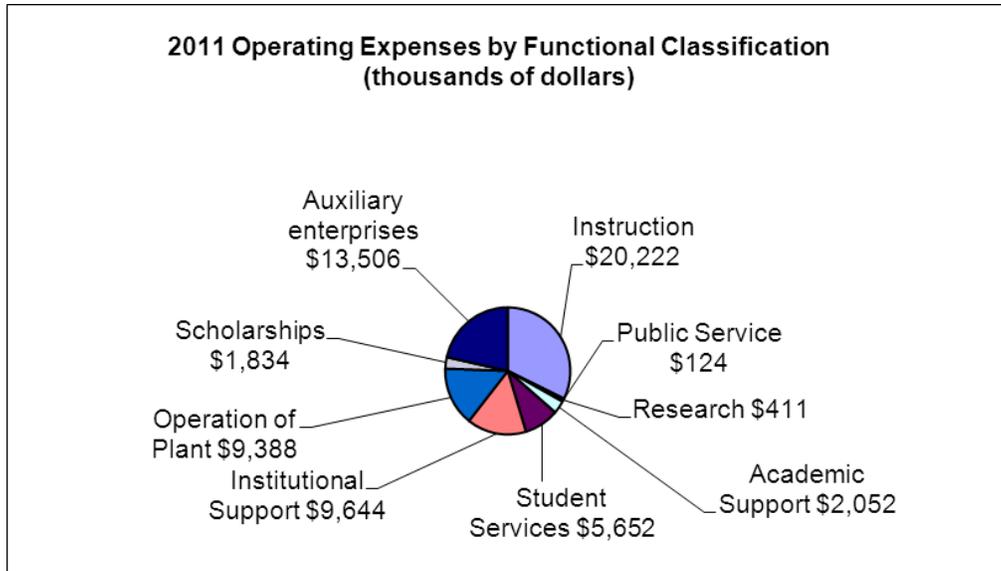
**Operating Expenses (continued)**



**ST. MARY'S COLLEGE OF MARYLAND**

**Management's Discussion and Analysis  
June 30, 2012**

**Operating Expenses (continued)**



## **ST. MARY'S COLLEGE OF MARYLAND**

### **Management's Discussion and Analysis**

**June 30, 2012**

#### **State Appropriation**

The largest inflow in the non-capital financing activities group is the State appropriation of \$18 million. The legislation governing the provision of State support to St. Mary's College of Maryland, Annotated Code of Maryland 14-405 (b)(2)(ii), requires the Governor of Maryland to submit an appropriation request to the legislature equal to the prior year's budgeted amount plus an amount equal to the implicit price deflator for state and local government. In recent years, the implicit price deflator has provided an increase to the College's appropriation that has ranged between one and two and a half percent. The State appropriation provides approximately 26.8% of the operating budget for the College. The State appropriation, while increasing in dollar terms, continues to drop steadily in its relative share of the College's budget. This drop requires the College to seek additional revenues from other sources, such as tuition and fees, auxiliary enterprises, grants, and gifts.

#### **Investment Income, Net**

Included in investment gains/losses and interest income (investment income net) are the earnings from pooled cash held at the State, funds functioning as endowment investments, other investments, and the unrealized gains and losses on those investments. These funds will be used to support future needs as determined by the Board of Trustees.

#### **Statements of Cash Flows**

The final statements presented by St. Mary's College of Maryland include the Statements of Cash Flows. One important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The College's cash and cash equivalents provide the day-to-day resources to pay for a variety of expenses.

The Statements of Cash Flows present detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section includes the cash activity resulting from state appropriations, grant activity, and other non-operating cash flows. The third section deals with the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items. The fourth section reflects the cash flows from investing activities including the interest received from investing activities. The final section reconciles the net cash used in operations to the operating income or loss reflected on the Statements of Revenues, Expenses, and Changes in Net Assets. Below is a condensed version of the first four sections of the Statements of Cash Flow.

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2012

### Condensed Statements of Cash Flows-Direct Method (in thousands of dollars)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash Provided (Used) By:			
Operating Activities	\$ (12,208)	\$ (10,180)	\$ (10,099)
Non-capital Financing Activities	19,412	20,128	20,826
Capital and Related Financing Activities	(10,434)	(10,823)	(9,581)
Investing Activities	589	2,266	401
Net Change in Cash	<u>(2,641)</u>	<u>1,391</u>	<u>1,547</u>
Cash, Beginning of Year	<u>14,619</u>	<u>13,228</u>	<u>11,681</u>
<b>Cash, End of Year</b>	<u><u>\$ 11,978</u></u>	<u><u>\$ 14,619</u></u>	<u><u>\$ 13,228</u></u>

### Campus Enrollment

The College continues to benefit from strong enrollments as students are attracted to the honors college program. Enrollments continue to fill all of the available housing capacity and as such are projected to remain relatively steady going forward. The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 2004-05 through 2010-11 academic years. Also indicated are full-time equivalent students attending the College.

#### Fall 2004 to Fall 2011 Full-time, Part-time, and FTE Enrollment:

Fall Semester	<u>Full-time:</u>		<u>Part-time:</u>		<u>Away Students*:</u>		Total	Full-time Equivalent (FTE) **
	N	(%)	N	(%)	N	(%)		
2011	1,837	92.22%	61	3.06%	94	4.70%	1,992	2,000
2010	1,818	90.13%	76	3.77%	123	6.10%	2,017	2,048
2009	1,876	91.07%	65	3.16%	119	5.80%	2,060	2,190
2008	1,905	92.25%	73	3.54%	87	4.20%	2,065	2,095
2007	1,839	91.86%	74	3.70%	89	4.40%	2,002	2,033
2006	1,815	92.70%	186	4.39%	56	2.90%	1,957	2,003
2005	1,824	92.90%	115	5.86%	25	1.30%	1,964	2,039
2004	1,805	93.30%	105	5.40%	25	1.30%	1,935	1,995

\*Away students refer to St. Mary's students studying abroad or on another U.S. campus.

\*\* The fall 2006 semester includes 13(FTE)graduate students (a new program for the College).

## **ST. MARY'S COLLEGE OF MARYLAND**

### **Statements of Net Assets June 30, 2012 and 2011**

#### **Fall 2004 to Fall 2011 Full-time, Part-time, and FTE Enrollment** (continued)

Enrollment goals continue to be met. The enrollment goal for fall semester 2012, remains at 1,850, full-time students on campus. The College adopted a new Core Curriculum in 2008, with one of the requirements being a study abroad or service learning component. All students entering the College starting with the Fall 2008, semester are expected to fulfill this requirement through a 4-credit academic experience outside the classroom, including semester long study abroad programs, shorter length study tour opportunities, internships, and service learning courses. As participation in the study abroad component grows, we will continue to manage the overall enrollment to maintain full occupancy on campus as well as our traditionally low student-to-faculty ratio in the classroom.

#### **Capital Assets and Debt Administration**

Capital additions totaled \$5.4 million, in 2012. Capital additions were primarily comprised of the purchase of equipment and construction in progress. Current year capital additions were funded primarily with State capital appropriations of \$0.8 million, and unrestricted net assets which were designated for capital purposes. The principal balance of revenue bond and notes payable declined \$3.6 million, for the year ended June 30, 2012, compared with a similar decline of \$3.6 million, in the prior year as the College continues its scheduled debt payments. Both reductions in principal balances include unscheduled early payments of \$1.91 million, in 2012, and \$2 million, in 2011, which were early payments against the 2007 Bonds Anticipation Note. The 2007 Bond Anticipation Note has now been retired and is no longer a liability. There were no new bonds or notes issued in either period. An advance refunding of our 2002, and 2003 revenue bonds occurred in June 2012, resulting in reduced debt service for future years.

For additional information concerning capital assets and debt administration, see notes 9 through 11 in the notes to the financial statements.

#### **Factors and Events Impacting Future Periods**

The level of State support, employee and retiree benefits, student tuition and fee increases, and rising energy costs impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

## **ST. MARY'S COLLEGE OF MARYLAND**

### **Statements of Net Assets June 30, 2012 and 2011**

#### **Factors and Events Impacting Future Periods (continued)**

The Maryland State appropriation contributes approximately \$17.9 million, to general operations revenue. The level of State support is therefore one of the key factors influencing the College's financial condition. Maryland and most other states have experienced significant shortfalls in revenues as the U.S. economy in general has experienced slow recovery from the recession in the past year. A crucial element to the College's future will continue to be our relationship with the State of Maryland, as we work to manage tuition to make it competitive while providing an outstanding honors college education for our students. There is a direct relationship between the growth of State support and the College's ability to control tuition growth, as declines in state appropriations generally result in increased tuition levels.

The College experienced a moderate increase in energy prices during 2011 - 2012. Fuel oil, our most volatile energy component, is fixed in price for the remainder of the fiscal year but price levels are unknown and unpredictable for future years. Volatility in the financial markets has substantially reduced distribution of endowment returns from our Foundation, requiring the College to directly support scholarships and endowed professorships. Reduced interest earnings to the College from cash balances held by the Maryland State Treasurer have also restrained expenditures in many areas.

Priority needs and requirements for support of academic programs, faculty and staff compensation, facility renewal, and new technology are significant challenges facing the College in the years to come.

**ST. MARY'S COLLEGE OF MARYLAND**

**Statements of Net Assets  
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11,977,850	\$ 14,618,561
Accounts receivable, net	704,288	848,978
Inventories	358,497	340,153
Prepaid Items and other assets	147,624	242,626
Other Assets	711,116	838,443
<b>Total Current Assets</b>	<u>13,899,375</u>	<u>16,888,761</u>
Noncurrent assets:		
Endowment investments	2,571,231	2,504,241
Other restricted investments	123,930	383,761
Other investments	532,065	532,456
Notes receivable, net	270,454	251,001
Capital assets, net	144,770,065	145,251,657
<b>Total Noncurrent Assets</b>	<u>148,267,745</u>	<u>148,923,116</u>
<b>Total Assets</b>	<u>162,167,120</u>	<u>165,811,877</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	4,042,456	3,621,677
Accrued vacation, current portion	878,455	849,272
Accrued workers'/compensation, current portion	56,885	47,508
Bonds and notes payable, current	1,853,777	3,474,921
Deferred revenue	853,278	881,828
<b>Total Current Liabilities</b>	<u>7,684,851</u>	<u>8,875,206</u>
Noncurrent liabilities:		
Bonds and notes payable	35,045,337	36,999,583
Accrued vacation	140,697	91,848
Accrued workers' compensation	310,115	249,419
Federal Perkins funds	407,510	407,510
<b>Total Noncurrent Liabilities</b>	<u>35,903,659</u>	<u>37,748,360</u>
<b>Total Liabilities</b>	<u>43,588,510</u>	<u>46,623,566</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	111,058,624	108,038,394
Restricted nonexpendable:		
Scholarships and fellowships	1,000,117	1,000,117
Restricted expendable:		
Research	34,077	82,590
Loans	54,128	48,097
Scholarships and fellowships	19,894	19,894
Unrestricted	6,411,770	9,999,219
<b>Total Net Assets</b>	<u>\$ 118,578,610</u>	<u>\$ 119,188,311</u>

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

**ST. MARY'S COLLEGE OF MARYLAND**

**Balance Sheets – St. Mary's Foundations – Component Unit  
June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,627,128	\$ 796,507
Investments	26,533,196	24,855,557
Investments - gift annuity	844,700	845,877
Receivables	91,317	72,652
Other assets	148,095	123,424
Promises to give, net	799,193	789,817
Property and equipment, net	348,093	371,254
<b>Total Assets</b>	<u><u>\$ 30,391,722</u></u>	<u><u>\$ 27,855,088</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 477,014	\$ 522,936
Deferred revenue	104,349	147,985
Gift annuity	789,595	789,524
<b>Total Liabilities</b>	<u>1,370,958</u>	<u>1,460,445</u>
<b>Net Assets</b>		
Unrestricted	750,027	582,346
Temporarily restricted	4,655,826	4,669,347
Permanently restricted	23,614,911	21,142,950
<b>Total Net Assets</b>	<u>29,020,764</u>	<u>26,394,643</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 30,391,722</u></u>	<u><u>\$ 27,855,088</u></u>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Statements of Revenues, Expenses, and Changes in Net Assets June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Student tuition and fees ( <i>less scholarships and waivers of: \$5,842,654 and \$5,546,320 in 2011</i> )	\$ 25,191,662	\$ 24,191,398
Grants and Contracts:		
Federal	1,893,931	2,206,123
State	132,062	141,416
Other	568,807	518,023
Sales and services	1,292,551	1,208,649
Auxiliary enterprises:		
Residence facilities, net of waivers of \$96,856 and \$89,614, respectively	10,255,865	9,819,847
Dining services, net of waivers of \$36,392 and \$35,440, respectively	6,475,917	6,221,685
Bookstore	2,031,133	2,115,328
Other auxiliary enterprises revenues	67,726	66,134
Other operating revenues	349,336	167,879
<b>Total Operating Revenues</b>	<u>48,258,990</u>	<u>46,656,481</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	20,777,054	20,221,702
Research	252,826	410,946
Public Service	132,653	123,756
Academic support	2,437,625	2,051,871
Student services	5,880,943	5,651,773
Institutional support	10,608,938	9,643,690
Operations of plant	11,020,266	9,387,605
Scholarships and fellowships	1,897,242	1,834,042
Auxiliary enterprises	13,854,175	13,506,198
<b>Total Operating Expenses</b>	<u>66,861,722</u>	<u>62,831,583</u>
<b>Operating Loss</b>	<u>(18,602,732)</u>	<u>(16,175,102)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	17,961,643	17,517,752
Gifts and grants	639,192	566,872
Other transfers	-	(297,338)
Investment gains and losses	186,282	68,855
Interest income	227,782	413,533
Interest on indebtedness	(1,833,482)	(1,971,394)
<b>Net Non-Operating Revenues</b>	<u>17,181,417</u>	<u>16,298,280</u>
(Loss) Gain before other revenues, expenses, gains, or loss	(1,421,315)	123,178
Other revenues, expenses, gains and losses:		
Capital state appropriation	811,614	2,340,675
(Decrease) Increase in Net Assets	<u>(609,701)</u>	<u>2,463,853</u>
<b>NET ASSETS</b>		
Net assets, beginning of year	119,188,311	116,724,458
<b>Net Assets, End of Year</b>	<u>\$ 118,578,610</u>	<u>\$ 119,188,311</u>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Statement of Activities – St. Mary's Foundation – Component Unit Years Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 282,221	\$ 536,275	\$ 2,473,461	\$ 3,291,957
Donated Services	1,176,532	-	-	1,176,532
Event revenue	219,852	-	-	219,852
Sponsorship	2,500	201,333	-	203,833
Investment income	185,752	703,282	-	889,034
Other revenue	4,188	22,106	-	26,294
Net assets released from restrictions	1,478,017	(1,476,517)	(1,500)	-
<b>Total Support and Revenue</b>	<b>3,349,062</b>	<b>(13,521)</b>	<b>2,471,961</b>	<b>5,807,502</b>
<b>EXPENSES</b>				
Programs services:				
Support To St. Mary's College of Maryland:				
Scholarships	583,969	-	-	583,969
Athletics	83,616	-	-	83,616
Academic chair	7,968	-	-	7,968
Waterfront	27,061	-	-	27,061
Horton program	2,500	-	-	2,500
International studies	2,403	-	-	2,403
Alumni activities	94,197	-	-	94,197
College department/division support	184,174	-	-	184,174
Choir fund	50,597	-	-	50,597
Center for democracy	53,806	-	-	53,806
Crew team	12,804	-	-	12,804
Art alliance	13,306	-	-	13,306
Lectureship series	395	-	-	395
Faculty support	2,818	-	-	2,818
Student activities	11,559	-	-	11,559
Poetry festival	3,662	-	-	3,662
Sailing	10,238	-	-	10,238
Subtotal	1,145,073	-	-	1,145,073
River concert series	395,461	-	-	395,461
Gift annuities	51,487	-	-	51,487
Governor's cup	36,107	-	-	36,107
Family weekend	8,525	-	-	8,525
Community connection	10,896	-	-	10,896
Total program services	1,647,549	-	-	1,647,549
Supporting services:				
Management and general	701,501	-	-	701,501
Fundraising	832,331	-	-	832,331
Total supporting services	1,533,832	-	-	1,533,832
<b>Total Expenses</b>	<b>3,181,381</b>	<b>-</b>	<b>-</b>	<b>3,181,381</b>
Change in net assets	167,681	(13,521)	2,471,961	2,626,121
Net assets, beginning of year	582,346	4,669,347	21,142,950	26,394,643
<b>Net Assets, End of Year</b>	<b>\$ 750,027</b>	<b>\$ 4,655,826</b>	<b>\$ 23,614,911</b>	<b>\$ 29,020,764</b>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Statement of Activities – St. Mary's Foundation – Component Unit Years Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 262,049	\$ 698,778	\$ 328,719	\$ 1,289,546
Donated Services	1,017,268	-	-	1,017,268
Event Revenue	247,214	2,573	-	249,787
Sponsorship	-	193,000	-	193,000
Investment Income	423,873	1,251,616	-	1,675,489
Other Revenue	36,452	29,098	-	65,550
Net Assets Released from Restrictions	1,383,654	(1,364,459)	(19,195)	-
<b>Total Support and Revenues</b>	<b>3,370,510</b>	<b>810,606</b>	<b>309,524</b>	<b>4,490,640</b>
<b>EXPENSES</b>				
Programs Services:				
Support To St. Mary's College of Maryland:				
Scholarships	454,064	-	-	454,064
Waterfront	161,108	-	-	161,108
Athletics	140,073	-	-	140,073
Alumni Activities	86,202	-	-	86,202
Choir Fund	50,000	-	-	50,000
Center for Democracy	38,539	-	-	38,539
Latin American Youth Center	23,052	-	-	23,052
Art Alliance	22,878	-	-	22,878
College Department/Division Support	22,057	-	-	22,057
Academic Chair	16,000	-	-	16,000
Student Activities	15,403	-	-	15,403
Crew Team	14,235	-	-	14,235
Horton Program	12,792	-	-	12,792
Faculty Support	11,156	-	-	11,156
Poetry Festival	7,821	-	-	7,821
Fudan	4,804	-	-	4,804
Sailing	3,088	-	-	3,088
Lectureship Series	2,500	-	-	2,500
President	1,914	-	-	1,914
International Studies	964	-	-	964
Wish	352	-	-	352
Subtotal	1,089,002	-	-	1,089,002
River Concert Series	400,929	-	-	400,929
Gift Annuities	253,238	-	-	253,238
Governor's Cup	51,063	-	-	51,063
Community Connection	3,399	-	-	3,399
Family Weekend	1,169	-	-	1,169
Other Programs	358	-	-	358
<b>Total Program Services</b>	<b>1,799,158</b>	<b>-</b>	<b>-</b>	<b>1,799,158</b>
Supporting Services:				
Management and general	639,014	-	-	639,014
Fundraising	659,666	-	-	659,666
<b>Total Supporting Services</b>	<b>1,298,680</b>	<b>-</b>	<b>-</b>	<b>1,298,680</b>
<b>Total Expenses</b>	<b>3,097,838</b>	<b>-</b>	<b>-</b>	<b>3,097,838</b>
Change in net assets	272,672	810,606	309,524	1,392,802
Net assets, beginning of year	309,674	3,858,741	20,833,426	25,001,841
<b>Net Assets, End of Year</b>	<b>\$ 582,346</b>	<b>\$ 4,669,347</b>	<b>\$ 21,142,950</b>	<b>\$ 26,394,643</b>

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

**ST. MARY'S COLLEGE OF MARYLAND**

**Statements of Cash Flows  
Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees (net of all scholarships and grants)	\$ 23,315,103	\$ 21,941,120
Grants and contracts (Exchange)	2,594,800	2,865,562
Salaries and benefits	(32,840,890)	(31,667,130)
Payments to suppliers	(13,606,080)	(10,859,587)
Loans issued to students	(58,500)	(35,848)
Collection of student loans	41,972	39,829
Sales-auxiliary enterprises	18,830,641	18,222,993
Expenses-auxiliary enterprises	(12,098,337)	(11,750,362)
Other receipts	1,613,337	1,063,296
<b>Net Cash from Operating Activities</b>	<u>(12,207,954)</u>	<u>(10,180,127)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	18,773,257	19,858,427
Other transfers	-	(297,338)
Noncapital gifts and grants	639,192	566,872
<b>Net Cash from Non-capital Financing Activities</b>	<u>19,412,449</u>	<u>20,127,961</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(5,025,623)	(5,549,295)
Principal paid on long -term debt	(3,575,391)	(3,302,491)
Interest paid on long-term debt	(1,833,482)	(1,971,394)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>(10,434,496)</u>	<u>(10,823,180)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	209,776	396,982
Proceeds from sales of investments	379,514	1,869,046
<b>Net Cash from Investing Activities</b>	<u>589,290</u>	<u>2,266,028</u>
Net change in cash and cash equivalents	(2,640,711)	1,390,682
Cash and cash equivalents, beginning of year	14,618,561	13,227,879
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 11,977,850</u>	<u>\$ 14,618,561</u>
<b>Supplementary Disclosure</b>		
Interest expense paid during the year	<u>\$ 1,833,482</u>	<u>\$ 1,971,394</u>

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

**ST. MARY'S COLLEGE OF MARYLAND**

**Statements of Cash Flows (continued)  
Years Ended June 30, 2012 and 2011**

Cash Provided from Operating Activities

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (18,602,732)	\$ (16,175,102)
Adjustments to reconcile operating loss to net cash from operating activities		
Non-cash expenses:		
Depreciation	5,507,418	6,630,039
Paid from bond funds	259,831	242,320
Accrued vacation	78,032	41,343
Other noncash expenses	(62,635)	(81,677)
Effect of changes of non-cash operating assets and liabilities:		
Receivables, net	144,690	(282,194)
Notes receivable, net	(19,453)	898
Inventories	(18,344)	23,759
Prepaid expenses	95,002	(199,091)
Accounts payable	(111,407)	(95,748)
Salaries payable	550,188	(195,221)
Deferred revenue	(28,550)	(89,453)
<b>Net Cash from Operating Activities</b>	<u>\$ (12,207,954)</u>	<u>\$ (10,180,127)</u>

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

**ST. MARY'S COLLEGE OF MARYLAND**

**Statements of Cash Flows St. Mary's Foundation - Component Unit  
Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,626,121	\$ 1,392,802
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contributions received for endowment	(2,473,461)	(328,719)
Depreciation	22	4,217
Realized and unrealized gains on investments	(500,043)	(1,311,849)
Discounts and allowance on promises to give	(86,887)	36,132
Uncollectible promise to give	11,706	40,000
Donated securities	(1,058,051)	(28,764)
Loss on disposal of property and equipment	23,139	-
Changes in assets and liabilities:		
Receivables, net	(18,665)	138,797
Promises to give	(9,376)	38,419
Other assets	(24,671)	(23,593)
Accounts payable and accrued expenses	(45,922)	326,821
Deferred revenue	(43,636)	23,740
Gift annuity	71	203,045
<b>Net Cash from Operating Activities</b>	<u>(1,599,653)</u>	<u>511,048</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(3,137,632)	(499,769)
Proceeds from sale of investments	3,094,445	233,646
<b>Net Cash from Investing Activities</b>	<u>(43,187)</u>	<u>(266,123)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received for endowment	<u>2,473,461</u>	<u>328,719</u>
Net increase in cash and cash equivalents	830,621	573,644
Cash and cash equivalents, beginning of year	796,507	222,863
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,627,128</u>	<u>\$ 796,507</u>
<b>Supplementary Disclosure of Non-cash Investing Activity</b>		
Donated Securities	<u>\$ 1,058,051</u>	<u>\$ 28,764</u>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements

June 30, 2012 and 2011

### 1. ORGANIZATION AND PURPOSE

St. Mary's College of Maryland (the College) is a component unit of the State of Maryland (the State). The College, which is governed by its Board of Trustees (Board), is an undergraduate liberal arts institution located in St. Mary's City in southern Maryland. In 1964, the College was authorized by the State Legislature as a four-year liberal arts college. The campus has been an educational site since 1840.

In fiscal year 1992, the State Legislature enacted, and the Governor signed, a law that changed the nature of the College's relationship with the State, primarily by granting to the College authority, which was previously vested in State control agencies. The significant effects of this law were the stabilization of the College's general fund support and the empowerment of the College's Board with regard to budget establishment and management, human resources functions, procurement of goods and services, and investment management of the College's endowment fund. Under the new governance structure, the College and its Board are held accountable to the citizens and officials of the State, primarily through oversight provided by the Maryland Higher Education Commission.

In October 1971, St. Mary's College of Maryland Foundation, Inc. (the Foundation) was organized exclusively for charitable, religious, educational and scientific purposes. The Foundation's purposes further include, but are not restricted to, receiving and administering funds to enhance, improve, develop and promote St. Mary's College of Maryland and to benefit the College, its students and faculty. The Foundation meets the criteria established by GASB 39 as a component unit of the College; therefore, the activities of the Foundation are shown on these financial statements as a discretely presented component unit. The Foundation is a private, nonprofit organization that reports under the standards of the Financial Accounting Standards Board (FASB). No modifications have been made to the Foundation's financial information in the College's financial reporting for any differences between GASB and FASB standards.

During the years ended June 30, 2012, and 2011, the Foundation distributed \$1,145,073, and \$1,089,002, respectively to the College for both restricted and unrestricted purposes.

The College performs various accounting, personnel, and public safety functions for Historic St. Mary's City (the City). The College is paid a fee for these services. The college does not exercise control over the City; therefore, the activities of the City are not reflected or consolidated in these financial statements.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation - College**

The College presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* (GASB No. 34), and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* (GASB No. 35). The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows, and replaces the fund-group perspective previously required.

#### **Basis of Presentation - Foundation**

The financial statement presentation for the Foundation follows the recommendations of the FASB in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Complete financial statements of the foundation may be requested from Debora Brooks, Development Office – Calvert Hall Room 102, St. Mary's College of Maryland, 18952 E. Fisher Road, St. Mary's City, MD. 20686.

#### **Basis of Accounting**

For financial reporting purposes, the College is considered a special-purpose government agency engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

The College has the option to apply FASB pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after November 30, 1989.

#### **Cash Equivalents**

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investments**

Investments are stated at fair value. Shares of mutual funds are valued at quoted market prices, which represent the net values of shares held by the College at year end. The fair value of other types of investments is based on quoted market prices at year end.

#### **Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprises services provided to students, faculty and staff, the majority of each residing in the State of Maryland. Accounts receivable also include amounts due from Federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

#### **Inventories**

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

#### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000, or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements with a cost of \$50,000, or more, and that significantly increase the value or extend the useful life of the structure, are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over estimated useful lives of the assets, generally 40 years for buildings, 20 years for building improvements, 16-25 years for infrastructure, 7 years for library books, and 3-12 years for capital equipment.

Works of art and historical collections have not been capitalized or depreciated. Under College policy, works of art and historical collections are held for public exhibition, education or research in furtherance of public service rather than financial gain. They are protected, cared for and preserved, and the proceeds from sales of the collection are used to acquire other items for the collection.

#### **Deferred Revenue**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and as a component of compensation expense in the statement of revenues, expenses, and changes in net assets. The current portion of accrued vacation payable is estimated by assuming that the proportion of the accrued vacation that will be used during the next year will be the same as the proportion that was used this year.

#### Net Assets - College

The College's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the College's investment in capital assets, net of outstanding debt related to those capital assets. It is measured by the fund balance in the investment in plant subgroup, after the debt related to finished construction has been transferred into the subgroup.

*Restricted net assets – expendable:* Restricted expendable net assets represent resources which the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted net assets – nonexpendable:* Nonexpendable restricted net assets represent endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the direction of the governing board to meet current expenses for any purpose. Auxiliary enterprises are substantially self-supported activities that provide services for students, faculty, staff, or the local community.

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

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Net Assets – Foundation**

The Foundation's net assets are classified as follows:

Contributions received are recorded as permanently restricted, temporarily restricted, or unrestricted revenue, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

#### **Classification of Revenue**

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating Revenues:* Operating revenues are generated by the typical activities of a university, such as teaching and research, and include: (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) grants that support research and instruction.

*Nonoperating revenues:* Nonoperating revenues are generated by incidental activities, gifts and subsidies, and include investment income, gifts, and state appropriations.

#### **Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the published charge for goods and services provided by the College, and the amount that is actually paid by students or third parties making payments on the students' behalf. To the extent that the College's unrestricted funds are used to award scholarships, grants and waivers, the College reports a scholarship discount and allowance.

#### **Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **New Accounting Pronouncements**

During the year ended June 30, 2012, GASB issued Statement No. 65, entitled *Items Previously Reported as Assets and Liabilities*; Statement No. 66, entitled *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, entitled *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and Statement No. 68 entitled *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. The College is analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates.

### 3. CASH AND CASH EQUIVALENTS

#### **Cash and Cash Equivalent on hand with State Treasurer**

As of June 30, 2012 and 2011, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$11,297,972 and \$13,947,885, respectively. The State treasurer has statutory responsibility for the State's cash management activities. The amount due from the Treasurer is part of the State's internal investment pool and is not separately identified as to specific types of securities for individual agencies within the State. The Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes. As of June 30, 2012, the College's amount due from the treasurer was less than 1 percent of total deposits with the Treasurer. For additional information on cash risks, see the State of Maryland Comprehensive Annual Financial Report for the year ended June 30, 2012.

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

As of June 30, 2012, and June 30, 2011, the College has cash on deposit with other local banks in the amount of \$480,428, and \$339,932, respectively. The College has statutory responsibility for the management of these funds which are fully insured by Federal depository insurance. As of June 30, 2012, and 2011, the College has \$199,450, and \$330,744, respectively, in Alba, Italy for purposes of enabling local program activities.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 4. INVESTMENTS

The fair value of endowment and other investments as of June 30, 2012, and 2011, were as follows:

	<b>June 30, 2012</b>	<b>June 30, 2011</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Mutual funds	\$ 236,189	\$ 612,941
Corporate bonds	1,033,709	844,043
U.S. Government Securities	755,625	585,413
U.S. agency and other asset-backed securities	668,660	844,626
Corporate equity securities	978	978
<b>Total Investments</b>	<b>\$ 2,695,161</b>	<b>\$ 2,888,001</b>

Endowment fund investments are made in accordance with the investment policy of the College, adopted by consent of the Board of Trustees of the College, which authorizes the College to invest in domestic equities, international equities, fixed income or cash equivalents, and real estate investment trusts, within the proportions defined by the policy. Mutual funds, convertible preferred stocks, and convertible bonds may be used.

Bond funds are invested in short-term S&P AAA rated, Wells Fargo Adv Government Money Market Fund, Fannie Mae Guaranteed Securities, Notes and Federal Home Loan Bank Notes.

As of June 30, 2012, the College's endowment fund had the following fixed income investments, ratings and maturities:

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 4. INVESTMENTS (continued)

Investment Type	Ratings (S & P)	Fair Value	Investment Maturities (in years)				
			<1	1-5	6-10	11-15	>15
US Government securities	AAA	\$ 755,627	\$ 50,020	\$ 260,959	\$ 235,986	\$ 33,717	\$ 174,945
US Agency & other asset-backed securities	AAA	668,660	-	197,688	44,384	9,559	417,029
Corporate Bonds	AAA	86,344	-	31,146	-	-	55,198
Corporate Bonds	AA	91,088	-	66,907	24,181	-	-
Corporate Bonds	AA-	103,534	50,583	52,951	-	-	-
Corporate Bonds	AA+	389,210	-	37,780	11,454	-	339,976
Corporate Bonds	A+	84,853	10,140	74,713	-	-	-
Corporate Bonds	A	68,301	-	16,603	29,662	-	22,036
Corporate Bonds	A-	122,700	52,196	22,132	29,921	-	18,452
Corporate Bonds	BBB+	67,077	-	25,715	-	-	41,362
Corporate Bonds	BBB	20,600	-	20,600	-	-	-
<b>Total</b>		<u>\$ 2,457,994</u>	<u>\$ 162,939</u>	<u>\$ 807,194</u>	<u>\$ 375,588</u>	<u>\$ 43,276</u>	<u>\$ 1,068,998</u>

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy requires that fixed income securities may consist only of obligations with average durations of seven years or less.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy requires that the quality rating of bonds be BBB or better. The quality rating of commercial paper must be A-1 or better.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy implies that the investments in the debt securities of any one company may not exceed 10 percent of the portfolio. As of June 30, 2012, the College had invested \$227,817, of endowment funds in Fannie Mae, amounting to 9% of the College's total investments.

*Custodial Credit Risk:* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the College's name. The College does not have a policy for custodial credit risk.

**ST. MARY'S COLLEGE OF MARYLAND**

**Notes to Financial Statements  
June 30, 2012 and 2011**

**4. INVESTMENTS (continued)**

The Foundation's investments consisted of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Equities	\$ 7,815,135	\$ 7,439,794
Fixed Income	7,643,026	7,469,129
Cash Equivalents	11,919,735	3,097,065
Limited Partnership	-	7,695,446
<b>Total Investments</b>	<u>\$ 27,377,896</u>	<u>\$ 25,701,434</u>

During 2000, the Foundation became a named beneficiary to one-fourth of a trust held by a third party. The trust is restricted to scholarships. Under the terms of the trust, the Foundation will receive a distribution each year of approximately one-fourth of 5% of the value of the trust, even if the 5% is to be paid from the principal. The Foundation records one-fourth of the annual changes in market value of the trust as investment income. The value of the Foundation's share of the trust was \$1,293,740, and \$1,337,664, as of June 30, 2012, and 2011, respectively. The Foundation received a distribution of \$70,000 and \$140,000 from the trust during the year's ended June 30, 2012, and 2011, respectively.

The Foundation's investment income consisted of the following for the year ended June 30, 2012, and 2011:

	<u>June 30, 2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Realized and unrealized gains	\$ 111,328	\$ 388,715	\$ 500,043
Interest and dividends	74,426	314,565	388,991
<b>Total Investment Income</b>	<u>\$ 185,754</u>	<u>\$ 703,280</u>	<u>\$ 889,034</u>

	<u>June 30, 2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Realized and unrealized gains	\$ 99,762	\$ 263,878	\$ 363,640
Interest and dividends	324,111	987,738	1,311,849
<b>Total Investment Income</b>	<u>\$ 423,873</u>	<u>\$ 1,251,616</u>	<u>\$ 1,675,489</u>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 5. ENDOWMENTS

The College records most endowment income as unrestricted, nonoperating income. Endowment income not expended for restricted scholarships or other allowable purposes during the fiscal year is included in funds functioning as endowments.

The spending rate of general endowment funds (quasi and pure), as adopted by the Board, is 4% of the average market value of total funds as of the last day of the previous three calendar years. The spending rate applies to endowment funds for both unrestricted and restricted purposes and is applied in accordance with the designation of each endowment. The difference between the calculated amount and the actual realized endowment income is recorded as a non-mandatory transfer from or to the quasi-endowment fund in accordance with the above spending policy. The objectives of the spending rule are to preserve the purchasing power of the principal and attain a minimum of one percent real growth.

The endowment net assets are reported as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Restricted - scholarship and fellowships	\$ 1,020,011	\$ 1,020,011
Unrestricted net assets	1,460,817	1,393,826
Total endowment net assets	<u>\$ 2,480,828</u>	<u>\$ 2,413,837</u>

### 6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Student tuition and fees	\$ 150,813	\$ 243,161
Employee accounts	-	-
Campus store	42,824	45,315
Travel advances	16,372	3,927
Federal, state and private grants and contracts	557,847	702,110
Interest income receivable	19,608	8,728
Other miscellaneous	1,855	7,711
<b>Total</b>	<u>789,319</u>	<u>1,010,952</u>
Less: Allowance for doubtful accounts	<u>(85,031)</u>	<u>(161,974)</u>
<b>Net Accounts Receivable</b>	<u>\$ 704,288</u>	<u>\$ 848,978</u>

### 7. COMMITMENTS

As of June 30, 2012, and 2011, there was \$884,761, and \$1,616,751, respectively, of encumbrances and funds designated for future use reported in unrestricted net assets. The College does not separately identify the reserve for encumbrances in unrestricted net assets.

**ST. MARY'S COLLEGE OF MARYLAND**

**Notes to Financial Statements  
June 30, 2012 and 2011**

**8. INVENTORIES**

Inventories consisted of the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Health Center	\$ 4,762	\$ 4,884
Housekeeping	7,799	9,224
Central Stores	8,137	8,137
Campus Stores	337,799	317,908
<b>Total Inventories</b>	<u>\$ 358,497</u>	<u>\$ 340,153</u>

**9. CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction In-Progress	4,029,932	4,381,346	-	8,411,278
Total Capital Assets Not Being Depreciated	<u>9,977,369</u>	<u>4,381,346</u>	<u>-</u>	<u>14,358,715</u>
Capital Assets, Being Depreciated:				
Infrastructure	8,155,589	228,536	(628,190)	7,755,935
Building and Building Improvements	166,855,515	-	-	166,855,515
Furnitures, Fixtures and Equipment	12,606,534	377,577	(143,530)	12,840,581
Capital Leases	21,255	-	(16,506)	4,749
Library Collections	9,726,783	430,416	-	10,157,199
Total Assets Being Depreciated	<u>197,365,676</u>	<u>1,036,529</u>	<u>(788,226)</u>	<u>197,613,979</u>
Less: Accumulated Depreciation:				
Infrastructure	2,596,572	340,309	(275,653)	2,661,228
Building and Building Improvements	41,890,518	3,909,668	-	45,800,186
Furnitures, Fixtures and Equipment	9,771,514	729,935	(120,524)	10,380,925
Capital Leases	21,255.00	-	-	21,255
Library Collections	7,811,529	527,506	-	8,339,035
Total Accumulated Depreciation	<u>62,091,388</u>	<u>5,507,418</u>	<u>(396,177)</u>	<u>67,202,629</u>
Total Capital Assets, Being Depreciated, Net	<u>135,274,288</u>	<u>(4,470,889)</u>	<u>(392,049)</u>	<u>130,411,350</u>
<b>Capital Assets, Net</b>	<u>\$ 145,251,657</u>	<u>\$ (89,543)</u>	<u>\$ (392,049)</u>	<u>\$ 144,770,065</u>

Note – During the fiscal year ending June 30, 2012, there have been no change in the utility of the reported capital assets (i.e., technology, environmental events, or physical damage that diminished its usefulness for its intended purpose or use); as a result, no such adjustments were required.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 9. CAPITAL ASSETS (continued)

Following are the changes in capital assets for the year ended June 30, 2011:

	<u>Balances</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets, Not Being Depreciated:				
Land and land equipment	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction in Progress	28,053,677	4,029,932	(28,053,677)	4,029,932
<b>Total Capital Assets Not Being Depreciated</b>	<u>34,001,114</u>	<u>4,029,932</u>	<u>(28,053,677)</u>	<u>9,977,369</u>
Capital Assets, Being Depreciated:				
Infrastructure	8,102,417	53,172	-	8,155,589
Building and Building Improvements	138,801,838	28,053,677	-	166,855,515
Furnitures, Fixtures and Equipment	12,270,037	569,211	(232,714)	12,606,534
Capital Leases	73,829	-	(52,574)	21,255
Library Collections	9,285,375	441,408	-	9,726,783
<b>Total Assets Being Depreciated</b>	<u>168,533,496</u>	<u>29,117,468</u>	<u>(285,288)</u>	<u>197,365,676</u>
Less: Accumulated Depreciation				
Infrastructure	2,256,011	340,561	-	2,596,572
Building and Building Improvements	37,936,809	3,953,709	-	41,890,518
Furnitures, Fixtures and Equipment	8,120,855	1,863,689	(213,030)	9,771,514
Capital Leases	69,103	4,726	(52,574)	21,255
Library Collections	7,344,175	467,354	-	7,811,529
<b>Total Accumulated Depreciation</b>	<u>55,726,953</u>	<u>6,630,039</u>	<u>(265,604)</u>	<u>62,091,388</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>112,806,543</u>	<u>22,487,429</u>	<u>(19,684)</u>	<u>135,274,288</u>
<b>Capital Assets, Net</b>	<u>\$ 146,807,657</u>	<u>\$ 26,517,361</u>	<u>\$ (28,073,361)</u>	<u>\$ 145,251,657</u>

Note – During the fiscal year ending June 30, 2011, there have been no change in the utility of the reported capital assets (i.e., technology, environmental events, or physical damage that diminished its usefulness for its intended purpose or use); as a result, no such adjustments were required.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Year ended June 30, 2012				
	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
<b>Bonds:</b>					
Revenue bonds payable	\$ 39,460,000	\$ -	\$ (2,995,000)	\$ 36,465,000	\$ 1,685,000
Unamortized premium/discount	15,301	657,628	(5,654)	667,275	58,097
Premium or discount on refunded bonds	(1,079,556)	(1,045,514)	45,349	(2,079,721)	(95,300)
<b>Total Bonds</b>	<u>38,395,745</u>	<u>(387,886)</u>	<u>(2,955,305)</u>	<u>35,052,554</u>	<u>1,647,797</u>
<b>Other Liabilities:</b>					
Worker's compensation	296,927	131,685	(61,612)	367,000	56,885
Accrued vacation costs	941,120	1,206,178	(1,128,146)	1,019,152	878,455
Notes payable	2,078,759	-	(232,199)	1,846,560	205,980
Federal loan program refundable	407,510	-	-	407,510	-
<b>Total Other Liabilities</b>	<u>3,724,316</u>	<u>1,337,863</u>	<u>(1,421,957)</u>	<u>3,640,222</u>	<u>1,141,320</u>
<b>Total Long Term Obligations</b>	<u>\$ 42,120,061</u>	<u>\$ 949,977</u>	<u>\$ (4,377,262)</u>	<u>\$ 38,692,776</u>	<u>\$ 2,789,117</u>

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Year ended June 30, 2011				
	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
<b>Bonds and capital leases:</b>					
Revenue bonds payable	\$ 42,800,000	\$ -	\$ (3,340,000)	\$ 39,460,000	\$ 3,300,000
Capital lease obligations	9,158	-	(9,158)	-	-
Unamortized premium	23,141	-	(7,840)	15,301	9,498
Premium or discount on refunded bonds	(1,124,905)	-	45,349	(1,079,556)	(45,349)
<b>Total bonds and capital leases</b>	<u>41,707,394</u>	<u>-</u>	<u>(3,311,649)</u>	<u>38,395,745</u>	<u>3,264,149</u>
<b>Other Liabilities:</b>					
Worker's compensation	418,218	-	(121,291)	296,927	47,508
Accrued vacation costs	899,777	1,595,580	(1,554,237)	941,120	849,272
Notes payable	2,302,537	-	(223,778)	2,078,759	210,772
Federal loan program refundable	407,510	-	-	407,510	-
<b>Total other liabilities</b>	<u>4,028,042</u>	<u>1,595,580</u>	<u>(1,899,306)</u>	<u>3,724,316</u>	<u>1,107,552</u>
<b>Total Long Term Obligations</b>	<u>\$ 45,735,436</u>	<u>\$ 1,595,580</u>	<u>\$ (5,210,955)</u>	<u>\$ 42,120,061</u>	<u>\$ 4,371,701</u>

Additional information regarding Revenue Bonds Payable and Notes Payable is included in Note 11.

**ST. MARY'S COLLEGE OF MARYLAND**

**Notes to Financial Statements  
June 30, 2012 and 2011**

**11. REVENUE BONDS**

Revenue bonds consist of the following (at par):

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
2002 Bonds, Series A	\$ -	\$ 11,560,000
2003 Subordinate Revenue Bonds, Series A	-	4,550,000
2005 Subordinate Revenue Bonds, Series A	<b>16,780,000</b>	17,425,000
2006 Subordinate Revenue Bonds, Series A	<b>3,935,000</b>	4,015,000
2007 Subordinate Revenue Bonds, Series A	-	1,910,000
2012 Subordinate Revenue Bonds, Series A	<b>15,750,000</b>	-
Total Revenue Bonds	<u><b>36,465,000</b></u>	<u><b>39,460,000</b></u>
GASB 23 Adjustment to 2005/2012 Bond Issuance	<b>(2,079,721)</b>	(1,079,556)
Premium/Discount	<b>667,275</b>	15,301
<b>Total</b>	<u><b>\$ 35,052,554</b></u>	<u><b>\$ 38,395,745</b></u>

In 1993, 1997, and 2000, the College issued \$5,105,000, \$10,000,000, and \$11,245,000, respectively, of revenue bonds for the purpose of constructing new student housing facilities, design, construction and equipping of Charles Hall for a Campus Center, and the renovation of, and construction of an addition to, the existing gymnasium. All of the aforementioned bonds are limited obligations of the College payable solely from, and secured by, the gross revenues derived from academic fees and auxiliary facilities fees. In 2002, the College issued \$13,650,000, of subordinate revenue bonds to finance the planning and construction of a new student housing facility. Debt issued by the College for this purpose is not a debt of the State. In 2003, the College issued \$6,620,000, of subordinate revenue bonds to refinance the 1993 revenue bonds and the Department of Education loan. In 2005, the College issued \$19,105,000, of subordinate revenue bonds to refinance the 1997, and 2000, revenue bonds. In 2006, the College issued \$4,235,000, of subordinate revenue bonds to finance the design, construction, equipping and furnishing of a new student residence hall or facility as an addition to Warring Commons. In 2007, the College issued \$4,000,000, of subordinate revenue bond anticipation notes to finance the costs of the design, construction, reconstruction, renovation, equipping and furnishing of the River Center and Waterfront Project, which consists of a two story wood and masonry framed building that will replace the existing boathouse, together with all required storm water management systems and structures, a small parking lot, exterior walkways and site lighting, landscaping, demolition of the existing boathouse, telecommunications wiring, site utilities including underground electric lines, sewer, and water, and furnishings and equipment for the building (collectively, the "Auxiliary Facility Project").

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 11. REVENUE BONDS (continued)

#### **Academic Fees and Auxiliary Facilities Fees Revenue Bonds**

The 1993 bonds maturing after September 1, 2003, were callable at premiums of up to 2%. The college exercised the callable options and refinanced the bonds in 2003.

The 1997 Series A Revenue bonds are dated July 1, 1997, and bear interest from 4.70% to 5.135%. Annual maturities will increase until the final principal payment of \$645,000, becomes due in 2027. The bonds maturing after September 1, 2007, are callable at premiums of up to 1%.

The 2000 Series A Revenue bonds are dated July 15, 2000, and bear interest from 5.125% to 5.550%. Annual maturities will increase until the final principal payment of \$740,000, becomes due in 2030. The bonds maturing after March 1, 2010, are callable at premiums of up to 1%.

The 2002 Series A Subordinate revenue bonds are dated June 15, 2002, and bear interest from 3.000% to 4.880%. Annual maturities will increase until the final principal payment of \$830,000, becomes due in 2033. The bonds maturing after September 2012, are callable at premiums of up to 1%.

The 2003 Series A Subordinate revenue bonds are dated August 1, 2003, and bear interest rates from 2.500% to 4.800%. Annual maturities will increase until the final payment of \$350,000, becomes due in 2023. The bonds maturing after September 1, 2013 are callable at no premium.

The 2005 Series A subordinate revenue bonds are dated April 1, 2005, and bear interest rates from 3.250% to 5.000%. Annual maturities will increase from 2006, until the final payment of \$4,480,000 ,becomes due in 2030. The bonds maturing after September 1, 2015, are callable at a premium of 1%.

The 2006 Series A subordinate revenue bonds are dated June 28, 2005, and bear interest rates from 4.250% to 4.500%. Annual maturities will increase from 2008, until the final payment of \$255,000, becomes due in 2038. The bonds maturing after September 1, 2016, are callable at no premium.

The 2007 Series A Revenue Bond Anticipation Notes, bearing interest at the rate of 3.8589% were retired and are no longer a liability.

Investments totaling \$123,930 ,and \$383,761, for 2012, and 2011, respectively, are recorded as Other Restricted Investments under non-current assets and are comprised of certain funds to be held and invested by the Trustee. As such, the use of these funds is limited to the bond project issue cost, capitalized interest, or reserve fund purposes.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 11. REVENUE BONDS (continued)

#### Academic Fees and Auxiliary Facilities Fees Revenue Bonds (continued)

The trust agreements related to the 1997 and 2000 Series A revenue bonds and the 2002, 2003, 2005, 2006, 2007, and 2012 Series A subordinate revenue bonds establish several covenants with which the College must comply. Those covenants address the payment of bonds, operation and maintenance of facilities, and transfers of facilities, among other matters. The covenants also require the College to fix, revise, charge, and collect auxiliary facilities and academic fees with respect to each fiscal year in amounts sufficient to make all the payments on the bonds as required by the trust agreement.

#### In-Substance Defeasance

The 2005 Series A bonds were issued on April 20, 2005, to refinance the 1997 Series A, and the 2000 Series A bonds. The total difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was \$1,208,350.

	<b>June 30, 2005</b>
Savings from Cash Flows	\$ 1,208,350
Less: Prior funds on hand	(36,894)
<b>Economic Gain</b>	<b>\$ 1,171,456</b>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 11. REVENUE BONDS (continued)

#### In-Substance Defeasance (continued)

Date	Prior Debt Services	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flows	Savings	Present Value to 04/20/2005 @ 4.7%
06/30/05	\$ -	\$ -	\$ 42,966	\$ (42,966)	\$ 42,966	\$ 42,966
06/30/06	946,740	903,647	-	903,647	43,093	40,971
06/30/07	946,740	902,344	-	902,344	44,396	40,436
06/30/08	946,740	904,175	-	904,175	42,565	37,042
06/30/09	1,185,921	1,141,944	-	1,141,944	43,978	36,701
06/30/10	1,183,919	1,140,125	-	1,140,125	43,794	34,997
06/30/11	1,439,390	1,392,975	-	1,392,975	46,415	35,637
06/30/12	1,437,001	1,389,944	-	1,389,944	47,058	34,650
06/30/13	1,433,279	1,390,288	-	1,390,288	42,992	30,260
06/30/14	1,433,009	1,389,694	-	1,389,694	43,315	29,244
06/30/15	1,435,770	1,388,163	-	1,388,163	47,608	30,917
06/30/16	1,431,621	1,385,694	-	1,385,694	45,927	28,584
06/30/17	1,435,489	1,391,125	-	1,391,125	44,364	26,459
06/30/18	1,437,098	1,394,225	-	1,394,225	42,873	24,509
06/30/19	1,436,178	1,391,025	-	1,391,025	45,153	24,804
06/30/20	1,432,798	1,386,078	-	1,386,078	46,719	54,645
06/30/21	1,432,158	1,389,159	-	1,389,159	42,998	21,737
06/30/22	1,428,890	1,385,694	-	1,385,694	43,196	20,971
06/30/23	1,432,715	1,386,225	-	1,386,225	46,490	21,655
06/30/24	1,428,721	1,385,225	-	1,385,225	43,496	19,400
06/30/25	1,431,771	1,386,600	-	1,386,600	45,171	19,322
06/30/26	1,426,728	1,380,350	-	1,380,350	46,378	19,023
06/30/27	1,428,310	1,384,375	-	1,384,375	43,935	17,295
06/30/28	1,426,241	1,378,800	-	1,378,800	47,441	17,947
06/30/29	763,374	716,050	-	716,050	47,324	17,177
06/30/30	760,495	716,575	-	716,575	43,920	15,295
06/30/31	760,535	715,750	-	715,750	44,785	14,972
	<u>\$ 33,281,631</u>	<u>\$ 32,116,249</u>	<u>\$ 42,966</u>	<u>\$ 32,073,283</u>	<u>\$ 1,208,350</u>	<u>\$ 757,616</u>

The reacquisition price exceeded the net carrying value of the old debt by \$1,360,466, on April 20, 2005. This amount was deferred and is being amortized to interest expense over 30 years, which is the remaining life of the debt. The unamortized balance was \$1,034,206, and \$1,079,556, as of June 30, 2012, and 2011, respectively; and, is reported as a deduction from the new debt.

The 2012 Series A bonds were issued on June 06, 2012, to refinance the Series A 2002 and 2003 bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was \$2,618,781. A gain of \$2,026,231, was a result of this refinancing.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2012 and 2011

### 11. REVENUE BONDS (continued)

#### In-Substance Defeasance (continued)

The reacquisition price exceeded the net carrying value of the old debt by \$1,048,983.25, on June 6, 2012. This amount is deferred and being amortized to interest expense over 22 years, which is the remaining life of the debt. The unamortized balance was \$1,045,514.39, as of June 30, 2012, and is reported as a deduction from the new debt.

#### Principal and Interest Payments

Future principal and interest payments of outstanding revenue bonds are as follows:

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,685,000	\$ 1,232,232	\$ 2,917,232
2014	1,605,000	1,309,400	2,914,400
2015	1,645,000	1,262,550	2,907,550
2016	1,700,000	1,214,200	2,914,200
2017	1,755,000	1,163,138	2,918,138
2018-2022	8,850,000	4,888,298	13,738,298
2023-2027	9,690,000	2,918,935	12,608,935
2028-2032	7,455,000	1,071,712	8,526,712
2033-2037	1,825,000	186,898	2,011,898
2038	255,000	5,897	260,897
<b>Total</b>	<b>\$ 36,465,000</b>	<b>\$ 15,253,260</b>	<b>\$ 51,718,260</b>

#### Deferred Debt Issue Costs

Administrative, legal, financing, underwriting discount and other miscellaneous expenses that were incurred in connection with the 2002 Series A, 2003 Series A, 2005 Series A 2006 Series A, and 2007 Series A Academic Fees and Auxiliary Facilities Fees Revenue Bond offerings were deferred and are being amortized over the life of the bond issue. The amortization expense on deferred debt issue costs related to these offerings was \$28,254, and \$39,614, for 2012, and 2011, respectively.

#### Notes Payable

On April 11, 2007, the College financed an Energy Performance Contract, which will reduce energy consumption through implementation of specific energy conservation measures (ECMs), under the State of Maryland's Energy Performance Contract Master Lease-Purchase Financing Program in the amount of \$2,047,727, and under the Maryland Energy Administration's Agency Energy Conservation Loan Program in the amount of \$808,000.

## **ST. MARY'S COLLEGE OF MARYLAND**

### **Notes to Financial Statements June 30, 2012 and 2011**

#### **11. REVENUE BONDS (continued)**

These notes are recorded at their net present value; and, the minimum annual payments include principal and imputed interest using a rate of 3.76%. Assuming the College does not prepay the principal, the State of Maryland's Energy Performance Contract Master Lease-Purchase Financing Note is scheduled to be paid off January 1, 2020, and the Maryland Energy Administration Conservation Loan is scheduled to be paid off July 1, 2016.

##### **Defeased Revenue Bonds**

In connection with issuance of the 2005 Series A Bonds, the Academic Fees and Auxiliary Facilities Fees Subordinated Revenue Refunding Bonds, 2000 Series (2000 Revenue Bonds) were legally defeased. Assets were placed in an irrevocable trust with an escrow agent for future debt service payments on the defeased bonds. Accordingly, neither the indebtedness nor the assets of the irrevocable trust are included in the College's financial statements.

In connection with the issuance of the 2012 Series A Bonds, the Academic Fees and Auxiliary Facilities Fees Refunding Bonds, (2002 and 2003 Series A Bonds) were legally defeased. Assets were placed in an irrevocable trust with an escrow agent for future debt service payments on the defeased bonds. Accordingly, neither the indebtedness nor the assets of the irrevocable trust are included in the College's financial statements. As of June 30, 2012, the outstanding balance of the defeased Series 2002 and 2003 Bonds was \$16,070,184.

#### **12. LEASES**

##### **Operating Leases**

The College leases copiers and trailers. Total costs for these operating leases were \$109,004, and \$94,154, for years ended June 30, 2012, and 2011, respectively.

#### **13. RETIREMENT PLANS**

##### **Maryland State Retirement and Pension System**

The College contributes to the Retirement and Pension System of Maryland (the System), established by the State to provide pension benefits for State employees and employees of 123 participating entities within the State. Although the System is an agent, multiple employer public employee retirement system, the College accounts for the plan as a cost-sharing multiple employer public employee retirement system and a separate valuation is not performed for the College and the College's only obligation to the plan is its required annual contributions.

## **ST. MARY'S COLLEGE OF MARYLAND**

### **Notes to Financial Statements June 30, 2012 and 2011**

#### **13. RETIREMENT PLANS (continued)**

The System is considered part of the State's financial reporting entity and is not considered a part of the College's reporting entity. The System prepares a separate Comprehensive Annual Financial Report which can be obtained from the Maryland State Retirement and Pension System at 120 East Baltimore Street, Baltimore, Maryland 21202.

##### **Plan Description**

The System, which is administered in accordance with Article 73B of the Annotated Code of Maryland, consists of the several plans that are managed by the Board of Trustees for the System. All State employees hired into positions that are permanently funded and employees of the participating entities are eligible for coverage by the plans.

##### **Funding Policy**

The College's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the laws governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used. Both the College and covered employees are required by state statute to contribute to the System. The employees contribute from 2 to 5% of compensation, as defined, depending on the participant's plan.

The College's contributions during the years ended June 30, 2012, 2011, and 2010, were \$988,870, \$681,084, and \$817,818, respectively.

##### **Optional Retirement Programs**

In addition to the Retirement and Pension System, the College also offers optional retirement programs for faculty and professional staff that include: Fidelity Trust, TIAA-CREF and AIG-VALIC. The College contributes 7.25% of base salary into these plans. At this time, the employee is not required to contribute to the plan. The amounts contributed by the College were \$1,160,258, \$1,040,282, and \$1,055,971, for the years ended June 30, 2012, 2011, and 2010, respectively.

Beginning in fiscal year 2006, a supplemental plan was introduced whereby the College matched 100% (up to \$600) of all contributions made into the plan. There were no amounts matched for the years ended June 30, 2012, and 2011, respectively.

## **ST. MARY'S COLLEGE OF MARYLAND**

### **Notes to Financial Statements June 30, 2012 and 2011**

#### **13. RETIREMENT PLANS (continued)**

##### **Other Post Employment Benefits**

Former College employees who are receiving benefits participate in the State Employee and Retiree Health and Welfare Program (Plan) which is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Sections 2-501-2-516 of the Annotated Code of Maryland. The Plan, which is contributory, is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to retiree's and their dependents. Substantially all employees become eligible for these benefits when they retire. The cost of retiree's health care benefits is expensed when paid; and totaled \$1,071,388, \$697,680, and \$753,114, for the years ended June 30, 2012, 2011, and 2010 respectively. Furthermore, the State established a Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's post retirement health insurance subsidy

The OPEB Trust is established in accordance with the State Personnel and Pension's Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pensions System. Financial Statements of the Trust may be obtained from the Office of the Comptroller, Treasury Building, Annapolis, MD 21401.

The contribution requirements of the Plan are established by the Secretary of the Department of Budget and Management. Each year the Secretary recommends to the governor the State's share of the costs to the Plan. Information about the plan, including actuarial assumptions, is included in the State's CAFR which may be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, MD 21404.

#### **14. COMMITMENTS & CONTINGENCIES**

##### **Litigation**

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

#### **15. RISK MANAGEMENT**

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

**ST. MARY'S COLLEGE OF MARYLAND**

**Notes to Financial Statements  
June 30, 2012 and 2011**

**15. RISK MANAGEMENT (continued)**

The State allocates the cost of providing claims servicing and claims payment by charging a “premium” to the College based on a percentage of the College’s estimated current-year payroll or based on the average loss experienced by the College. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

The College records a liability when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities recorded include a provision for claims incurred but not reported. Because actual claims liabilities depend on such complex factors such as inflation, changes in legal doctrines, and damage awards, actual claims could differ from estimates. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred workers’ compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The provision for workers’ compensation is based upon a separately determined actuarial valuation for the fiscal year ended June 30, 2012, and June 30, 2011.

As of June 30, 2012, the College has recorded \$367,000, in liability associated with workers’ compensation. The workers’ compensation liability activity for the years ended June 30, 2012, and 2011, was as follows:

	<b>Beginning of Fiscal Year Liability</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>	<b>Amounts Due Within One Year</b>
<b>Year ended, June 30, 2012</b>	\$ 296,927	\$ 131,612	\$ (61,612)	\$ 367,000	\$ 56,885
<b>Year ended, June 30, 2011</b>	\$ 418,218	\$ (87,063)	\$ (34,228)	\$ 296,927	\$ 47,508

**ST. MARY'S COLLEGE OF MARYLAND**

**Notes to the Financial Statements  
June 30, 2012 and June 30, 2011**

**16. FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS**

The College's operating expenses by functional classification were as follows:

Natural Classification	Functional Classification									Total
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	
Salaries & wages	\$ 13,512,755	\$ 123,355	\$ 26,681	\$ 1,026,406	\$ 3,153,512	\$ 6,133,596	\$ 1,665,925	\$ -	\$ -	\$ 25,642,230
Benefits	4,007,486	6,986	945	310,384	1,042,216	1,822,646	706,290	-	-	7,896,953
Supplies and others services	2,406,312	94,753	103,861	1,029,210	1,194,929	2,277,709	2,502,376	-	-	9,609,150
Utilities	21,499	-	-	-	-	1,328	1,907,072	-	-	1,929,899
Scholarships & Grants	24,454	12,000	-	-	84,220	500	409	1,896,741	-	2,018,324
Auxiliary enterprises	-	-	-	-	-	-	-	-	12,098,134	12,098,134
Other Operating Expenses	804,548	15,732	1,166	71,625	406,066	373,159	486,818	501	-	2,159,615
Depreciation	-	-	-	-	-	-	3,751,376	-	1,756,041	5,507,417
<b>Total Expenses</b>	<b>\$ 20,777,054</b>	<b>\$ 252,826</b>	<b>\$ 132,653</b>	<b>\$ 2,437,625</b>	<b>\$ 5,880,943</b>	<b>\$ 10,608,938</b>	<b>\$ 11,020,266</b>	<b>\$ 1,897,242</b>	<b>\$ 13,854,175</b>	<b>\$ 66,861,722</b>

Natural Classification	Functional Classification									Total
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	
Salaries & wages	\$ 12,594,982	\$ 123,870	\$ 20,742	\$ 975,978	\$ 3,046,126	\$ 5,928,110	\$ 1,651,822	\$ -	\$ -	\$ 24,341,630
Benefits	3,522,865	7,148	497	302,025	988,587	1,474,590	633,329	-	-	6,929,041
Supplies and others services	2,614,055	221,832	99,846	761,729	1,122,551	1,839,428	343,488	-	-	7,002,929
Utilities	17,616	-	-	-	-	307	1,777,768	-	-	1,795,691
Scholarships & Grants	4,700	40,000	-	-	86,594	500	-	1,833,207	-	1,965,001
Auxiliary enterprises	-	-	-	-	-	-	-	-	11,750,359	11,750,359
Other Operating Expenses	1,467,484	18,096	2,671	12,139	407,915	400,755	106,998	835	-	2,416,893
Depreciation	-	-	-	-	-	-	4,874,200	-	1,755,839	6,630,039
<b>Total Expenses</b>	<b>\$ 20,221,702</b>	<b>\$ 410,946</b>	<b>\$ 123,756</b>	<b>\$ 2,051,871</b>	<b>\$ 5,651,773</b>	<b>\$ 9,643,690</b>	<b>\$ 9,387,605</b>	<b>\$ 1,834,042</b>	<b>\$ 13,506,198</b>	<b>\$ 62,831,583</b>