

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

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

**For the Years Ended June 30, 2014 and 2013**



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

**JUNE 30, 2014 AND 2013**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Trustees  
St. Mary's College of Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of St. Mary's College of Maryland (the College), a component unit of the State of Maryland, as of and for the years ended June 30, 2014, and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the discretely presented component unit financial statements of St. Mary's College of Maryland Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2014, and 2013. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the auditor. 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 from material misstatement.

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

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



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## **Opinion**

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the College and Foundation as of June 30, 2014 and 2013, and the respective changes in their financial position and where applicable, the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* 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 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hunt Valley, Maryland  
October 31, 2014

*SB & Company, LLC*

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2014 and 2013

### Overview of the Financial Statements and Financial Analysis

St. Mary's College of Maryland (the College) is pleased to present its financial statements for fiscal year 2014, with fiscal year 2013, and 2012, prior-year data for comparative purposes. There are three financial statements presented for each fiscal year: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; 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 Position

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Assets:</b>			
Current Assets	\$ 19,011	\$ 16,260	\$ 13,223
Noncurrent Assets, net	146,272	146,073	148,268
<b>Total Assets</b>	<u>165,283</u>	<u>162,333</u>	<u>161,491</u>
<b>Deferred outflow of resources:</b>			
Deferred charge on refunding	1,889	1,984	2,079
<b>Total Assets and Deferred Outflows</b>	<u>167,172</u>	<u>164,317</u>	<u>163,570</u>
<b>Liabilities:</b>			
Current Liabilities	9,142	9,094	7,780
Noncurrent Liabilities	34,055	36,002	37,887
<b>Total Liabilities</b>	<u>43,197</u>	<u>45,096</u>	<u>45,667</u>
<b>Net Position:</b>			
Invested in Capital Assets, net of debt	113,397	111,295	111,059
Restricted - nonexpendable	1,000	1,000	1,000
Restricted - expendable	102	287	108
Unrestricted	9,476	6,639	5,736
<b>Total Net Position</b>	<u>\$ 123,975</u>	<u>\$ 119,221</u>	<u>\$ 117,903</u>

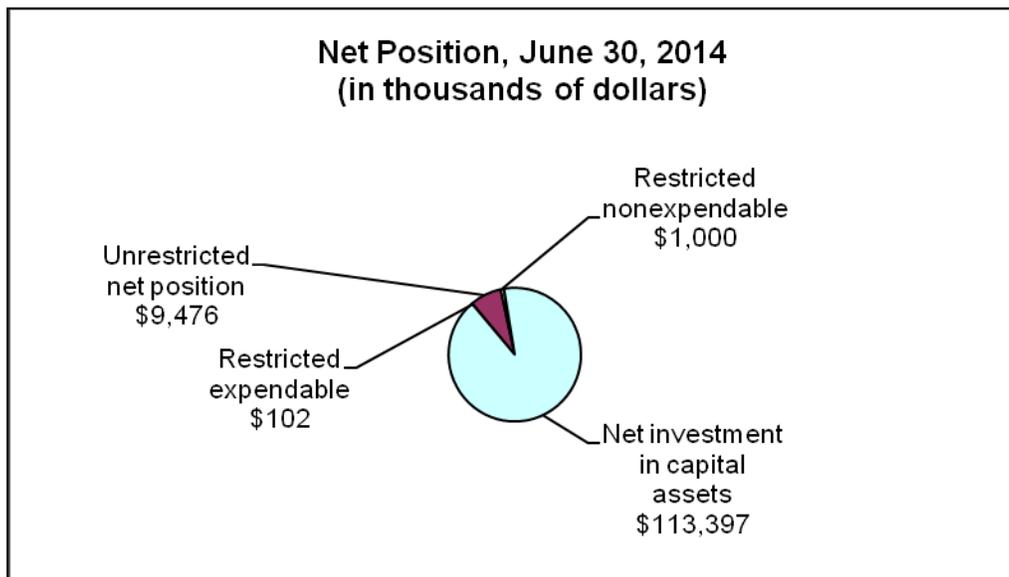
# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2014 and 2013

### Statements of Net Position (continued)

The total assets of the College increased by \$2.9 million. This increase was primarily due to an increase of \$2.8 million in current assets and an increase of \$0.2 million in non-current assets. The total liabilities for the year decreased by \$1.8 million, primarily through the routine retirement of debt. This combination of an increase in total assets of \$2.9 million and a decrease in total liabilities of \$1.8 million resulted in an increase in total net position of \$4.8 million. In the prior period, total assets increased by \$0.8 million and liabilities decreased by \$0.5 million, resulting in a change in total net position of \$1.3 million.

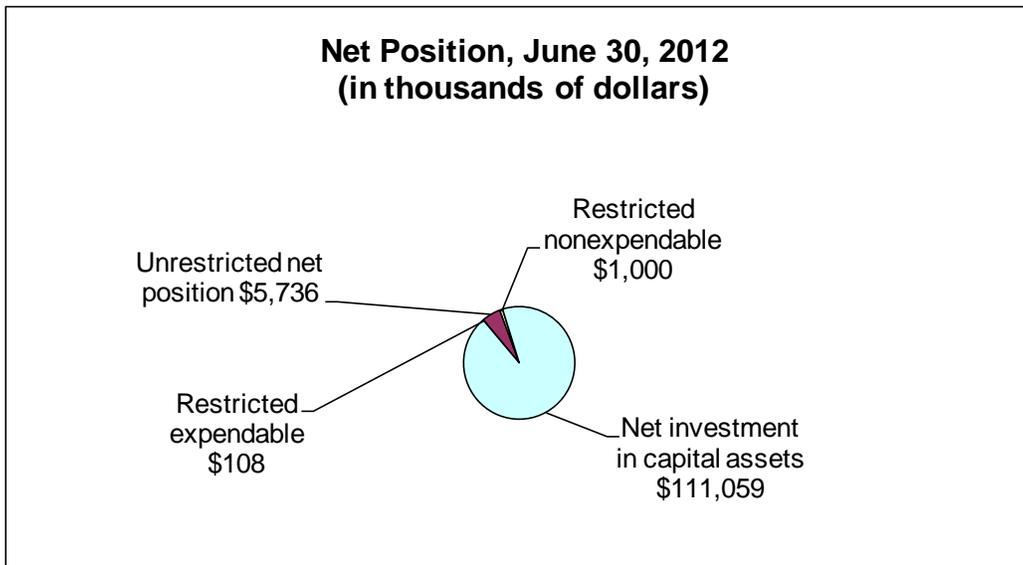
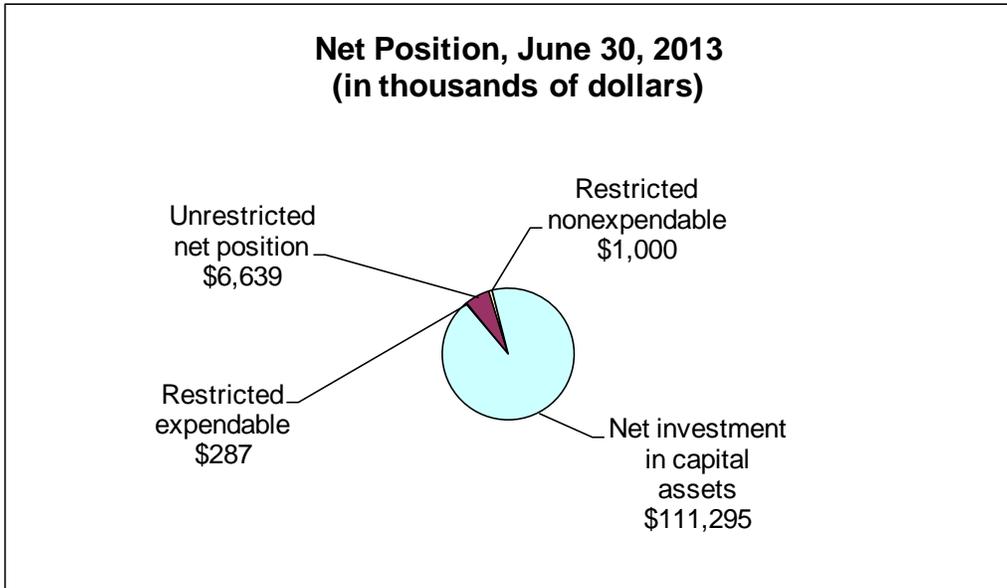
Net position is divided into three major categories. The first category, net investment in capital assets, includes the College's equity in property, plant and equipment owned by the College. The next category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for use by the College, but must be spent only for purposes specified by donors. The final category is unrestricted net position, which is available to be expended for any lawful purpose of the College. The following graphs detail net position by category held by the College as of June 30, 2014, 2013, and 2012, respectively.



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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

**Statements of Net Position (continued)**



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

## ST. MARY'S COLLEGE OF MARYLAND

### Management's Discussion and Analysis June 30, 2014 and 2013

#### Statements of Net Position (continued)

#### Breakdown of Unrestricted Net Position (in thousands of dollars)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Encumbrances and carryovers for general operating purposes	\$ 1,395	\$ 861	\$ 885
Encumbrances for capital projects	1,326	442	480
Funds designated for current plant projects	959	54	103
Funds designated for future plant projects	(2,797)	(1,103)	(1,232)
Funds functioning as endowments	1,899	1,431	1,460
Unrestricted funds for general operating purposes	6,694	4,954	4,040
<b>Total Unrestricted Net Position</b>	<u><u>\$ 9,476</u></u>	<u><u>\$ 6,639</u></u>	<u><u>\$ 5,736</u></u>

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

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position. 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.

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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

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

**Condensed Statements of Revenue, Expenses, and Changes in Net Position (in thousands of dollars):**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating Revenues			
Tuition and fees, less scholarships and waivers	\$ 23,515	\$ 24,545	\$ 25,192
Grants and contracts	3,660	3,501	2,595
Sales and services of educational departments	1,097	1,078	1,293
Auxiliary enterprises	18,175	19,058	18,831
Other operating revenues	57	83	349
Total Operating Revenues	<u>46,504</u>	<u>48,265</u>	<u>48,260</u>
Operating Expenses	<u>63,582</u>	<u>65,097</u>	<u>66,862</u>
Operating loss	<u>(17,078)</u>	<u>(16,832)</u>	<u>(18,602)</u>
Non-operating revenues			
State appropriations	19,843	18,382	17,961
Other nonoperating income (deficit)	(1,075)	(790)	(780)
Net non-operating revenues	<u>18,768</u>	<u>17,592</u>	<u>17,181</u>
Operating surplus	<u>1,690</u>	<u>760</u>	<u>(1,421)</u>
Capital appropriations	<u>3,064</u>	<u>557</u>	<u>811</u>
Increase in Net Position	<u>4,754</u>	<u>1,318</u>	<u>(610)</u>
Net position at beginning of year, as restated	<u>119,221</u>	<u>117,903</u>	<u>118,513</u>
<b>Net Position at End of Year</b>	<u><u>\$ 123,975</u></u>	<u><u>\$ 119,221</u></u>	<u><u>\$ 117,903</u></u>

# ST. MARY'S COLLEGE OF MARYLAND

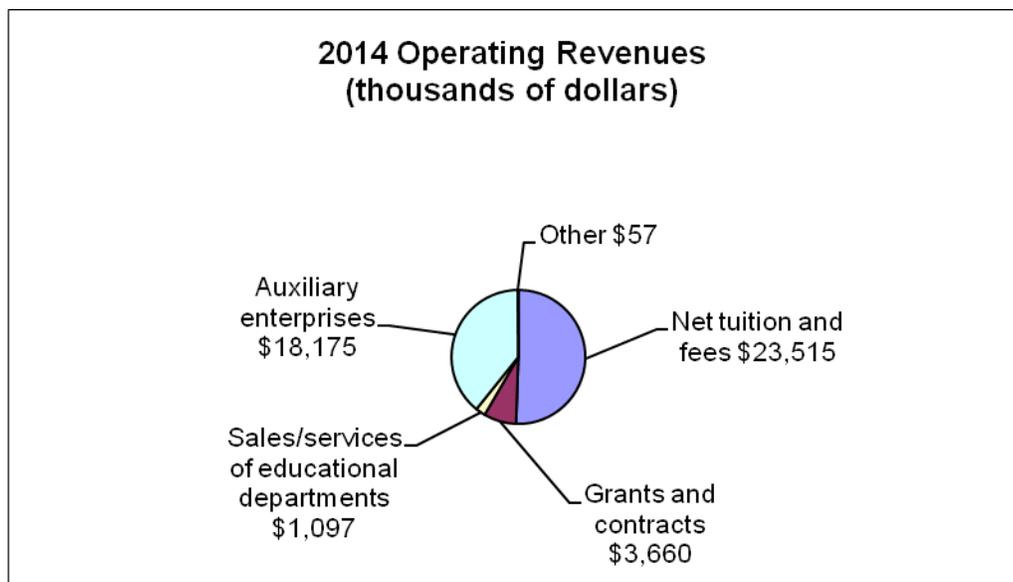
## Management's Discussion and Analysis June 30, 2014 and 2013

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

Net position increased by \$4.8 million, or 3%, for 2014. The increase resulted primarily from decreased operating revenues, increased state operating and capital appropriations and reduced expenditures. Operating expenses decreased by \$1.5 million mainly as a result of budget reductions necessary to align expenditures with reduced revenues as a result of declining enrollment. Additionally, \$1.7 million in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments have been included in operating expenses in 2014, in accordance with accounting principles generally accepted in the United States. Similarly, net position increased \$1.3 million, or 1%, between June 30, 2012, and June 30, 2013.

### Operating Revenues

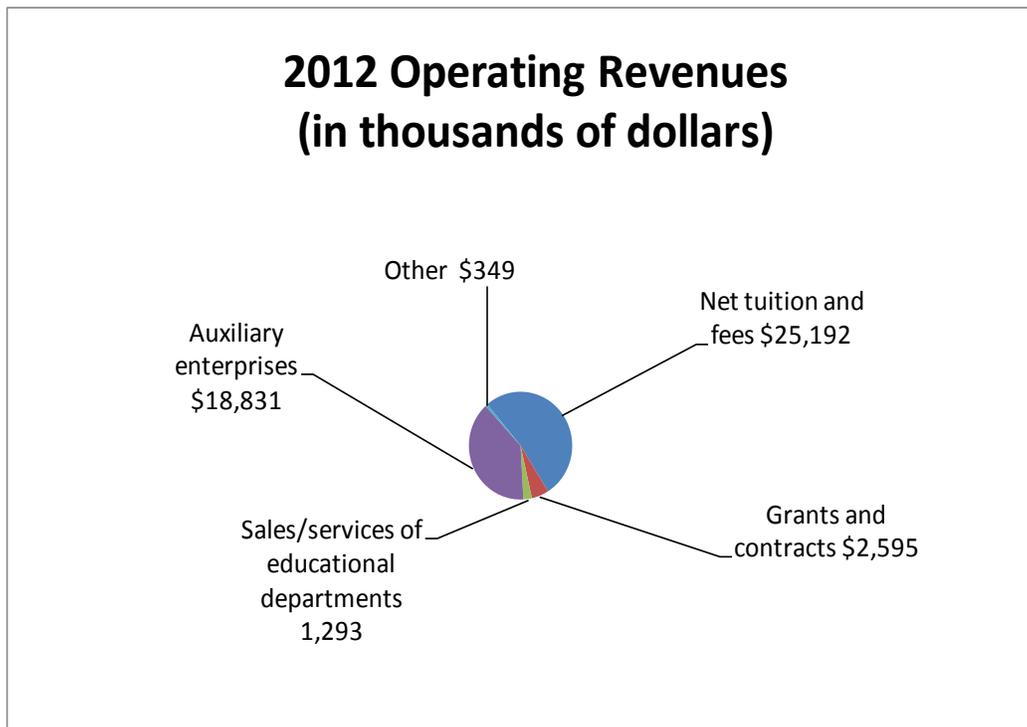
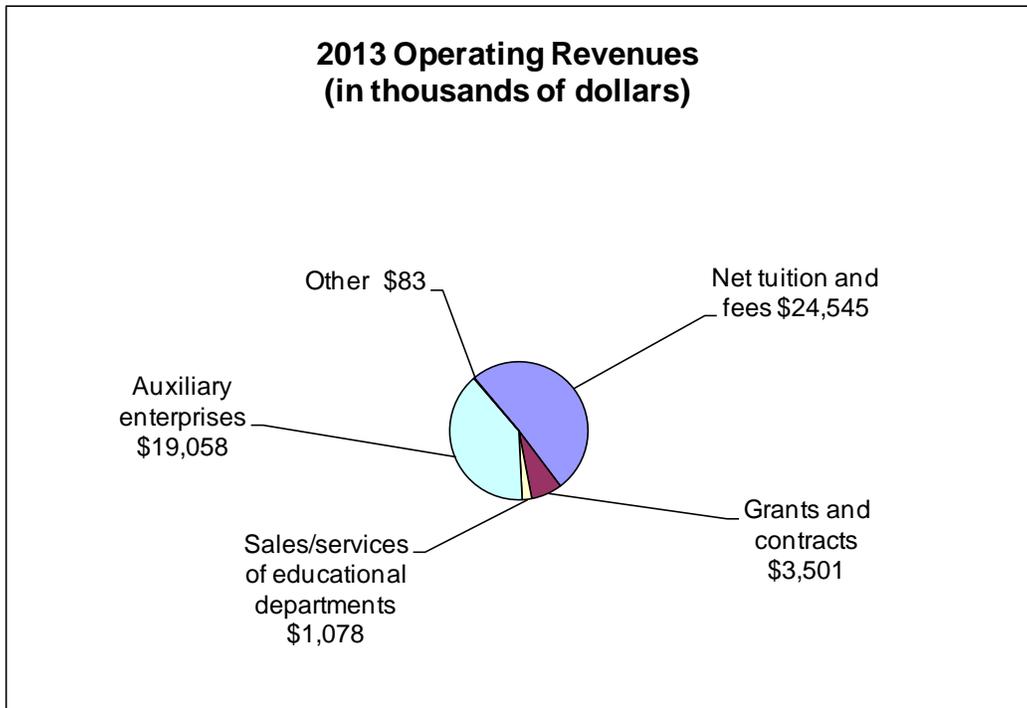
Total operating revenues for fiscal year 2014, were \$46.5 million. The graphs below show comparisons of operating revenues for fiscal years 2014, 2013, and 2012:



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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

**Operating Revenues (continued)**



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

### **Management's Discussion and Analysis June 30, 2014 and 2013**

#### **Tuition and Fees**

Tuition and fees, less scholarships and waivers, of \$23.5 million, accounted for 51% of total operating revenue and decreased 4% from the prior year due to declining enrollment. 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 \$1.1 million. Examples of educational activity include conferences and study abroad fees.

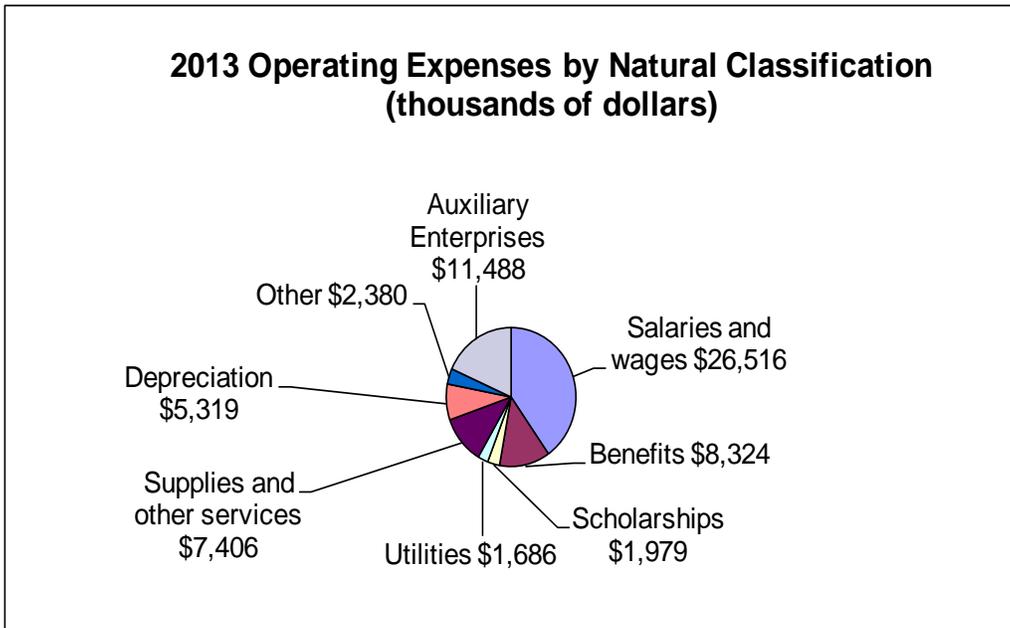
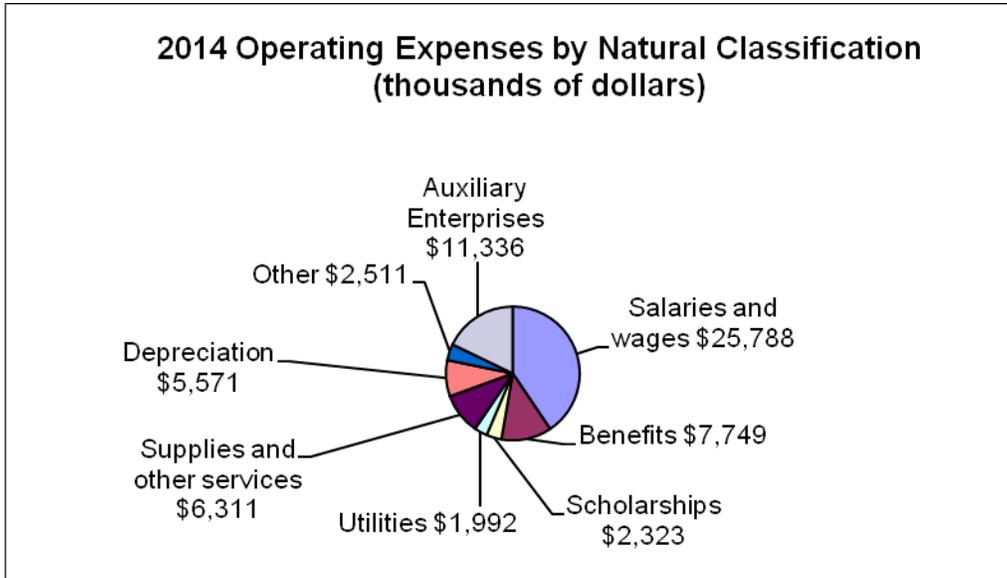
#### **Operating Expenses**

Operating expenses for 2014, totaled \$63.6 million. Of this total, \$20.3 million, or 32%, was for instruction. Operating expenses include salaries and benefits of \$33.5 million, scholarships and grants of \$2.3 million, non-auxiliary utilities of \$2 million, supplies and other services of \$6.3 million, and depreciation of \$5.6 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, 2014 and 2013**

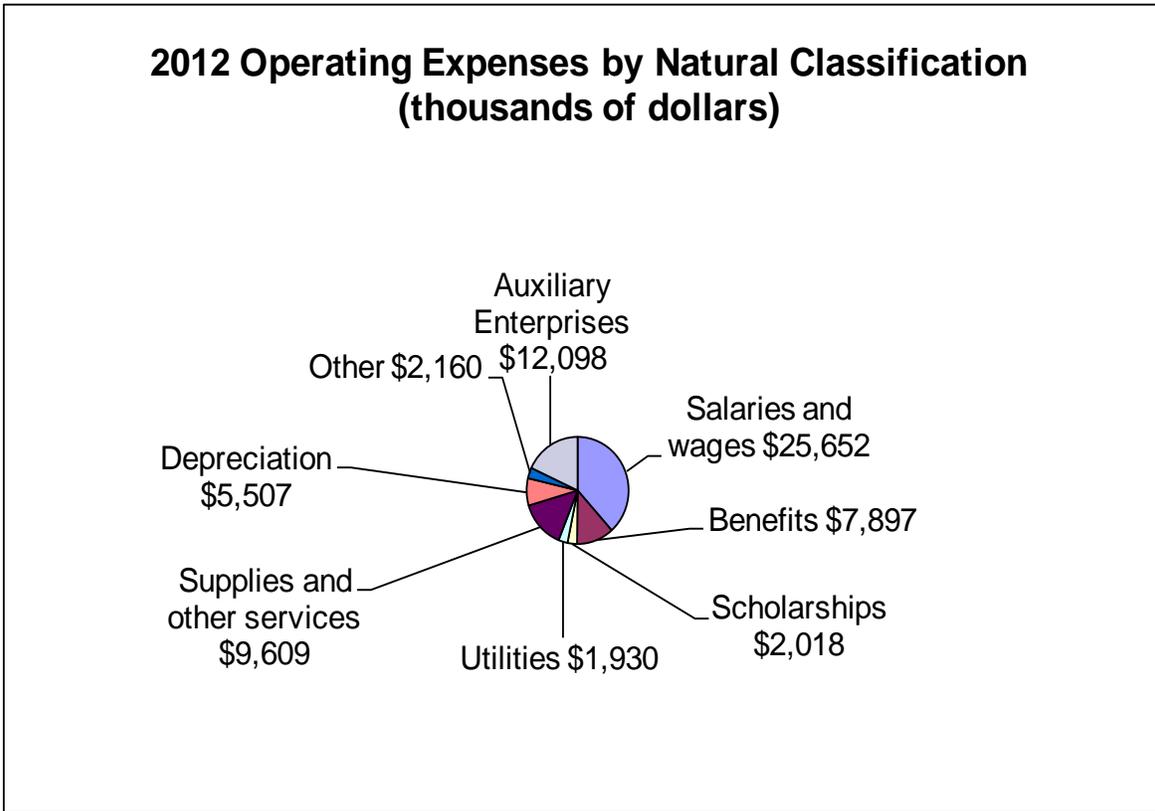
**Operating Expenses (continued)**



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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

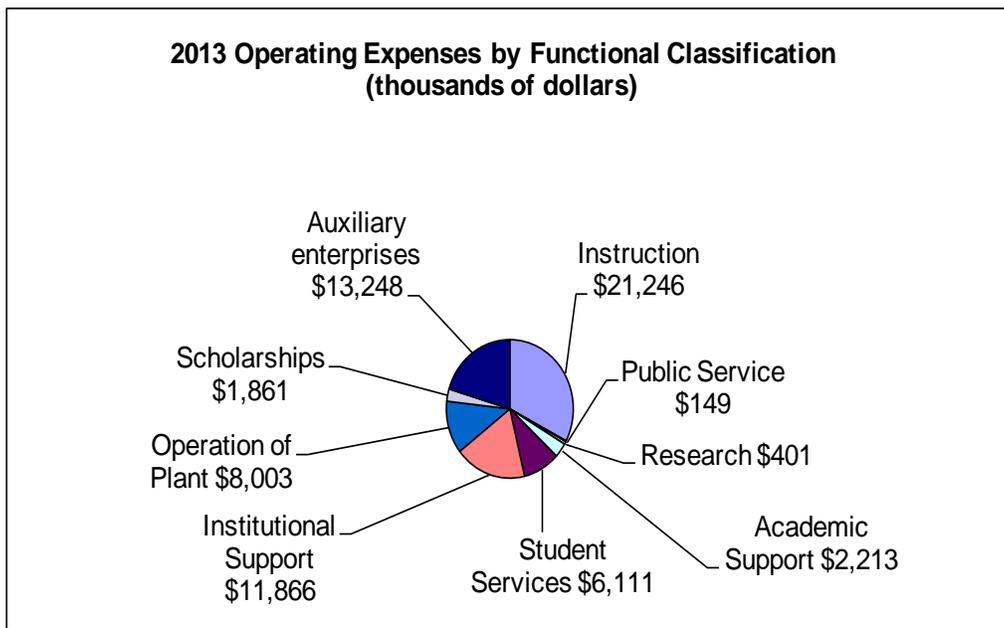
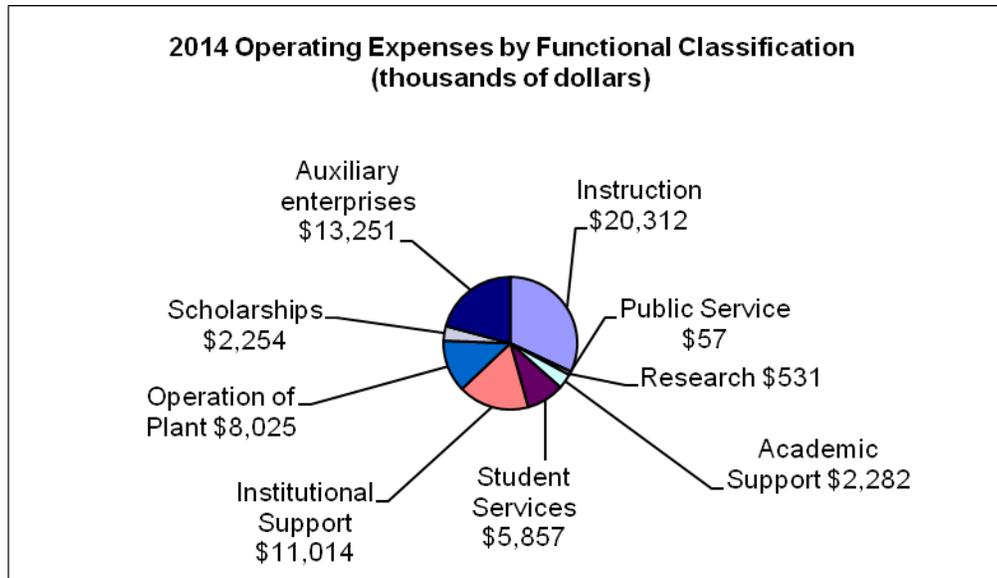
**Operating Expenses (continued)**



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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

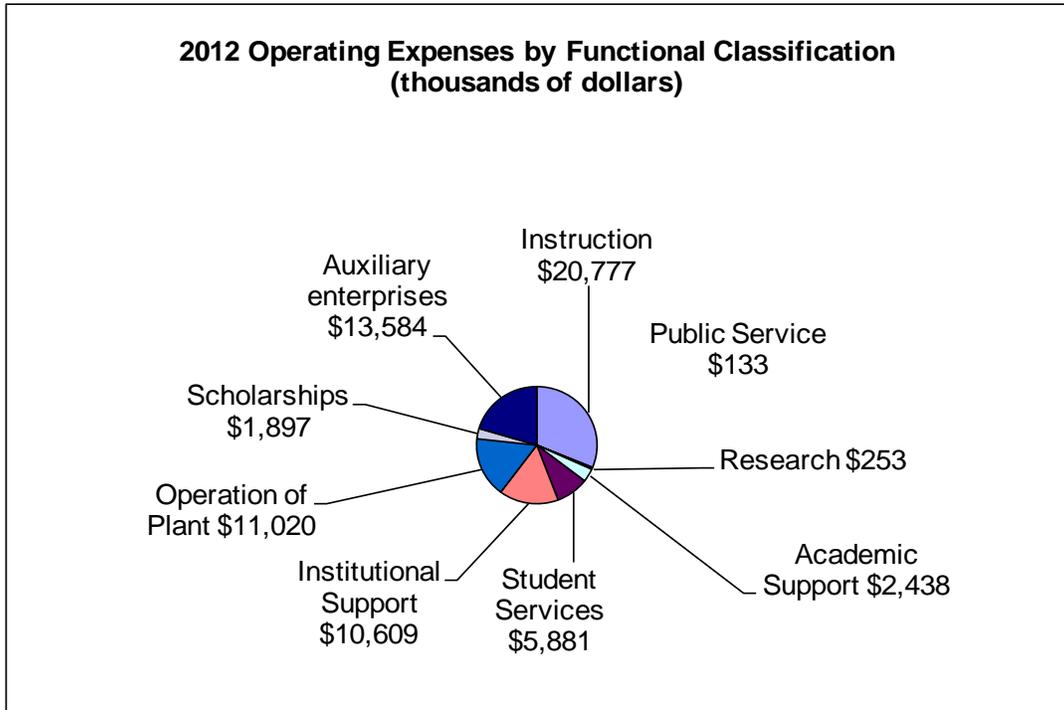
**Operating Expenses (continued)**



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

**Management's Discussion and Analysis  
June 30, 2014 and 2013**

**Operating Expenses (continued)**



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

### **Management's Discussion and Analysis June 30, 2014 and 2013**

#### **State Appropriation**

The largest inflow in the non-capital financing activities group is the State appropriation of \$19.8 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 percent. The State appropriation provides approximately 29% of the operating budget for the College. The College has been successful in seeking additional state funding in recent years. Such funding was provided in 2014 for the purpose of freezing tuition and a DeSousa Brent completion grant.

#### **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 Position. 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, 2014 and 2013

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash and Cash Equivalents From:			
Operating Activities	\$ (11,113)	\$ (10,243)	\$ (12,208)
Non-capital Financing Activities	22,715	19,058	19,412
Capital and Related Financing Activities	(9,065)	(6,823)	(10,434)
Investing Activities	642	809	589
Net Change in Cash and Cash Equivalents	<u>3,179</u>	<u>2,801</u>	<u>(2,641)</u>
Cash and Cash Equivalents, Beginning of Year	<u>14,779</u>	<u>11,978</u>	<u>14,619</u>
<b>Cash, End of Year</b>	<b><u>\$ 17,958</u></b>	<b><u>\$ 14,779</u></b>	<b><u>\$ 11,978</u></b>

### Campus Enrollment

In May of 2013 it became apparent that enrollment for the year ended June 30, 2014 would fall short of our initial budgeted goals. A campus wide consultative process took place over the summer of 2013 in which operating expense budgets were reduced by the \$3.5 million required to bring expenditures in line with available revenues. During fiscal year 2014, the College made many changes to the admissions process and hired a new Vice President for Enrollment Management. The recruiting season for the class entering in the Fall of 2014 was more successful with the entering class size stabilizing at the levels achieved the prior year after extensive additional recruitment over the summer. Recruitment remains an ongoing challenge for the College moving forward.

### Fall 2005 to Fall 2013 Full-time, Part-time, and FTE Enrollment:

Fall Semester	Full-time:		Part-time:		Away Students:		Full-time Equivalent**	
	N	(%)	N	(%)	N	(%)	Total	(FTE)
2013	1,722	92.70%	69	3.70%	67	3.60%	1,858	1,878
2012	1,797	93.00%	65	3.36%	71	3.67%	1,933	1,960
2011	1,837	92.22%	61	3.06%	94	4.72%	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	5.78%	2,060	2,190
2008	1,905	92.25%	73	3.54%	87	4.21%	2,065	2,095
2007	1,839	91.86%	74	3.70%	89	4.45% *	2,002	2,033
2006	1,815	92.70%	86	4.39%	56	2.86%	1,957	2,003
2005	1,824	92.90%	115	5.86%	25	1.27%	1,964	2,039

\*Away students refer to St. Mary's students studying abroad or on another U.S. campus includes one part-time student.

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

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

### **Management's Discussion and Analysis June 30, 2014 and 2013**

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

Capital additions totaled \$5.9 million in fiscal year 2014. 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 \$3.1 million, student paid facility fee revenues, and unrestricted net position which are designated for capital purposes. The principal balance of revenue bond and notes payable declined by \$1.8 million, for the year ended June 30, 2014, compared with a similar decline of \$1.9 million, in the prior year as the College continues its scheduled debt payments.

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, enrollment trends and rising energy costs impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

The Maryland State appropriation contributed \$19.8 million in non-operating revenues. The level of support is therefore one of the key factors influencing the College's financial condition. During the 2014 legislative session, the College received \$800 thousand in additional support from the State of Maryland and \$816 thousand to freeze tuition rates for the fiscal year 2015. The College received a \$1.5 million addition from the State appropriation to be used to reduce the tuition price for Maryland state residents. In May of 2014, the Board of Trustees reduced the in-state price by \$1,050 or 8.6%. Additionally, the College received funds for the DeSousa Brent Completion Grant which phases in over 3 years to a total of \$800 thousand. The grant challenges the College to increase the 4-year graduation rate of our underrepresented students to 70% for the Fall 2015 cohort.

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 2013 - 2014. 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. Reduced interest earnings to the College from cash balances held by the Maryland State Treasurer have also restrained expenditures in many areas.

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

### **Management's Discussion and Analysis June 30, 2014 and 2013**

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

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

This financial report is designed to provide a general overview of St. Mary's College finances for all those with an interest in the College's finances. Questions concerning any additional information should be addressed to the Assistant Vice President for Finance, St. Mary's College of Maryland, 18952 E. Fisher Road, St. Mary's City, MD 20686-3001; or [cjtrue@smcm.edu](mailto:cjtrue@smcm.edu).

# ST. MARY'S COLLEGE OF MARYLAND

## Statements of Net Position June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,957,952	\$ 14,779,263
Accounts receivable, net	668,011	1,015,758
Inventories	347,877	357,306
Prepaid expenses and other assets	36,872	108,425
<b>Total Current Assets</b>	<u>19,010,712</u>	<u>16,260,752</u>
Noncurrent assets:		
Endowment investments	2,413,128	2,552,492
Other restricted investments	118,619	123,957
Notes receivable, net	266,835	276,474
Capital assets, net	143,473,990	143,119,611
<b>Total Noncurrent Assets</b>	<u>146,272,572</u>	<u>146,072,534</u>
<b>Total Assets</b>	<u>165,283,284</u>	<u>162,333,286</u>
Deferred outflow of resources:		
Deferred charge on refunding	1,889,055	1,984,421
<b>Total Assets and Deferred Outflow of Resources</b>	<u>167,172,339</u>	<u>164,317,707</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	5,430,828	5,375,379
Accrued vacation, current portion	915,840	898,556
Accrued workers' compensation, current portion	72,075	60,760
Bonds and notes payable, current	1,994,447	1,866,527
Unearned revenue	728,583	892,837
<b>Total Current Liabilities</b>	<u>9,141,773</u>	<u>9,094,059</u>
Noncurrent liabilities:		
Bonds and notes payable	33,096,273	35,131,479
Accrued vacation	92,804	131,904
Accrued workers' compensation	392,925	331,240
Capital lease	65,581	-
Federal Perkins funds	407,510	407,510
<b>Total Noncurrent Liabilities</b>	<u>34,055,093</u>	<u>36,002,133</u>
<b>Total Liabilities</b>	<u>43,196,866</u>	<u>45,096,192</u>
<b>NET POSITION</b>		
Net investment in capital assets	113,397,410	111,295,287
Restricted nonexpendable:		
Scholarships and fellowships	1,000,117	1,000,117
Restricted expendable:		
Research	16,707	207,410
Loans	65,844	59,880
Scholarships and fellowships	19,894	19,894
Unrestricted	9,475,501	6,638,927
<b>Total Net Position</b>	<u>\$ 123,975,473</u>	<u>\$ 119,221,515</u>

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

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

**Statements of Financial Position – St. Mary's Foundations – Component Unit  
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 2,609,371	\$ 2,006,917
Investments	32,886,896	28,683,564
Investments - gift annuity	1,127,894	942,154
Receivables	3,279	37,759
Other assets	132,627	141,345
Promises to give, net	1,615,275	1,792,782
Property and equipment, net	8,819	348,093
<b>Total Assets</b>	<b><u>\$ 38,384,161</u></b>	<b><u>\$ 33,952,614</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 488,817	\$ 443,210
Deferred revenue	23,123	-
Gift annuity	760,662	755,912
<b>Total Liabilities</b>	<b><u>1,272,602</u></b>	<b><u>1,199,122</u></b>
<b>Net Assets</b>		
Unrestricted	633,781	1,106,455
Temporarily restricted	9,824,940	6,240,851
Permanently restricted	26,652,838	25,406,186
<b>Total Net Assets</b>	<b><u>37,111,559</u></b>	<b><u>32,753,492</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 38,384,161</u></b>	<b><u>\$ 33,952,614</u></b>

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 Position Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Student tuition and fees ( <i>less scholarships and waivers of: \$6,007,133 in 2014 and \$5,8972,622 in 2013</i> )	\$ 23,515,407	\$ 24,545,384
Grants and Contracts:		
Federal	1,833,952	1,905,887
State	202,605	132,297
Other	1,623,441	1,462,440
Sales and services	1,097,013	1,078,128
Auxiliary enterprises:		
Residence facilities, net of waivers of \$103,887 and \$98,907 respectively	10,472,969	10,602,049
Dining services, net of waivers of \$38,273 and \$36,520 respectively	6,018,212	6,552,353
Bookstore	1,612,831	1,822,812
Other auxiliary enterprises revenues	70,633	80,459
Other operating revenues	56,918	83,233
<b>Total Operating Revenues</b>	<u>46,503,981</u>	<u>48,265,042</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	20,311,803	21,246,111
Research	530,645	400,569
Public Service	56,920	148,787
Academic support	2,281,548	2,212,806
Student services	5,856,568	6,110,551
Institutional support	11,014,337	11,865,789
Operations of plant	8,024,662	8,003,244
Scholarships and fellowships	2,254,256	1,861,493
Auxiliary enterprises	13,251,493	13,247,788
<b>Total Operating Expenses</b>	<u>63,582,232</u>	<u>65,097,138</u>
<b>Operating Loss</b>	<u>(17,078,251)</u>	<u>(16,832,096)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	19,842,642	18,382,876
Gifts and grants	-	118,187
Other transfers	(192,034)	-
Investment gains and losses	278,376	177,860
Interest income	231,747	183,527
Interest on indebtedness	(1,392,718)	(1,269,644)
<b>Net Non-Operating Revenues</b>	<u>18,768,013</u>	<u>17,592,806</u>
Gain (loss) before other revenues, expenses, gains, or loss	1,689,762	760,710
Other revenues, expenses, gains and losses:		
Capital state appropriation	3,064,196	557,351
Net increase in net position	<u>4,753,958</u>	<u>1,318,061</u>
<b>NET POSITION</b>		
Net position, beginning of year, as restated	119,221,515	117,903,454
<b>Net Position, End of Year</b>	<u>\$ 123,975,473</u>	<u>\$ 119,221,515</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 Year Ended June 30, 2014, With 2013 Comparative Totals

	2014			Total	2013
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and Revenue</b>					
Contributions	\$ 205,087	\$ 865,654	\$ 1,259,652	\$ 2,330,393	\$ 3,238,556
Donated services	1,244,676	-	-	1,244,676	1,251,708
Event revenue	172,781	4,360	-	177,141	203,961
Sponsorship	-	-	-	-	105,667
Investment income	153,471	3,950,932	-	4,104,403	2,052,357
Other revenue	3,661	26,022	-	29,683	100,249
Net assets released from restrictions	1,275,879	(1,262,879)	(13,000)	-	-
<b>Total Support and Revenue</b>	<b>3,055,555</b>	<b>3,584,089</b>	<b>1,246,652</b>	<b>7,886,296</b>	<b>6,952,498</b>
<b>Expenses</b>					
Program services:					
Support to St. Mary's College of Maryland					
Scholarships	613,647	-	-	613,647	622,418
Athletics	98,420	-	-	98,420	84,527
Academic chair	7,763	-	-	7,763	5,397
Waterfront	7,828	-	-	7,828	99,207
Facilities	8,480	-	-	8,480	4,680
International Studies	4,104	-	-	4,104	2,660
Alumni Activities	114,015	-	-	114,015	110,781
College department/division support	713,236	-	-	713,236	160,359
Washington D.C. program	-	-	-	-	10,944
Center for study of democracy	74,479	-	-	74,479	134,460
Crew team	600	-	-	600	3,075
Art Alliance	21,535	-	-	21,535	21,578
Lectureship series	696	-	-	696	4,867
Faculty support	11,419	-	-	11,419	22,000
Student activities	12,900	-	-	12,900	9,923
Poetry festival	-	-	-	-	250
Sailing	27,772	-	-	27,772	16,151
Sub-total	1,716,894	-	-	1,716,894	1,313,277
River concert series	78,033	-	-	78,033	254,274
Gift annuities	-	-	-	-	5,500
Governor's Cup	3,800	-	-	3,800	300
Facility/events	-	-	-	-	-
Community connection	1,162	-	-	1,162	-
Family weekend	313	-	-	313	-
Total program services	1,800,202	-	-	1,800,202	1,573,351
Supporting services:					
Management and general	1,114,581	-	-	1,114,581	845,105
Fundraising	613,446	-	-	613,446	801,314
Total supporting services	1,728,027	-	-	1,728,027	1,646,419
<b>Total Expenses</b>	<b>3,528,229</b>	<b>-</b>	<b>-</b>	<b>3,528,229</b>	<b>3,219,770</b>
Change in net assets	(472,674)	3,584,089	1,246,652	4,358,067	3,732,728
Net assets, beginning of year	1,106,455	6,240,851	25,406,186	32,753,492	29,020,764
<b>Net assets, End of Year</b>	<b>\$ 633,781</b>	<b>\$ 9,824,940</b>	<b>\$ 26,652,838</b>	<b>\$ 37,111,559</b>	<b>\$ 32,753,492</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  
Year Ended June 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 142,214	\$ 1,215,038	\$ 1,881,304	\$ 3,238,556
Donated services	1,251,708	-	-	1,251,708
Event revenue	194,892	9,069	-	203,961
Sponsorship	-	105,667	-	105,667
Investment income	137,398	1,914,959	-	2,052,357
Other revenue	81,619	18,630	-	100,249
Net assets released from restrictions	1,768,367	(1,678,338)	(90,029)	-
<b>Total Support and Revenue</b>	<b>3,576,198</b>	<b>1,585,025</b>	<b>1,791,275</b>	<b>6,952,498</b>
<b>EXPENSES</b>				
Program services:				
Support to St. Mary's College of Maryland:				
Scholarships	622,418	-	-	622,418
Athletics	84,527	-	-	84,527
Academic chair	5,397	-	-	5,397
Waterfront	99,207	-	-	99,207
Facilities	4,680	-	-	4,680
International studies	2,660	-	-	2,660
Alumni activities	110,781	-	-	110,781
College department/division support	160,359	-	-	160,359
Washington D.C. Program	10,944	-	-	10,944
Center for democracy	134,460	-	-	134,460
Crew team	3,075	-	-	3,075
Art alliance	21,578	-	-	21,578
Lectureship series	4,867	-	-	4,867
Faculty support	22,000	-	-	22,000
Student activities	9,923	-	-	9,923
Poetry festival	250	-	-	250
Sailing	16,151	-	-	16,151
Subtotal	1,313,277	-	-	1,313,277
River concert series	254,274	-	-	254,274
Gift annuities	5,500	-	-	5,500
Governor's Cup	300	-	-	300
Community connection	-	-	-	-
Total program services	1,573,351	-	-	1,573,351
Supporting services:				
Management and general	845,105	-	-	845,105
Fundraising	801,314	-	-	801,314
Total supporting services	1,646,419	-	-	1,646,419
<b>Total Expenses</b>	<b>3,219,770</b>	<b>-</b>	<b>-</b>	<b>3,219,770</b>
Change in net assets	356,428	1,585,025	1,791,275	3,732,728
Net assets, beginning of year	750,027	4,655,826	23,614,911	29,020,764
<b>Net assets, End of Year</b>	<b>\$ 1,106,455</b>	<b>\$ 6,240,851</b>	<b>\$ 25,406,186</b>	<b>32,753,492</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees (net of all scholarships and grants)	\$ 21,542,577	\$ 22,253,113
Grants and contracts	3,659,998	3,500,624
Salaries and benefits	(33,632,009)	(33,865,007)
Payments to suppliers	(10,519,067)	(10,897,284)
Loans issued to students	(58,000)	(57,000)
Collection of student loans	64,770	52,383
Sales-auxiliary enterprises	18,174,645	19,057,673
Expenses-auxiliary enterprises	(11,335,718)	(11,488,275)
Other receipts	989,677	1,200,920
<b>Net Cash from Operating Activities</b>	<u>(11,113,127)</u>	<u>(10,242,853)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	22,906,838	18,940,227
Other transfers	(192,034)	-
Noncapital gifts and grants	-	118,187
<b>Net Cash from Non-capital Financing Activities</b>	<u>22,714,804</u>	<u>19,058,414</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(5,860,471)	(3,668,328)
Principal paid on long term debt	(1,851,659)	(1,924,323)
Interest paid on long term debt	(1,352,979)	(1,230,850)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>(9,065,109)</u>	<u>(6,823,501)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	219,043	80,716
Proceeds from sales of investments	423,078	728,637
<b>Net Cash from Investing Activities</b>	<u>642,121</u>	<u>809,353</u>
Net change in cash and cash equivalents	3,178,689	2,801,413
Cash and cash equivalents, beginning of year	14,779,263	11,977,850
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 17,957,952</u>	<u>\$ 14,779,263</u>
<b>Supplementary Disclosure</b>		
Interest expense paid during the year	\$ 1,392,718	\$ 1,269,644
Assets purchased with capital lease	<u>\$ 65,581</u>	<u>\$ -</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (17,078,251)	\$ (16,832,096)
Adjustments to reconcile operating loss to net cash from operating activities		
Non-cash expenses:		
Depreciation	5,571,674	5,318,782
Paid from bond funds	5,337	(27)
Accrued vacation	(21,816)	11,308
Other noncash expenses	67,662	60,988
Effect of changes of non-cash operating assets and liabilities:		
Receivables, net	347,747	(311,470)
Notes receivable, net	9,639	(6,020)
Inventories	9,429	1,191
Prepaid expenses and other assets	71,553	39,199
Accounts payable	214,473	497,548
Salaries payable	(146,320)	938,185
Deferred revenue	(164,254)	39,559
<b>Net Cash from Operating Activities</b>	<u><u>\$ (11,113,127)</u></u>	<u><u>\$ (10,242,853)</u></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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,358,067	\$ 3,732,728
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions received for endowment	(1,259,652)	(1,881,304)
Realized and unrealized (gains) losses on investments	(3,593,838)	(1,515,488)
Discounts and allownace on promises to give	(80,321)	93,679
Uncollectible promise to give	33,215	139,869
Donated securities	(27,474)	(80,813)
Loss on disposal of property and equipment	375	-
Transfer of property and equipment to the College	338,899	-
Changes in assets and liabilities		
Receivables, net	34,480	53,558
Promises to give	224,613	(993,589)
Other assets	8,718	6,750
Accounts payable and accrued expenses	45,607	(33,804)
Deferred revenue	23,123	(104,349)
Gift annuity	4,750	(33,683)
<b>Net Cash from Operating Activities</b>	<u>110,562</u>	<u>(616,446)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(9,426,449)	(21,335,625)
Proceeds from sale of investments	8,658,689	20,450,556
<b>Net Cash from Investing Activities</b>	<u>(767,760)</u>	<u>(885,069)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received for endowment	<u>1,259,652</u>	<u>1,881,304</u>
Net increase in cash and cash equivalents	602,454	379,789
Cash and cash equivalents, beginning of year	2,006,917	1,627,128
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,609,371</u>	<u>\$ 2,006,917</u>
Supplementary Disclosure of Noncash Investing Activity		
Donated Securities	<u>\$ 27,474</u>	<u>\$ 80,813</u>
Transfer of Property and Equipment to the College	<u>\$ 338,899</u>	<u>\$ -</u>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 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, 2014, and 2013, the Foundation distributed \$1,716,894, and \$1,313,277 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, 2014 and 2013

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **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.

#### **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.

#### **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.

#### **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.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

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

#### **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.

#### **Unearned Revenue**

Unearned revenue includes 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.

#### **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.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

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

#### Net Position - College

The College's net position is classified as follows:

*Net investment in capital assets:* This represents the College's net investment in capital assets 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 position – expendable:* Restricted expendable net position represent resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted net position – nonexpendable:* Nonexpendable restricted net position 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 position:* Unrestricted net position 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.

#### 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.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

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

#### 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 College, 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.

#### New Accounting Pronouncements

In June 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 requires debt issuance costs (except prepaid insurance costs) to be recognized as an expense in the period incurred. Previously, these costs were amortized over the life of the related debt issuance. The College implemented GASB 65 in fiscal year 2014 and restated its financial statements. The cumulative impact of the implementation of GASB 65 was a decrease of \$675,156 on beginning net position for fiscal year 2014.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

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

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25*, effective for financial statements for periods beginning after June 15, 2014, Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014, Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for financial statements for reporting periods beginning after December 15, 2014, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The College will implement these statements as of their effective dates, and is still in the process of determining the effect of implementing these GASB statements.

#### **Reclassification**

Certain 2013 financial statement line items have been reclassified to conform to the 2014 presentation.

### 3. CASH AND CASH EQUIVALENTS

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

As of June 30, 2014 and 2013, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$17,412,199 and \$14,115,013, 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, 2014, 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, 2014 and 2013.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 3. CASH AND CASH EQUIVALENTS (continued)

#### Other Cash and Cash Equivalents

As of June 30, 2014 and 2013, the College has cash on deposit with other local banks in the amount of \$545,753, and \$578,361, respectively. The College has statutory responsibility for the management of these funds which are fully insured by Federal depository insurance. As of June 30, 2013, the College had \$85,889 in Alba, Italy for purposes of enabling local program activities. There were no funds in Alba, Italy as of June 30, 2014.

### 4. INVESTMENTS

The fair value of endowment and other investments held by the College as of June 30, 2014, and 2013, were as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Mutual funds	\$ 213,869	\$ 238,379
Corporate bonds	966,696	748,079
U.S. Government Securities	537,162	693,563
U.S. agency and other asset-backed securities	813,041	995,449
Corporate equity securities	979	979
<b>Total Investments</b>	<u>\$ 2,531,747</u>	<u>\$ 2,676,449</u>

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 Advantage Government Money Market Fund, Fannie Mae Guaranteed Securities, Notes and Federal Home Loan Bank Notes.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 4. INVESTMENTS (continued)

As of June 30, 2014, the College's endowment fund had the following fixed income investments, ratings and maturities:

Investment Type	Ratings (S & P)	Fair Value	Investment Maturities (in years)				
			<1	1-5	6-10	11-15	>15
U.S. Government securities	AAA	\$ 537,162	\$ -	\$ 122,805	\$ 242,214	\$ 30,752	\$ 141,391
U.S. Agency & other asset-backed securities	AAA	813,041	-	104,000	260,673	27,419	420,949
Corporate Bonds	AAA	45,020	-	20,331	-	-	24,689
Corporate Bonds	AA	83,546	51,163	32,383	-	-	-
Corporate Bonds	AA-	81,310	56,116	25,194	-	-	-
Corporate Bonds	AA+	53,772	-	53,772	-	-	-
Corporate Bonds	A+	88,089	47,416	25,114	15,559	-	-
Corporate Bonds	A	179,457	20,673	89,194	47,914	-	21,676
Corporate Bonds	A-	186,172	30,475	89,241	33,106	-	33,350
Corporate Bonds	BBB+	183,071	-	171,038	-	-	12,033
Corporate Bonds	BBB	31,378	-	10,420	20,958	-	-
Corporate Bonds	BBB-	16,277	-	-	-	-	16,277
<b>Total</b>		<b>\$ 2,298,295</b>	<b>\$ 205,843</b>	<b>\$ 743,492</b>	<b>\$ 620,424</b>	<b>\$ 58,171</b>	<b>\$ 670,365</b>

*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 generally requires that fixed income securities may consist 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% of the portfolio. As of June 30, 2014, the College had invested \$155,880, of endowment funds in Fannie Mae, amounting to 7% of the College's total investments with Legg Mason.

*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, 2014 and 2013**

**4. INVESTMENTS (continued)**

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

	<u>2014</u>	<u>2013</u>
Equities	\$ 16,285,362	\$ 12,787,488
Fixed Income	5,553,005	5,457,540
Cash Equivalents	2,080,603	2,067,851
Interest in Trust	1,500,329	1,354,544
Alternative Investment	8,595,491	7,958,295
<b>Total Investments</b>	<u>\$ 34,014,790</u>	<u>\$ 29,625,718</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 \$1,500,329 and \$1,354,544, as of June 30, 2014, and 2013, respectively. The Foundation received a distribution of \$70,000 for each of the year's ended June 30, 2014, and 2013, respectively.

The Foundation's investment income consisted of the following for the year ended June 30, 2014, and 2013:

	<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Realized and unrealized gains	\$ 127,247	\$ 3,466,591	\$ 3,593,838
Interest and dividends	26,224	484,341	510,565
<b>Total Investment Income</b>	<u>\$ 153,471</u>	<u>\$ 3,950,932</u>	<u>\$ 4,104,403</u>
	<u>June 30, 2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Realized and unrealized gains	\$ 117,890	\$ 1,397,598	\$ 1,515,488
Interest and dividends	19,508	517,361	536,869
<b>Total Investment Income</b>	<u>\$ 137,398</u>	<u>\$ 1,914,959</u>	<u>\$ 2,052,357</u>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 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:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Restricted - scholarship and fellowships	<u>\$ 1,020,011</u>	<u>\$ 1,020,011</u>
Unrestricted net assets	<u>1,297,867</u>	<u>1,431,467</u>
<b>Total Endowment Net Assets</b>	<b><u><u>\$ 2,317,878</u></u></b>	<b><u><u>\$ 2,451,478</u></u></b>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Student tuition and fees	\$ 129,968	\$ 136,857
Campus store	31,849	80,617
Travel advances	3,079	1,016
Federal, state and private grants and contracts	552,533	814,536
Student monthly payment plan	-	33,220
Other miscellaneous	(16,926)	(16,274)
<b>Total</b>	<u>700,503</u>	<u>1,049,972</u>
Less: allowance for doubtful accounts	(32,492)	(34,214)
<b>Net Accounts Receivable</b>	<u>\$ 668,011</u>	<u>\$ 1,015,758</u>

### 7. COMMITMENTS

As of June 30, 2014, and 2013, there was \$1,394,742, and \$861,478, respectively, of encumbrances and funds designated for future use reported in unrestricted net position. The College does not separately identify the reserve for encumbrances in unrestricted net position.

### 8. INVENTORIES

Inventories consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Health Center	\$ 9,493	\$ 4,596
Housekeeping	2,301	6,883
Central Stores	7,588	8,051
Campus Stores	328,495	337,776
<b>Total Inventories</b>	<u>\$ 347,877</u>	<u>\$ 357,306</u>

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

**9. CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction In-Progress	11,335,343	5,750,660	(7,783,991)	9,302,012
Total Capital Assets Not Being Depreciated	<u>17,282,780</u>	<u>5,750,660</u>	<u>(7,783,991)</u>	<u>15,249,449</u>
Capital Assets, Being Depreciated:				
Infrastructure	7,755,935	-	-	7,755,935
Building and Building Improvements	166,855,515	7,147,617	-	174,003,132
Furnitures, Fixtures and Equipment	12,902,467	320,697	-	13,223,164
Assets purchased with capital lease	(8,560)	65,581	(10,039)	46,982
Library Collections	10,600,798	435,528	-	11,036,326
Total Assets Being Depreciated	<u>198,106,155</u>	<u>7,969,423</u>	<u>(10,039)</u>	<u>206,065,539</u>
Less: Accumulated Depreciation:				
Infrastructure	3,001,538	340,310	-	3,341,848
Building and Building Improvements	49,309,586	4,147,271	-	53,456,857
Furnitures, Fixtures and Equipment	11,199,368	617,979	-	11,817,347
Capital Leases	21,255	-	-	21,255
Library Collections	8,737,577	466,114	-	9,203,691
Total Accumulated Depreciation	<u>72,269,324</u>	<u>5,571,674</u>	<u>-</u>	<u>77,840,998</u>
Total Capital Assets, Being Depreciated, Net	<u>125,836,831</u>	<u>2,397,749</u>	<u>(10,039)</u>	<u>128,224,541</u>
<b>Capital Assets, Net</b>	<u>\$ 143,119,611</u>	<u>\$ 8,148,409</u>	<u>\$ (7,794,030)</u>	<u>\$ 143,473,990</u>

Note – During the fiscal year ended June 30, 2014, there were no changes 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, 2014 and 2013**

**9. CAPITAL ASSETS (continued)**

Following are the changes in capital assets for the year ended June 30, 2013:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2013</b>
Capital Assets, Not Being Depreciated:				
Land and land equipment	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction in Progress	8,411,278	2,924,065	-	11,335,343
<b>Total Capital Assets Not Being Depreciated</b>	<b>14,358,715</b>	<b>2,924,065</b>	<b>-</b>	<b>17,282,780</b>
Capital Assets, Being Depreciated:				
Infrastructure	7,755,935	-	-	7,755,935
Building and Building Improvements	166,855,515	-	-	166,855,515
Furnitures, Fixtures and Equipment	12,840,581	318,863	(256,977)	12,902,467
Capital Leases	4,749	-	(13,309)	(8,560)
Library Collections	10,157,199	443,599	-	10,600,798
<b>Total Assets Being Depreciated</b>	<b>197,613,979</b>	<b>762,462</b>	<b>(270,286)</b>	<b>198,106,155</b>
Less: Accumulated Depreciation				
Infrastructure	2,661,228	340,310	-	3,001,538
Building and Building Improvements	45,800,186	3,509,400	-	49,309,586
Furnitures, Fixtures and Equipment	10,380,925	1,070,530	(252,087)	11,199,368
Capital Leases	21,255	-	-	21,255
Library Collections	8,339,035	398,542	-	8,737,577
<b>Total Accumulated Depreciation</b>	<b>67,202,629</b>	<b>5,318,782</b>	<b>(252,087)</b>	<b>72,269,324</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>130,411,350</b>	<b>(4,556,320)</b>	<b>(18,199)</b>	<b>125,836,831</b>
<b>Capital Assets, Net</b>	<b>\$ 144,770,065</b>	<b>\$ (1,632,255)</b>	<b>\$ (18,199)</b>	<b>\$ 143,119,611</b>

Note – During the fiscal year ended June 30, 2013, there were no changes 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, 2014 and 2013

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Year Ended June 30, 2014				
	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
<b>Bonds:</b>					
Revenue bonds payable	\$ 34,780,000	\$ -	\$ (1,605,000)	\$ 33,175,000	\$ 1,645,000
Unamortized premium/discount	610,769	-	(55,626)	555,143	55,626
<b>Total Bonds</b>	<u>35,390,769</u>	<u>-</u>	<u>(1,660,626)</u>	<u>33,730,143</u>	<u>1,700,626</u>
<b>Other Liabilities:</b>					
Worker's compensation	392,000	261,199	(188,199)	465,000	72,075
Accrued vacation costs	1,030,460	1,192,060	(1,213,876)	1,008,644	915,840
Notes payable	1,607,237	-	(246,660)	1,360,577	293,821
Capital Lease	-	65,581	-	65,581	-
Federal loan program refundable	407,510	-	-	407,510	-
<b>Total Other Liabilities</b>	<u>3,437,207</u>	<u>1,518,840</u>	<u>(1,648,735)</u>	<u>3,307,312</u>	<u>1,281,736</u>
<b>Total Long Term Obligations</b>	<u>\$ 38,827,976</u>	<u>\$ 1,518,840</u>	<u>\$ (3,309,361)</u>	<u>\$ 37,037,455</u>	<u>\$ 2,982,362</u>

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Year Ended June 30, 2013				
	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Bonds and capital leases:</b>					
Revenue bonds payable	\$ 36,465,000	\$ -	\$ (1,685,000)	\$ 34,780,000	\$ 1,605,000
Unamortized premium/discount	667,275	-	(56,506)	610,769	55,626
<b>Total bonds and capital leases</b>	<u>37,132,275</u>	<u>-</u>	<u>(1,741,506)</u>	<u>35,390,769</u>	<u>1,660,626</u>
<b>Other Liabilities:</b>					
Worker's compensation	367,000	164,055	(139,055)	392,000	60,760
Accrued vacation costs	1,019,152	1,245,063	(1,233,755)	1,030,460	898,556
Notes payable	1,846,560	-	(239,323)	1,607,237	205,901
Federal loan program refundable	407,510	-	-	407,510	-
<b>Total other liabilities</b>	<u>3,640,222</u>	<u>1,409,118</u>	<u>(1,612,133)</u>	<u>3,437,207</u>	<u>1,165,217</u>
<b>Total Long Term Obligations</b>	<u>\$ 40,772,497</u>	<u>\$ 1,409,118</u>	<u>\$ (3,353,639)</u>	<u>\$ 38,827,976</u>	<u>\$ 2,825,843</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, 2014 and 2013

### 11. REVENUE BONDS

Revenue bonds consisted of the following (at par) as of:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
2005 Subordinate Revenue Bonds, Series A	\$ <b>15,415,000</b>	\$ 16,110,000
2006 Subordinate Revenue Bonds, Series A	<b>3,765,000</b>	3,850,000
2012 Subordinate Revenue Bonds, Series A	<b>13,995,000</b>	14,820,000
Total Revenue Bonds	<b>33,175,000</b>	34,780,000
GASB 23 Adjustment to 2005/2012 Bond Issuance	<b>(1,889,053)</b>	(1,984,421)
Unamortized Premium/Discount	<b>555,143</b>	610,769
<b>Total</b>	<b>\$ 31,841,089</b>	\$ 33,406,348

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"). In 2012, the College issued \$15,750,000 of revenue bonds to be used to current refund the College's 2002 Series A Bonds, advance refund of the College's 2003 Series A Bonds and to pay the cost of issuance of the 2012 Series A Bonds.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 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.

The 2012 Series A Bonds dated June 6, 2012 and bear interest rates from 2.000% to 4.000%. Annual maturities will increase from 2012 until the payment of \$740,000 becomes due in 2032. The bonds maturing after September 1, 2022 are callable at no premium.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 11. REVENUE BONDS (continued)

Investments totaling \$118,619, and \$123,957, for 2014, and 2013, 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.

#### 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, 2014 and 2013**

**11. REVENUE BONDS (continued)**

**In-Substance Defeasance (continued)**

<u>Date</u>	<u>Prior Debt Services</u>	<u>Refunding Debt Service</u>	<u>Refunding Receipts</u>	<u>Refunding Net Cash Flows</u>	<u>Savings</u>	<u>Present Value to 04/20/2005 @ 4.7%</u>
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 \$943,509, and \$988,858, as of June 30, 2014, and 2013, respectively; and, is reported as a deferred financing outflow.

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, 2014 and 2013**

**11. REVENUE BONDS (continued)**

**In-Substance Defeasance (continued)**

The reacquisition price exceeded the net carrying value of the old debt by \$1,048,983, 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 \$945,545 and \$995,563, as of June 30, 2014, and 2013, respectively, and is reported as a deferred financing outflow.

**Principal and Interest Payments**

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

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Interest</b>	<b>Total</b>
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	1,725,000	1,106,056	2,831,056
2019	1,685,000	1,045,268	2,730,268
2020-2024	9,470,000	4,157,342	13,627,342
2025-2029	9,150,000	2,105,819	11,255,819
2030-2034	5,100,000	583,321	5,683,321
2035-2038	945,000	90,072	1,035,072
<b>Total</b>	<b>\$ 33,175,000</b>	<b>\$ 12,727,766</b>	<b>\$ 45,902,766</b>

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

### **Notes to Financial Statements June 30, 2014 and 2013**

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

##### **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.

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, 2013, the outstanding balance of the defeased Series 2002 and 2003 Bonds was \$3,914,721. As of June 30, 2014, the balance of the defeased Series 2002 and 2003 Bonds was zero.

#### **12. LEASES**

##### **Operating Leases**

The College leases copiers and trailers. Total costs for these operating leases were \$96,052, and \$126,675, for years ended June 30, 2014, and 2013, respectively.

##### **Capital Lease**

In June 2014, the College entered into a lease agreement through the State of Maryland's Equipment Lease Purchase Agreement for a piece of Science Equipment in the amount of \$65,581. As of June 30, 2014, the College has made no lease payments. The principal payment for this lease will begin in fiscal year 2016.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 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.

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, 2014, 2013, and 2012, were \$1,228,721, \$1,121,727, and \$988,869, 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 \$1,088,964, \$1,186,160, and \$1,160,258, for the years ended June 30, 2014, 2013, and 2012, respectively.

## ST. MARY'S COLLEGE OF MARYLAND

### Notes to Financial Statements June 30, 2014 and 2013

#### 13. RETIREMENT PLANS (continued)

##### Optional Retirement Programs (continued)

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, 2014, and 2013, respectively.

##### 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 \$909,137, \$1,271,410, and \$1,071,388, for the years ended June 30, 2014, 2013, and 2012 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.

The College receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the College. The College's administration believes such disallowance, if any, would be immaterial.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2014 and 2013

### 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.

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, 2014, and June 30, 2013.

As of June 30, 2014, the College has recorded \$465,000, in liability associated with workers' compensation. The workers' compensation liability activity for the years ended June 30, 2014, and 2013, 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>
Year ended, June 30, 2014	\$ 392,000	\$ 261,199	\$ (188,199)	\$ 465,000	\$ 72,075
Year ended, June 30, 2013	367,000	164,055	(139,055)	392,000	60,760
Year ended, June 30, 2012	297,000	131,612	(61,612)	367,000	56,885

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

**Notes to Financial Statements  
June 30, 2014 and 2013**

**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	\$ 13,300,529	\$ 355,026	\$ 11,753	\$ 1,048,007	\$ 3,191,029	\$ 6,424,424	\$ 1,457,040	\$ -	\$ -	\$ 25,787,808
Benefits	3,984,110	38,751	-	285,556	953,136	1,813,550	673,962	-	-	7,749,065
Supplies and others services	1,495,879	120,516	45,167	920,745	1,176,853	2,518,619	32,940	-	-	6,310,719
Utilities	2,994	173	-	-	-	-	1,989,185	-	-	1,992,352
Scholarships & grants	80,775	-	-	-	100,679	-	-	2,141,992	-	2,323,446
Auxiliary enterprises	-	-	-	-	-	-	-	-	11,335,718	11,335,718
Other operating expenses	1,447,516	16,179	-	27,240	434,871	257,744	215,637	112,264	-	2,511,451
Depreciation	-	-	-	-	-	-	3,655,898	-	1,915,775	5,571,673
<b>Total Expenses</b>	<b>\$ 20,311,803</b>	<b>\$ 530,645</b>	<b>\$ 56,920</b>	<b>\$ 2,281,548</b>	<b>\$ 5,856,568</b>	<b>\$ 11,014,337</b>	<b>\$ 8,024,662</b>	<b>\$ 2,254,256</b>	<b>\$ 13,251,493</b>	<b>\$ 63,582,232</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	\$ 13,854,359	\$ 152,864	\$ 28,842	\$ 947,898	\$ 3,316,200	\$ 6,614,342	\$ 1,601,309	\$ -	\$ -	\$ 26,515,814
Benefits	4,242,696	8,514	882	289,371	1,070,044	1,909,480	802,699	-	-	8,323,686
Supplies and others services	1,907,935	218,406	117,893	947,791	1,105,866	2,881,440	226,580	-	-	7,405,911
Utilities	15,492	-	-	-	40	-	1,670,017	-	-	1,685,549
Scholarships & grants	6,798	8,000	-	-	102,747	500	-	1,861,353	-	1,979,398
Auxiliary enterprises	-	-	-	-	-	-	-	-	11,488,275	11,488,275
Other operating expenses	1,218,831	12,785	1,170	27,746	515,654	460,027	139,898	140	3,472	2,379,723
Depreciation	-	-	-	-	-	-	3,562,741	-	1,756,041	5,318,782
<b>Total Expenses</b>	<b>\$ 21,246,111</b>	<b>\$ 400,569</b>	<b>\$ 148,787</b>	<b>\$ 2,212,806</b>	<b>\$ 6,110,551</b>	<b>\$ 11,865,789</b>	<b>\$ 8,003,244</b>	<b>\$ 1,861,493</b>	<b>\$ 13,247,788</b>	<b>\$ 65,097,138</b>





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