

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

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

**For the Years Ended June 30, 2017 and 2016**



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

**JUNE 30, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016. 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 reports 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, 2017 and 2016, 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, schedule of proportionate share of net pension liability, and schedule of contributions* 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  
December 22, 2017

*SB & Company, LLC*

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

## **Management's Discussion and Analysis June 30, 2017 and 2016**

### **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 years 2017 and 2016, and 2015 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 and deferred outflows (current and noncurrent), liabilities and deferred inflows (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.

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2017 and 2016

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

	As of		
	June 30, 2017	June 30, 2016	June 30, 2015
<b>Assets:</b>			
Current assets	\$ 27,752	\$ 25,253	\$ 23,006
Noncurrent assets, net	170,072	166,583	154,482
<b>Total Assets</b>	<b>197,824</b>	<b>191,836</b>	<b>177,488</b>
<b>Deferred outflow of resources:</b>			
Deferred financing outflows related to pensions	4,222	3,109	1,430
Deferred charge on refunding	1,603	1,698	1,794
<b>Total Assets and Deferred Outflows</b>	<b>203,649</b>	<b>196,643</b>	<b>180,712</b>
<b>Liabilities:</b>			
Current liabilities	8,982	8,727	10,655
Noncurrent liabilities	44,494	44,204	42,551
<b>Total Liabilities</b>	<b>53,476</b>	<b>52,931</b>	<b>53,206</b>
<b>Deferred inflow of resources</b>			
Deferred financing inflows related to pensions	1,252	987	1,024
<b>Net Position:</b>			
Net investment in capital assets	141,147	134,640	121,253
Restricted - nonexpendable	1,000	1,000	1,000
Restricted - expendable	400	566	311
Unrestricted	6,374	6,519	3,918
<b>Total Net Position</b>	<b>\$ 148,921</b>	<b>\$ 142,725</b>	<b>\$ 126,482</b>

The total assets and deferred outflows of the College increased by \$7 million in 2017 from 2016. This increase was primarily due to an increase of \$2.4 million in current assets and an increase of \$3.5 million in non-current assets and \$1.1 million in deferred outflows of resources, primarily related to pensions. The total liabilities and deferred inflows for the year increased by \$.8 million. This combination of an increase in total assets of \$7 million and an increase in total liabilities of \$.8 million resulted in an increase in total net position of \$6.2 million.

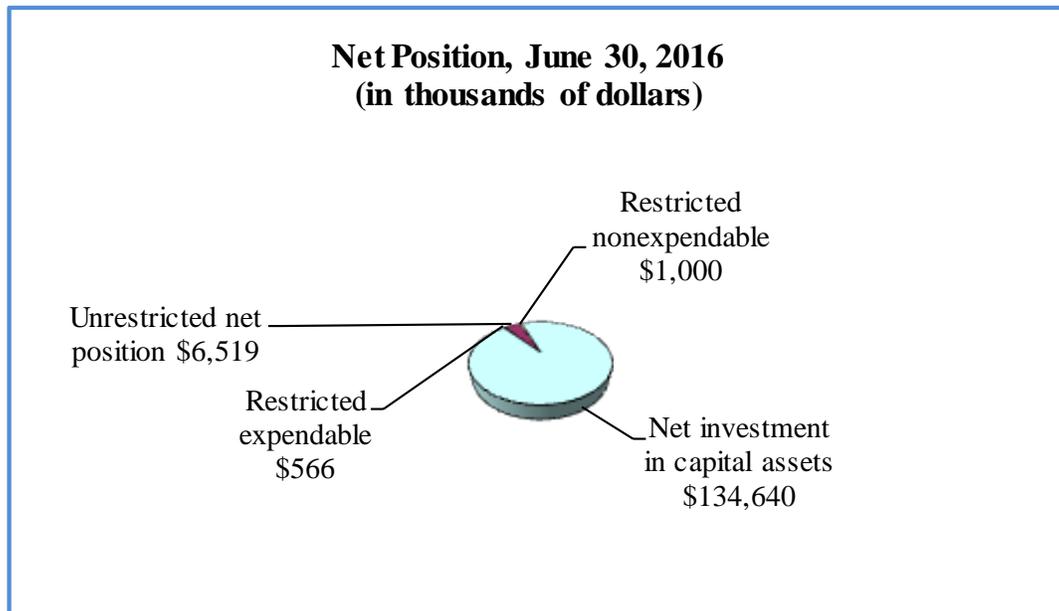
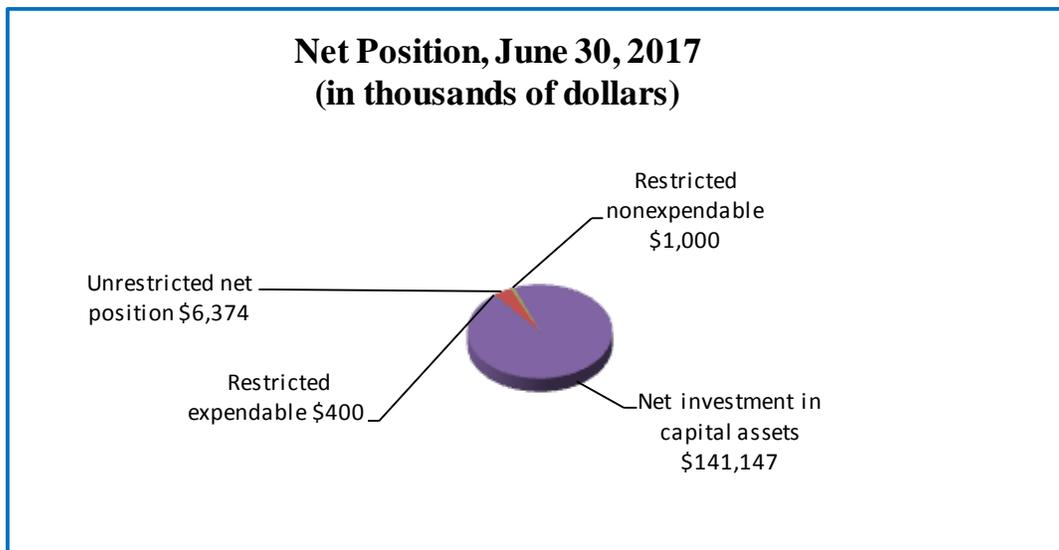
The total assets and deferred outflows of the College increased by \$15.9 million in 2016 from 2015. This increase was primarily due to an increase of \$2.2 million in current assets and an increase of \$12.1 million in non-current assets and \$1.6 million in deferred outflow of resources, primarily related to pensions. The total liabilities and deferred inflows for the year decreased by \$.3 million. This combination of an increase in total assets of \$15.9 million and a decrease in total liabilities of \$.3 million resulted in an increase in total net position of \$16.2 million.

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2017 and 2016

### Statements of Net Position (continued)

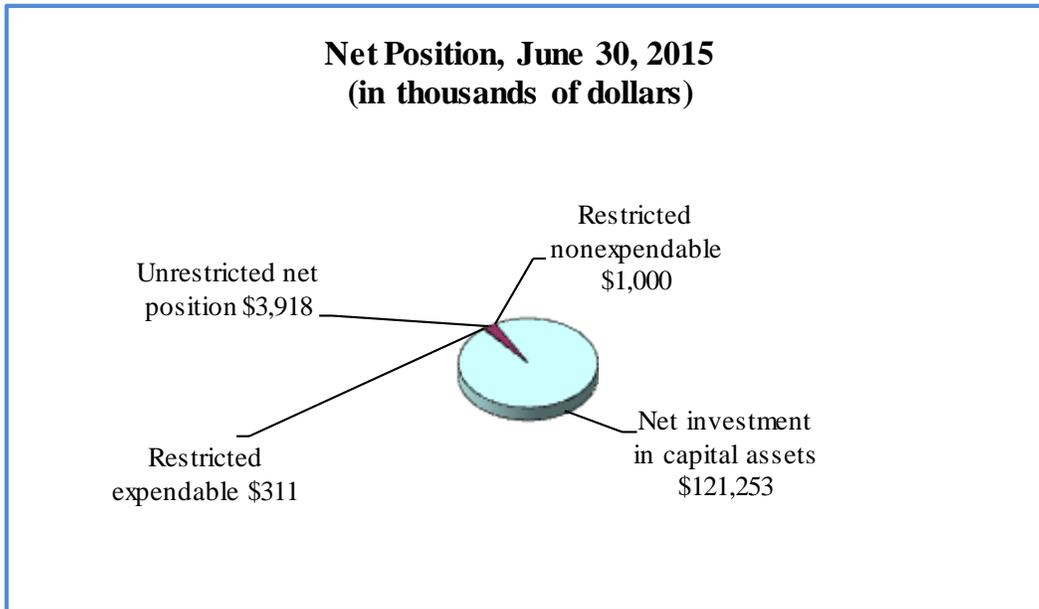
Net position is divided into three major categories. The first category, net investment in capital assets, includes the College's equity in property, plant and equipment owned by the College. The next category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus 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, 2017, 2016 and 2015, respectively.



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

**Management's Discussion and Analysis  
June 30, 2017 and 2016**

**Statements of Net Position (continued)**



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

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

	As of		
	June 30, 2017	June 30, 2016	June 30, 2015
Encumbrances and carryovers for general operating purposes	\$ 5,439	\$ 3,590	\$ 2,269
Encumbrances for capital projects	310	937	1,359
Funds designated for current plant projects	2,630	2,030	2,519
Funds designated for future plant projects	(1,257)	(1,348)	(2,001)
Funds functioning as endowments	2,814	2,726	2,139
Unrestricted funds for general operating purposes	10,432	11,350	6,990
Net pension liability and related deferred outflows/inflows	(13,994)	(12,766)	(9,357)
<b>Total Unrestricted Net Position</b>	<b>\$ 6,374</b>	<b>\$ 6,519</b>	<b>\$ 3,918</b>

**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.

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2017 and 2016

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

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

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

	For the Years Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Operating Revenues			
Tuition and fees, less scholarships and waivers	\$ 19,005	\$ 20,869	\$ 21,768
Grants and contracts	4,384	4,685	4,865
Sales and services of educational departments	1,138	1,388	1,221
Auxiliary enterprises	17,426	18,360	18,327
Other operating revenues	108	67	69
Total Operating Revenues	42,061	45,369	46,250
Operating Expenses	66,511	68,081	64,189
Operating loss	(24,450)	(22,712)	(17,939)
Non-operating revenues			
State appropriations	25,160	25,107	22,222
Other nonoperating deficit	(721)	(564)	(872)
Net non-operating revenues	24,439	24,543	21,350
Operating (deficit) surplus	(11)	1,831	3,410
Capital appropriations	6,207	14,412	8,185
Increase in Net Position	6,196	16,243	11,595
Net position at beginning of year	142,725	126,482	114,887
<b>Net Position at End of Year</b>	<b>\$ 148,921</b>	<b>\$ 142,725</b>	<b>\$ 126,482</b>

# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2017 and 2016

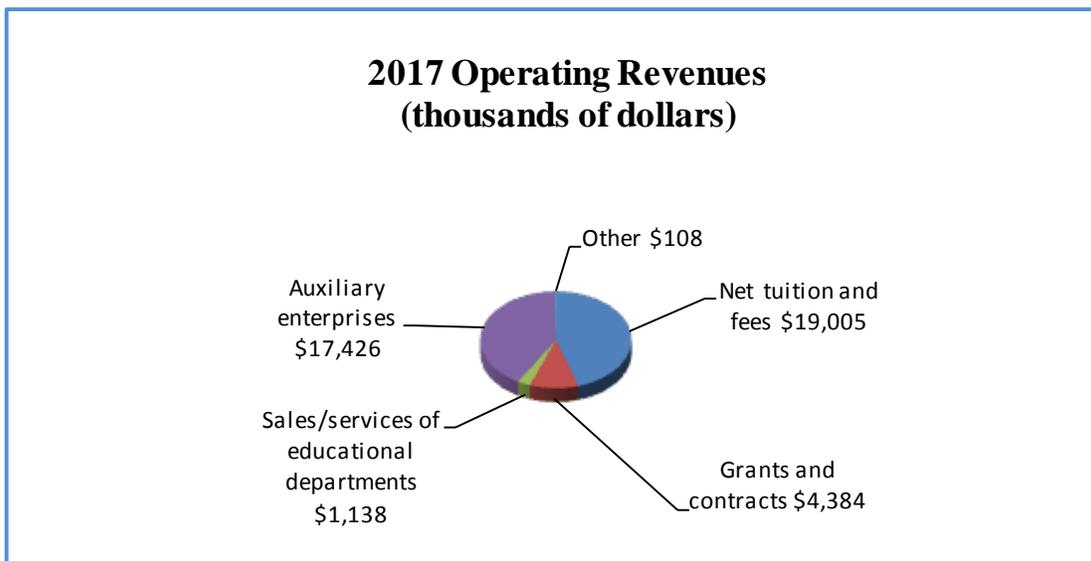
### Summary of Statements of Revenues, Expenses, and Changes in Net Position (continued)

Net position increased by \$6.2 million, or 4%, for 2017. The increase resulted primarily from increased capital appropriations. Operating expenses decreased by \$1.6 million. Additionally, \$2.2 million in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments has been included in operating expenses in 2017, in accordance with accounting principles generally accepted in the United States.

Net position increased by \$16.2 million, or 13%, for 2016. The increase resulted primarily from increased state operating and capital appropriations. Operating expenses increased by \$3.9 million. Additionally, \$2.4 million in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments have been included in operating expenses in 2016, in accordance with accounting principles generally accepted in the United States.

### Operating Revenues

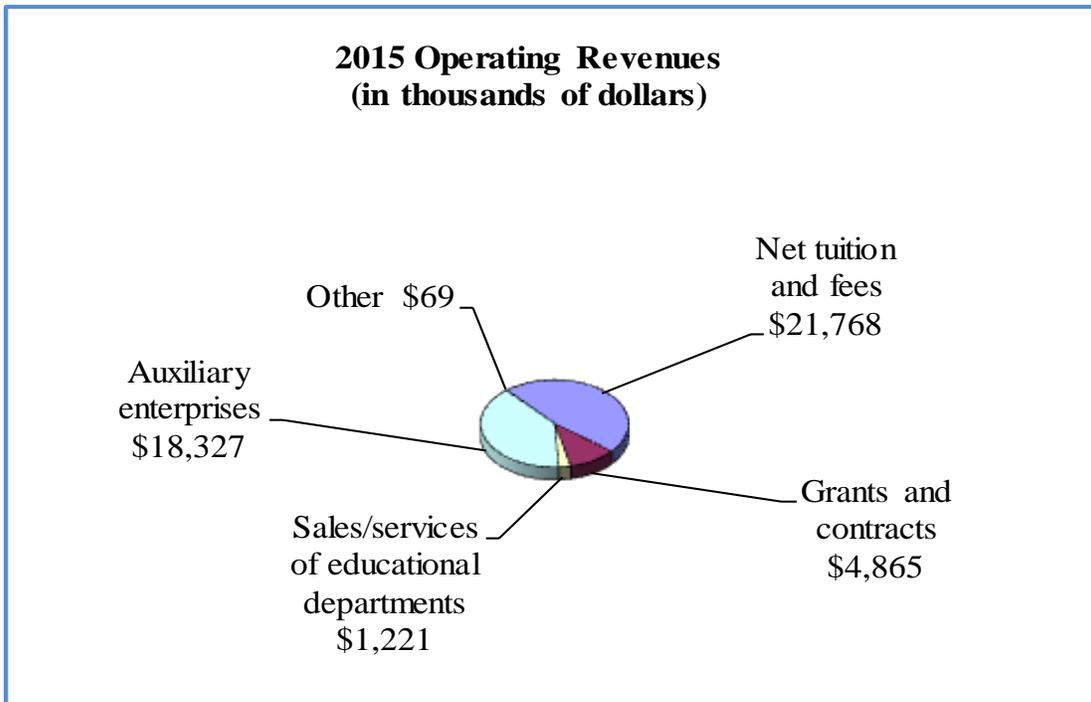
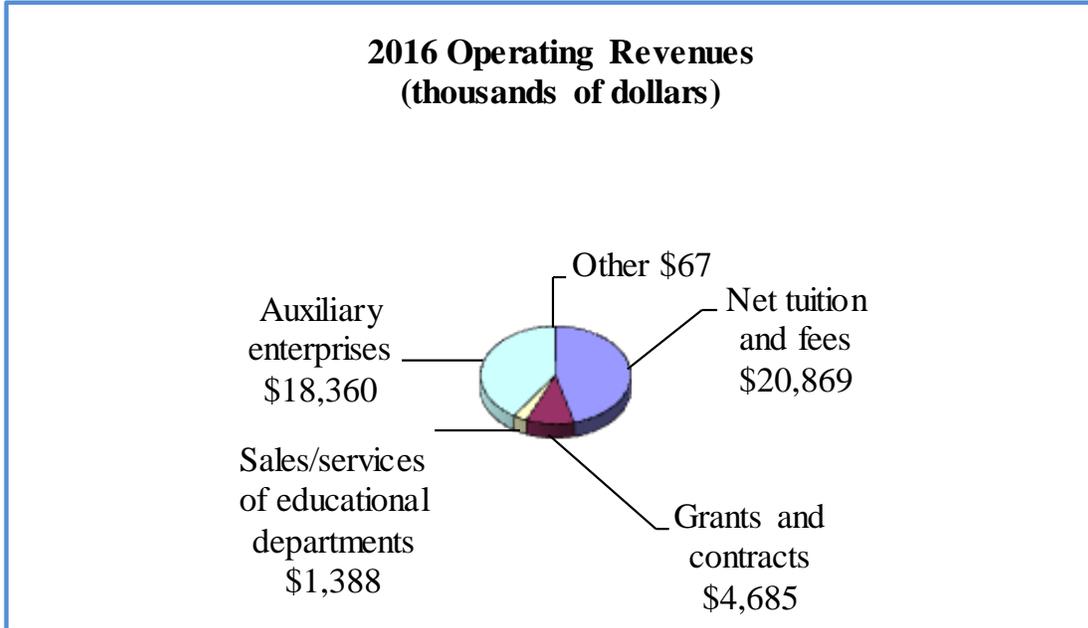
Total operating revenues for fiscal year 2017, were \$42.1 million. The graphs below show comparisons of operating revenues for fiscal years 2017, 2016 and 2015:



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

**Management's Discussion and Analysis  
June 30, 2017 and 2016**

**Operating Revenues (continued)**



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

### **Management's Discussion and Analysis June 30, 2017 and 2016**

#### **Tuition and Fees**

Tuition and fees, less scholarships and waivers, of \$19 million, accounted for 45% of total operating revenue and decreased 9% from 2016 to 2017, primarily due to a reduction in the number of students and increased scholarship discount. Scholarships provided to students with College funds are often referred to as a tuition discount, or simply as discounting.

Tuition and fees, less scholarships and waivers, of \$20.9 million, accounted for 46% of total operating revenue and decreased 4% from the 2015 to 2016, primarily due to a reduction in tuition pricing, reduction in count and a reduction in scholarship discount. 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 that 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 and \$1.4 million in 2017 and 2016, respectively. Examples of educational activity include conferences and study abroad fees.

#### **Operating Expenses**

Operating expenses for 2017, totaled \$66.5 million, of which \$21 million or 32% was for instruction. Operating expenses include salaries and benefits of \$36.2 million, scholarships and grants of \$2.2 million, non-auxiliary utilities of \$1.5 million, supplies and other services of \$8.7 million, and depreciation of \$5.4 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.

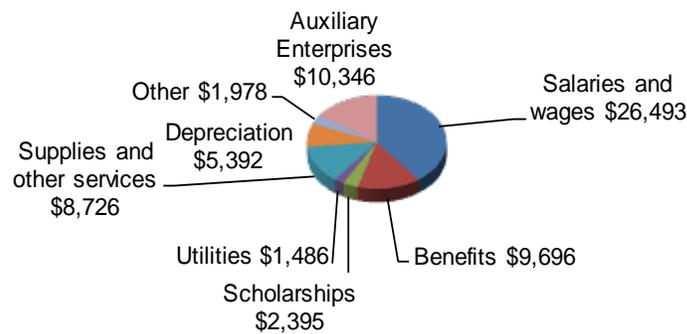
# ST. MARY'S COLLEGE OF MARYLAND

## Management's Discussion and Analysis June 30, 2017 and 2016

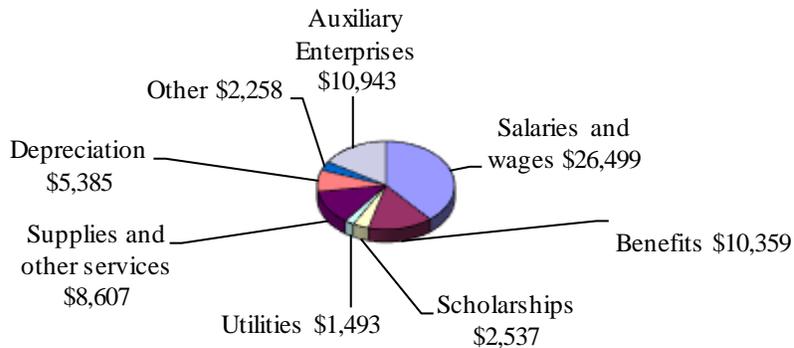
### Operating Expenses (continued)

Operating expenses for 2016, totaled \$68.1 million, of which \$20.8 million or 31% was for instruction. Operating expenses include salaries and benefits of \$36.8 million, scholarships and grants of \$2.3 million, non-auxiliary utilities of \$1.5 million, supplies and other services of \$8.6 million, and depreciation of \$5.4 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.

**2017 Operating Expenses by Natural Classification  
(thousands of dollars)**



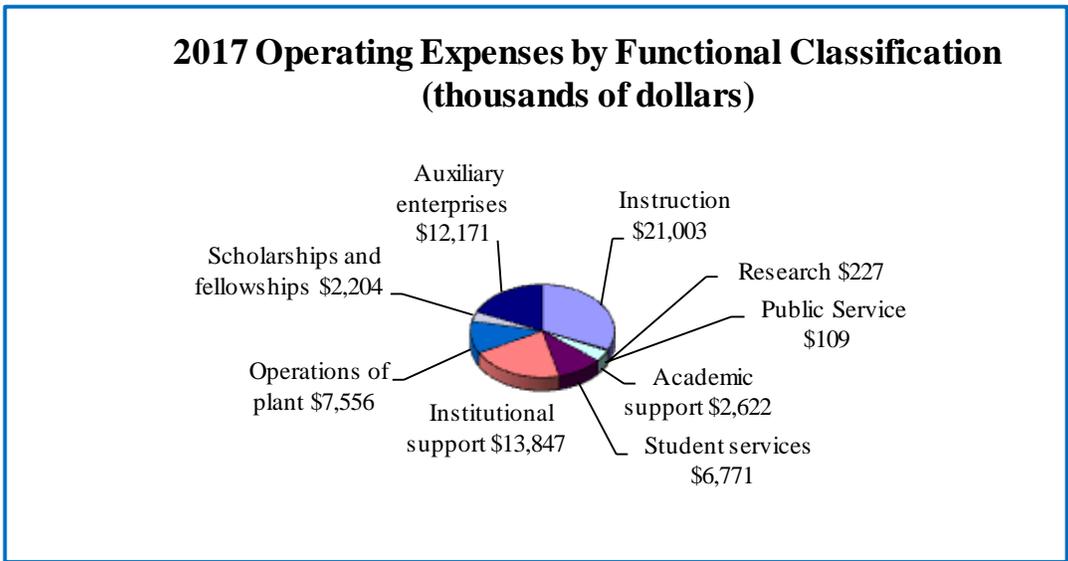
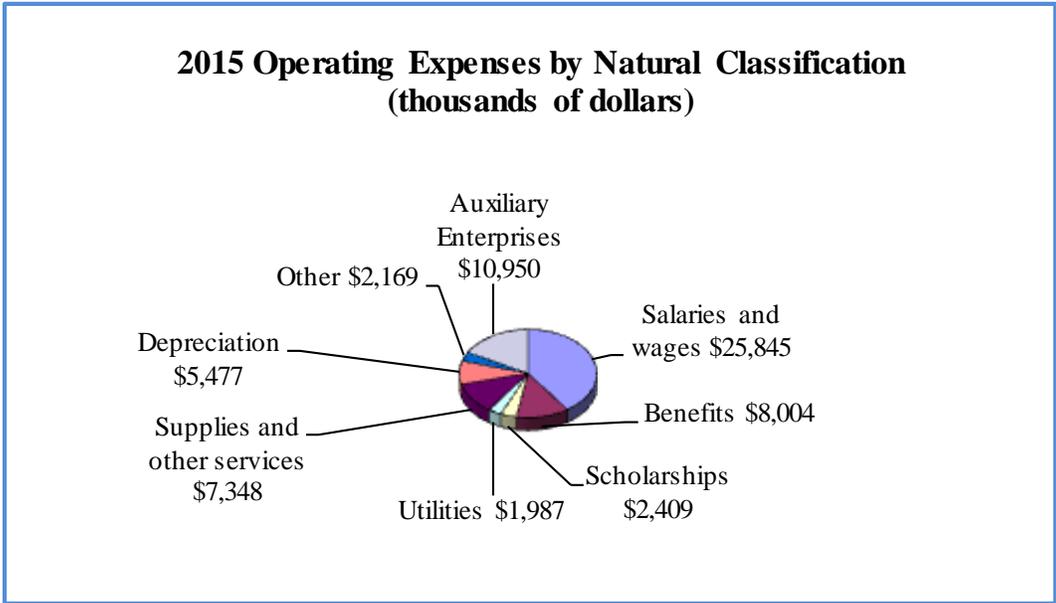
**2016 Operating Expenses by Natural Classification  
(thousands of dollars)**



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

**Management's Discussion and Analysis  
June 30, 2017 and 2016**

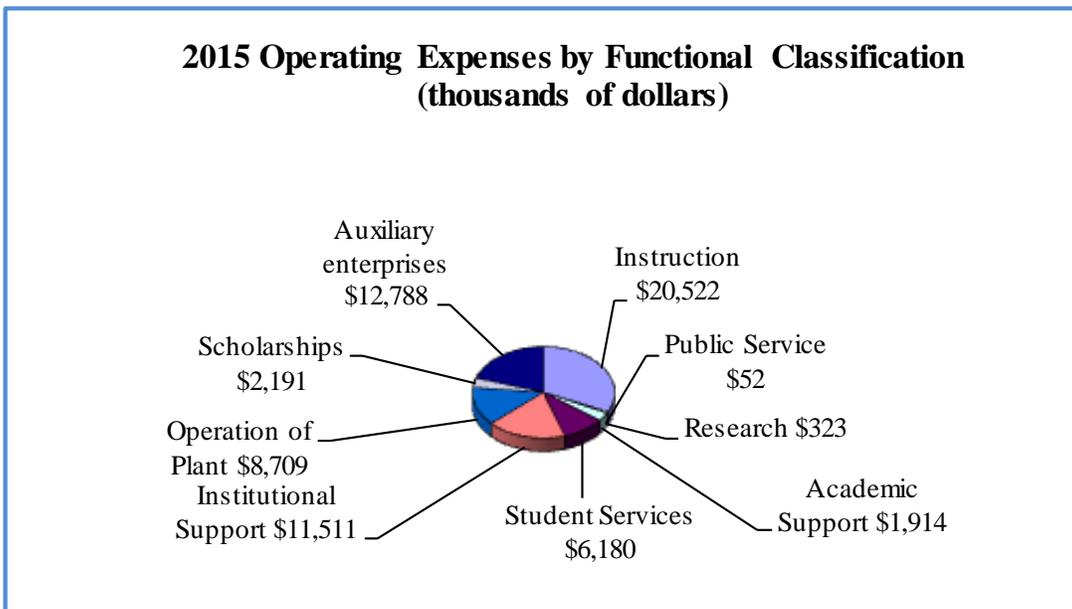
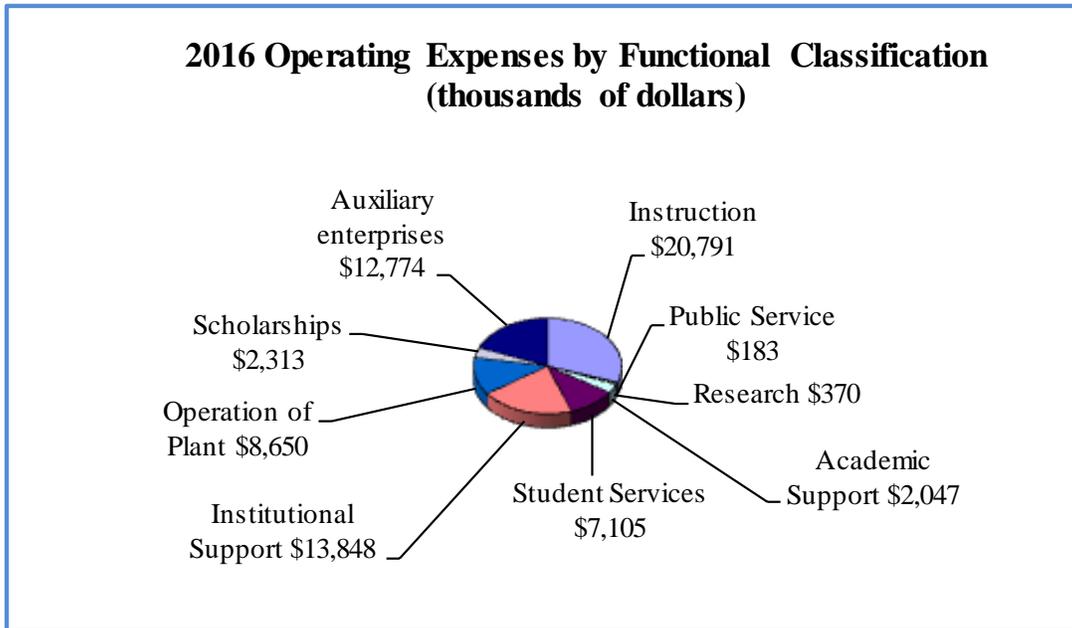
**Operating Expenses (continued)**



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

**Management's Discussion and Analysis  
June 30, 2017 and 2016**

**Operating Expenses (continued)**



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

### **Management's Discussion and Analysis June 30, 2017 and 2016**

#### **State Appropriation**

The largest inflow in the non-capital financing activities group is the State appropriation of \$25.2 and \$25.1 million in 2017 and 2016, respectively. 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 point five percent. The State appropriation provides approximately 37% of the operating budget for the College. The College has received additional state funding in recent years. Such funding was provided in 2016 and 2017 for two strategic IT investment projects to enhance wireless networking on campus and to replace an obsolete Enterprise Resource System.

#### **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, 2017 and 2016

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash and Cash Equivalents From:				
Operating Activities	\$ (17,916)	\$ (17,857)	\$ (11,476)	\$ (11,113)
Non-capital Financing Activities	31,383	39,628	30,371	22,715
Capital and Related Financing Activities	(10,901)	(20,277)	(15,590)	(9,065)
Investing Activities	<u>451</u>	<u>425</u>	<u>536</u>	<u>642</u>
Net Change in Cash and Cash Equivalents	3,017	1,919	3,841	3,179
Cash and Cash Equivalents, Beginning of Year	<u>23,718</u>	<u>21,799</u>	<u>17,958</u>	<u>14,779</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 26,735</u></b>	<b><u>\$ 23,718</u></b>	<b><u>\$ 21,799</u></b>	<b><u>\$ 17,958</u></b>

#### Campus Enrollment

Declining demographics with fewer graduating high school students over the past decade and market preferences continue to challenge College enrollment levels over the past few years. The number of graduating high school seniors is expected to increase slightly starting in 2019. The College is engaged in a variety of proactive initiatives to increase enrollment that include changes in personnel, changes in marketing and recruitment activities, and revising our educational programs to become more attractive to the market.

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

### **Management's Discussion and Analysis June 30, 2017 and 2016**

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

Capital additions totaled \$9.1 million in fiscal year 2017. 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 \$6.2 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 decreased by \$0.7 million, for the year ended June 30, 2017.

Capital additions totaled \$17.4 million in fiscal year 2016. Capital additions were primarily comprised of the purchase of equipment and construction in progress. Capital additions were funded primarily with State capital appropriations of \$14.4 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 \$1.6 million, for the year ended June 30, 2016.

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 unstable energy costs impact the College's ability to expand programs, undertake new initiatives, and meet its ongoing operational needs.

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 also 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 Maryland State appropriation contributed \$25.2 in 2017 in non-operating revenues. The level of support is therefore one of the key factors influencing the College's financial condition. During the 2017 Legislative session, the College was able to reset its funding formula to include funds for health insurance costs and 50% of cost of living adjustments (COLA) for state supported employees through the passage of House Bill 556. House Bill 556 also expresses legislative intent to provide funds to the College to moderate undergraduate resident tuition increases if the State provides such funds to other public four-year institutions.

During fiscal year 2016, we received a onetime deficiency appropriation in the amount of \$1.6 million as part of a \$3.8 million technology initiative to address critical needs in the areas of WI-FI access and the replacement of a fourteen-year old Enterprise Resource System.

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

### **Management's Discussion and Analysis June 30, 2017 and 2016**

The State provided an additional \$1.1 million in 2017 to match \$1.1 million of College funds.

The College experienced declining energy prices during 2016 - 2017. Fuel oil, our most volatile energy component, is fixed in price for the remainder of the fiscal year at a reduced rate from the prior period but price levels are unknown and unpredictable for future years.

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 As of June 30, 2017 and 2016

	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
Current assets:		
Cash and cash equivalents	\$ 26,735,355	\$ 23,718,132
Accounts receivable, net	697,162	1,174,348
Inventories	295,546	335,713
Prepaid expenses and other assets	24,277	24,642
<b>Total Current Assets</b>	<b>27,752,340</b>	<b>25,252,835</b>
Noncurrent assets:		
Endowment investments	2,521,467	2,523,151
Other restricted investments	118,796	118,657
Notes receivable, net	142,476	191,000
Capital assets, net	167,289,288	163,749,952
<b>Total Noncurrent Assets</b>	<b>170,072,027</b>	<b>166,582,760</b>
<b>Total Assets</b>	<b>197,824,367</b>	<b>191,835,595</b>
Deferred outflow of resources:		
Deferred charge on refunding	1,603,119	1,698,419
Deferred financing outflows related to pensions	4,221,938	3,109,396
<b>Total Assets and Deferred Outflow of Resources</b>	<b>203,649,424</b>	<b>196,643,410</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	4,787,597	4,497,842
Accrued vacation, current portion	981,298	942,063
Accrued workers' compensation, current portion	67,950	70,500
Bonds and notes payable, current	2,377,209	2,469,136
Capital lease, current	14,622	14,222
Unearned revenue	753,598	733,682
<b>Total Current Liabilities</b>	<b>8,982,274</b>	<b>8,727,445</b>
Noncurrent liabilities:		
Bonds and notes payable	29,978,235	30,557,320
Accrued vacation	-	153,871
Accrued workers' compensation	385,050	399,500
Capital lease	22,316	37,137
Federal Perkins funds	114,888	290,187
Net pension liability	13,993,622	12,765,491
<b>Total Noncurrent Liabilities</b>	<b>44,494,111</b>	<b>44,203,506</b>
<b>Total Liabilities</b>	<b>53,476,385</b>	<b>52,930,951</b>
<b>Deferred Financing Inflows Related to Pensions</b>	<b>1,252,058</b>	<b>987,337</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>54,728,443</b>	<b>53,918,288</b>
<b>NET POSITION</b>		
Net investment in capital assets	141,146,568	134,640,204
Restricted nonexpendable:		
Scholarships and fellowships	1,000,117	1,000,117
Restricted expendable:		
Research	297,047	470,886
Loans	83,288	75,272
Scholarships and fellowships	19,894	19,894
Unrestricted	6,374,067	6,518,749
<b>Total Net Position</b>	<b>\$ 148,920,981</b>	<b>\$ 142,725,122</b>

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

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

**Statements of Financial Position – St. Mary's Foundation – Component Unit  
As of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 2,939,366	\$ 3,054,112
Investments	35,398,571	31,393,315
Investments - gift annuity	1,066,586	1,017,417
Receivables	3,697	12,796
Other assets	145,664	139,204
Promises to give, net	2,309,153	2,845,734
Receivable for pending investment sale	-	613,017
Property and equipment, net	1,201	1,201
<b>Total Assets</b>	<b><u>\$ 41,864,238</u></b>	<b><u>\$ 39,076,796</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 89,577	\$ 364,853
Gift annuity	763,288	768,977
<b>Total Liabilities</b>	<b><u>852,865</u></b>	<b><u>1,133,830</u></b>
<b>Net Assets</b>		
Unrestricted	1,317,016	965,776
Temporarily restricted	12,119,912	9,675,389
Permanently restricted	27,574,445	27,301,801
<b>Total Net Assets</b>	<b><u>41,011,373</u></b>	<b><u>37,942,966</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 41,864,238</u></b>	<b><u>\$ 39,076,796</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 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Student tuition and fees ( <i>less scholarships and waivers of \$5,900,532 and \$5,436,540</i> )	\$ 19,005,149	\$ 20,868,601
Grants and Contracts:		
Federal	2,000,811	2,007,078
State	170,092	233,094
Other	2,212,873	2,445,283
Sales and services	1,138,117	1,388,112
Auxiliary enterprises:		
Residence facilities, net of waivers of \$101,101 and \$111,475	10,300,406	10,759,474
Dining services, net of waivers of \$41,911 and \$45,454	5,684,364	6,078,446
Bookstore	1,420,567	1,489,224
Other auxiliary enterprises revenues	20,686	32,799
Other operating revenues	108,273	66,601
<b>Total Operating Revenues</b>	<b>42,061,338</b>	<b>45,368,712</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	21,003,162	20,790,525
Research	227,358	370,243
Public Service	109,499	183,371
Academic support	2,621,875	2,047,315
Student services	6,770,729	7,104,804
Institutional support	13,846,836	13,847,913
Operations of plant	7,556,448	8,650,028
Scholarships and fellowships	2,203,874	2,312,903
Auxiliary enterprises	12,171,148	12,774,209
<b>Total Operating Expenses</b>	<b>66,510,929</b>	<b>68,081,311</b>
<b>Operating Loss</b>	<b>(24,449,591)</b>	<b>(22,712,599)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	25,159,549	25,107,174
Gifts and grants	16,688	109,291
Investment gains and losses	94,160	342,325
Interest income	437,586	289,264
Interest on indebtedness	(1,269,029)	(1,304,523)
<b>Net Non-Operating Revenues</b>	<b>24,438,954</b>	<b>24,543,531</b>
(Loss) Gain before other revenues, expenses, gains, or loss	(10,637)	1,830,932
Other revenues, expenses, gains and losses:		
Capital state appropriation	6,206,496	14,411,709
Net increase in net position	6,195,859	16,242,641
<b>NET POSITION</b>		
Net position, beginning of year	142,725,122	126,482,481
<b>Net Position, End of Year</b>	<b>\$ 148,920,981</b>	<b>\$ 142,725,122</b>

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 For the Year Ended June 30, 2017, with Comparative Totals for 2016

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and Revenue</b>					
Contributions	\$ 202,589	\$ 896,770	\$ 297,644	\$ 1,397,003	\$ 3,851,739
Donated services	1,592,792	-	-	1,592,792	1,503,390
Event revenue	160,027	-	-	160,027	145,700
Investment income (loss)	164,774	3,822,427	-	3,987,201	(573,791)
Other revenue	-	18,425	-	18,425	17,800
Net assets released from restrictions	2,318,099	(2,293,099)	(25,000)	-	-
<b>Total Support and Revenue</b>	<b>4,438,281</b>	<b>2,444,523</b>	<b>272,644</b>	<b>7,155,448</b>	<b>4,944,838</b>
<b>Expenses</b>					
Program services:					
Support to St. Mary's College of Maryland					
Scholarships	756,318	-	-	756,318	1,024,219
Athletics	34,560	-	-	34,560	62,486
Academic chair	102,829	-	-	102,829	364,606
Waterfront	67	-	-	67	127
Alumni Activities	85,489	-	-	85,489	79,022
College department/division support	233,497	-	-	233,497	286,535
Applied Physics	65,676	-	-	65,676	77,330
Center for study of democracy	277,744	-	-	277,744	319,347
Crew team	11,800	-	-	11,800	10,450
Art Alliance	13,289	-	-	13,289	12,636
Lectureship series	400	-	-	400	13,108
Faculty support	9,135	-	-	9,135	72,345
Student activities	11,258	-	-	11,258	5,784
Sailing	19,128	-	-	19,128	27,366
Sub-total	1,621,190	-	-	1,621,190	2,355,361
River concert series	39,577	-	-	39,577	35,867
Governor's Cup	-	-	-	-	6,928
Gift annuities	76,355	-	-	76,355	71,550
Bad debt expense	25,000	-	-	25,000	-
Family weekend	473	-	-	473	2,629
Total program services	1,762,595	-	-	1,762,595	2,472,335
Supporting services:					
Management and general	1,473,761	-	-	1,473,761	1,241,169
Fundraising	850,685	-	-	850,685	688,770
Total supporting services	2,324,446	-	-	2,324,446	1,929,939
<b>Total Expenses</b>	<b>4,087,041</b>	<b>-</b>	<b>-</b>	<b>4,087,041</b>	<b>4,402,274</b>
Change in net assets	351,240	2,444,523	272,644	3,068,407	542,564
Net assets, beginning of year	965,776	9,675,389	27,301,801	37,942,966	37,400,402
<b>Net assets, End of Year</b>	<b>\$ 1,317,016</b>	<b>\$ 12,119,912</b>	<b>\$ 27,574,445</b>	<b>\$ 41,011,373</b>	<b>\$ 37,942,966</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  
For the Year Ended June 30, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support and Revenue</b>				
Contributions	\$ 187,398	\$ 3,195,521	\$ 468,820	\$ 3,851,739
Donated services	1,503,390	-	-	1,503,390
Event revenue	145,700	-	-	145,700
Investment income (loss)	4,854	(578,645)	-	(573,791)
Other revenue	-	17,800	-	17,800
Net assets released from restrictions	2,524,609	(2,524,609)	-	-
<b>Total Support and Revenue</b>	<u>4,365,951</u>	<u>110,067</u>	<u>468,820</u>	<u>4,944,838</u>
<b>Expenses</b>				
Program services:				
Support to St. Mary's College of Maryland				
Scholarships	1,024,219	-	-	1,024,219
Athletics	62,486	-	-	62,486
Academic chair	364,606	-	-	364,606
Waterfront	127	-	-	127
Alumni Activities	79,022	-	-	79,022
College department/division support	286,535	-	-	286,535
Applied Physics	77,330	-	-	77,330
Center for study of democracy	319,347	-	-	319,347
Crew team	10,450	-	-	10,450
Art Alliance	12,636	-	-	12,636
Lectureship series	13,108	-	-	13,108
Faculty support	72,345	-	-	72,345
Student activities	5,784	-	-	5,784
Sailing	27,366	-	-	27,366
Sub-total	<u>2,355,361</u>	<u>-</u>	<u>-</u>	<u>2,355,361</u>
River concert series	35,867	-	-	35,867
Governor's Cup	6,928	-	-	6,928
Gift annuities	71,550	-	-	71,550
Family weekend	2,629	-	-	2,629
Total program services	<u>2,472,335</u>	<u>-</u>	<u>-</u>	<u>2,472,335</u>
Supporting services:				
Management and general	1,241,169	-	-	1,241,169
Fundraising	688,770	-	-	688,770
Total supporting services	<u>1,929,939</u>	<u>-</u>	<u>-</u>	<u>1,929,939</u>
<b>Total Expenses</b>	<u>4,402,274</u>	<u>-</u>	<u>-</u>	<u>4,402,274</u>
Change in net assets	(36,323)	110,067	468,820	542,564
Net assets, beginning of year	1,002,099	9,565,322	26,832,981	37,400,402
<b>Net assets, End of Year</b>	<u>\$ 965,776</u>	<u>\$ 9,675,389</u>	<u>\$ 27,301,801</u>	<u>\$ 37,942,966</u>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees (net of all scholarships and grants)	\$ 16,909,944	\$ 17,905,245
Grants and contracts	4,383,776	4,685,455
Salaries and benefits	(35,392,291)	(34,361,857)
Payments to suppliers	(12,214,978)	(13,454,077)
Collection of student loans	50,932	73,344
Sales-auxiliary enterprises	17,426,023	18,359,943
Expenses-auxiliary enterprises	(10,345,774)	(10,956,654)
Other receipts	1,266,306	(108,672)
<b>Net Cash from Operating Activities</b>	<u>(17,916,062)</u>	<u>(17,857,273)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	31,366,045	39,518,883
Noncapital gifts and grants	16,688	109,291
<b>Net Cash from Non-capital Financing Activities</b>	<u>31,382,733</u>	<u>39,628,174</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(8,946,416)	(17,416,504)
Proceeds from debt issuance	1,820,255	
Principal paid on long term debt	(2,505,688)	(1,556,122)
Interest paid on long term debt	(1,269,066)	(1,304,523)
<b>Net Cash from Capital and Related Financing Activities</b>	<u>(10,900,915)</u>	<u>(20,277,149)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	419,848	152,757
Proceeds from sales of investments	31,619	272,790
<b>Net Cash from Investing Activities</b>	<u>451,467</u>	<u>425,547</u>
Net change in cash and cash equivalents	3,017,223	1,919,299
Cash and cash equivalents, beginning of year	23,718,132	21,798,833
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 26,735,355</u>	<u>\$ 23,718,132</u>
<b>Supplementary Disclosure</b>		
Interest expense paid during the year	<u>\$ 1,269,066</u>	<u>\$ 1,304,523</u>

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

# ST. MARY'S COLLEGE OF MARYLAND

## Statements of Cash Flows (continued) For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (24,449,591)	\$ (22,712,599)
Adjustments to reconcile operating loss to net cash from operating activities		
Non-cash expenses:		
Depreciation	5,391,942	5,384,705
Effect of changes of non-cash operating assets and liabilities:		
Receivables, net	477,186	(318,643)
Notes receivable, net	48,524	69,708
Inventories	40,167	(5,966)
Prepaid expenses and other assets	365	(2,830)
Accounts payable and accrued expenses	289,755	(2,104,747)
Accrued vacation	(114,636)	89,097
Unearned revenue	19,916	20,644
Net pension liability	380,310	1,723,358
<b>Net Cash from Operating Activities</b>	<u><u>\$ (17,916,062)</u></u>	<u><u>\$ (17,857,273)</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  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,068,407	\$ 542,564
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions received for endowment	(297,644)	(468,820)
Realized and unrealized (gains) losses on investments	(3,261,576)	1,143,248
Discounts and allowance on promises to give	(22,132)	12,830
Uncollectible promise to give	25,000	4,000
Loss on disposal of property and equipment	-	7,618
Donated securities	(58,515)	(112,144)
Effect of changes in non-cash operations, assets, and liabilities		
Receivables, net	9,099	31,511
Promises to give	533,713	(1,414,466)
Other assets	(6,460)	(12,149)
Accounts payable and accrued expenses	(275,276)	136,896
Gift annuity	(5,689)	8,102
<b>Net Cash from Operating Activities</b>	<u>(291,073)</u>	<u>(120,810)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(10,457,585)	(9,477,011)
Proceeds from sale of investments	10,336,268	9,637,255
<b>Net Cash from Investing Activities</b>	<u>(121,317)</u>	<u>160,244</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received for endowment	297,644	468,820
Net change in cash and cash equivalents	(114,746)	508,254
Cash and cash equivalents, beginning of year	3,054,112	2,545,858
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,939,366</u>	<u>\$ 3,054,112</u>
<b>Supplementary Disclosure of Noncash Investing Activity</b>		
Donated Securities	<u>\$ 58,515</u>	<u>\$ 112,144</u>

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

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

## **Notes to Financial Statements**

**June 30, 2017 and 2016**

### **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 controlled 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 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, 2017 and 2016, the Foundation distributed \$2,199,161 and \$2,360,080, 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, 2017 and 2016

### 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 generally accepted accounting principles, 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 Jackie Wright, 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 statement 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, 2017 and 2016

### 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 position, and as a component of compensation expense in the statement of revenues, expenses, and changes in net position. 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, 2017 and 2016

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

#### Pensions

Certain employees of the College are members of the Maryland State Retirement and Pension System. Employees are members of either the Teachers' Pension System of the State of Maryland (TPS) or the Employees Retirement System of the State of Maryland (ERS). TPS and ERS are part of the State of Maryland Retirement and Pension System, which is considered a single multiple employer cost sharing plan.

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### 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 represents resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

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

#### Net Position – College (continued)

*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.

#### Classification of Revenues and Expenses

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

*Operating Revenues:* Operating revenues and expenses 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 and expenses are generated by incidental activities, gifts and subsidies, and include investment income, gifts, state appropriations and interest income.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

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

#### 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 – Foundation

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

GASB issued GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, GASB 80, *Blending Requirements for Certain Component Units – and amendment of GASB Statement No. 14*, and GASB No. 81, *Irrevocable Split-Interest Agreements*. These statements may have a material effect on the College's financial statements once implemented. The College will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

### 3. CASH AND CASH EQUIVALENTS

#### Cash and Cash Equivalents on hand with State Treasurer

As of June 30, 2017 and 2016, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$23,462,471 and \$21,624,690, 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, 2017, 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, 2017.

## ST. MARY'S COLLEGE OF MARYLAND

### Notes to Financial Statements June 30, 2017 and 2016

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

##### Other Cash and Cash Equivalents

As of June 30, 2017 and 2016, the College has cash on deposit with other local banks in the amount of \$3,269,933 and \$2,093,442, respectively. The College has statutory responsibility for the management of these funds which are fully insured by Federal depository insurance.

#### 4. INVESTMENTS

The fair value of endowment and other investments held by the College as of June 30, 2017 and 2016, were as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash and Cash Equivalents	\$ 148,697	\$ 299,045
Debt Securities		
U.S. Treasury	846,201	761,287
U.S. Agencies	193,578	200,195
Mortgage Backed Securities	239,852	272,154
Corporate Bonds	1,210,957	1,108,149
Total debt Securities	<u>2,639,285</u>	<u>2,640,830</u>
Equity Securities		
Other	978	978
<b>Total Investments by fair value level</b>	<u>\$ 2,640,263</u>	<u>\$ 2,641,808</u>
<b>Endowment Investments</b>	\$ 2,521,467	\$ 2,523,151
<b>Restricted Investments</b>	118,796	118,657
	<u>\$ 2,640,263</u>	<u>\$ 2,641,808</u>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 4. INVESTMENTS (continued)

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.

As of June 30, 2017 and 2016, the College's endowment fund had the following fixed income investments, ratings, maturities and hierarchy levels:

#### As of June 30, 2017

Investment Type	Ratings (S & P)		Fair Value	Investment Maturities (in years)				
	Level			<1	1-5	6-10	11-15	>15
U.S. Government securities	AAA	(Level 1)	\$ 846,201	\$ 93,844	\$ 341,882	\$ 269,536	\$ -	\$ 140,939
Cash		(Level 1)	29,901	29,901				
U.S. Agency & other asset-backed securities	AAA	(Level 1)	239,852	28	40,796	19,047	12,599	167,382
U.S. Agency & other asset-backed securities	AA+	(Level 1)	193,578	50,211	-	-	129,552	13,815
Corporate Bonds	AAA	(Level 2)	38,480	-	-	-	-	38,480
Corporate Bonds	AA-	(Level 2)	122,068	-	122,068	-	-	-
Corporate Bonds	A+	(Level 2)	47,656	-	21,397	26,259	-	-
Corporate Bonds	A	(Level 2)	300,066	-	198,761	51,737	22,379	27,189
Corporate Bonds	A-	(Level 2)	167,669	-	141,286	10,420	-	15,963
Corporate Bonds	BBB+	(Level 2)	266,333	-	106,718	88,680	-	70,935
Corporate Bonds	BBB	(Level 2)	246,833	-	101,929	96,628	48,276	-
Corporate Bonds	BBB-	(Level 2)	21,852	-	-	21,852	-	-
Corporate Equity		(Level 2)	978	-	-	-	-	978
<b>Total</b>			<b>\$ 2,521,467</b>	<b>\$ 173,984</b>	<b>\$ 1,074,837</b>	<b>\$ 584,159</b>	<b>\$ 212,806</b>	<b>\$ 475,681</b>
Wells Fargo Investments								
Cash and Cash Equivalents	AAA	(Level 1)	118,796	118,796				
<b>Total Investments</b>			<b>\$ 2,640,263</b>	<b>\$ 292,780</b>	<b>\$ 1,074,837</b>	<b>\$ 584,159</b>	<b>\$ 212,806</b>	<b>\$ 475,681</b>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 4. INVESTMENTS (continued)

#### As of June 30, 2016

Investment Type	Ratings (S & P)	Level	Fair Value	Investment Maturities (in years)				
				<1	1-5	6-10	11-15	>15
U.S. Government securities	AAA	(Level 1)	\$ 761,287	\$ -	\$ 432,837	\$ 158,542	\$ -	\$ 169,908
U.S. Agency & other asset-backed securities	AAA	(Level 1)	246,205	180,388	5,335	1,931	2,764	55,787
U.S. Agency & other asset-backed securities	AA+	(Level 1)	200,195	200,195	-	-	-	-
U.S. Agency & other asset-backed securities	AAA	(Level 1)	206,338	-	77,250	-	12,817	116,271
Corporate Bonds	AAA	(Level 2)	55,386	-	-	26,902	-	28,484
Corporate Bonds	AA-	(Level 2)	25,854	-	25,854	-	-	-
Corporate Bonds	AA+	(Level 2)	79,932	53,145	-	26,787	-	-
Corporate Bonds	A+	(Level 2)	80,193	-	63,298	16,895	-	-
Corporate Bonds	A	(Level 2)	246,269	-	115,012	108,389	22,868	-
Corporate Bonds	A-	(Level 2)	193,732	50,498	115,367	10,909	-	16,958
Corporate Bonds	BBB+	(Level 2)	224,259	-	97,913	108,216	-	18,130
Corporate Bonds	BBB	(Level 2)	159,886	25,692	81,587	22,749	29,858	-
Corporate Bonds	BBB-	(Level 2)	42,637	-	-	42,637	-	-
Corporate Equity		(Level 2)	978	-	-	-	-	978
<b>Total</b>			<b>\$ 2,523,151</b>	<b>\$ 509,918</b>	<b>\$ 1,014,453</b>	<b>\$ 523,957</b>	<b>\$ 68,307</b>	<b>\$ 406,516</b>

The College categorizes its fair value measurements using the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are significant unobservable inputs.

*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, 2017, the College had invested \$69,684, of endowment funds in Fannie Mae, amounting to 3% of the College's total investments with 1919 Investment Counsel & Trust.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 4. INVESTMENTS (continued)

*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.

The Foundation's investment consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equities	\$ 16,026,446	\$ 13,715,577
Fixed Income	9,017,740	7,855,880
Cash Equivalents	1,686,729	1,178,319
Interest in Trust	1,464,450	1,373,929
Alternative Investment	8,269,792	8,287,027
<b>Total Investments</b>	<u>\$ 36,465,157</u>	<u>\$ 32,410,732</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 \$1,464,450 and \$1,373,929 as of June 30, 2017 and 2016, respectively. The Foundation received a distribution of \$70,000 from the Trust for the years ended June 30, 2017 and 2016, respectively.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 4. INVESTMENTS (continued)

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures.

	As of 2017			
	Level 1	Level 2	Level 3	Total
Equities	\$ 16,026,446	\$ -	\$ -	\$ 16,026,446
Cash and money market funds	1,686,729	-	-	1,686,729
Fixed income securities				
U.S. corporate bonds	8,689,535	-	-	8,689,535
Global corporate bonds	136,317	-	-	136,317
Total fixed income securities	191,888	-	-	191,888
	9,017,740	-	-	9,017,740
Alternative Investments				
Hedge funds	334,401	-	3,219,038	3,553,439
Real estate	1,859,151	-	300,000	2,159,151
Hard assets	545,488	-	-	545,488
Private investments	-	-	2,011,714	2,011,714
Total alternative investments	2,739,040	-	5,530,752	8,269,792
Interest held in perpetual trust	-	-	1,464,450	1,464,450
<b>Total assets</b>	<b>\$ 29,469,955</b>	<b>\$ -</b>	<b>\$ 6,995,202</b>	<b>\$ 36,465,157</b>
<b>Gift annuity liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 763,288</b>	<b>\$ 763,288</b>

	As of 2016			
	Level 1	Level 2	Level 3	Total
Equities	\$ 13,715,577	\$ -	\$ -	\$ 13,715,577
Cash and money market funds	1,178,319	-	-	1,178,319
Fixed income securities				
U.S. corporate bonds	7,718,319	-	-	7,718,319
Global corporate bonds	137,311	-	-	137,311
Total fixed income securities	7,855,880	-	-	7,855,880
Alternative Investments				
Hedge funds	488,126	-	4,088,811	4,576,937
Real estate	2,057,492	-	-	2,057,492
Hard assets	310,104	-	-	310,104
Private investments	-	-	1,342,494	1,342,494
Total alternative investments	2,855,722	-	5,431,305	8,287,027
Interest held in perpetual trust	-	-	1,373,929	1,373,929
<b>Total assets</b>	<b>\$ 25,605,498</b>	<b>\$ -</b>	<b>\$ 6,805,234</b>	<b>\$ 32,410,732</b>
<b>Gift annuity liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 768,977</b>	<b>\$ 768,977</b>

## ST. MARY'S COLLEGE OF MARYLAND

### Notes to Financial Statements June 30, 2017 and 2016

#### 4. INVESTMENTS (continued)

The Foundation's investment income consisted of the following for the years ended June 30, 2017 and 2016:

	<b>June 30, 2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Realized and unrealized gains	\$ 91,213	\$ 3,170,363	\$ 3,261,576
Interest and dividends	73,561	652,064	725,625
<b>Total Investment Income</b>	<b>\$ 164,774</b>	<b>\$ 3,822,427</b>	<b>\$ 3,987,201</b>

	<b>June 30, 2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Realized and unrealized losses	\$ (50,179)	\$ (1,093,069)	\$ (1,143,248)
Interest and dividends	55,033	514,424	569,457
<b>Total Investment Income</b>	<b>\$ 4,854</b>	<b>\$ (578,645)</b>	<b>\$ (573,791)</b>

#### 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 as of June 30, 2017 and 2016:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Restricted - scholarship and fellowships	\$ 1,020,011	\$ 1,020,011
Unrestricted net assets	1,501,456	1,503,140
<b>Total Endowment Net Assets</b>	<b>\$ 2,521,467</b>	<b>\$ 2,523,151</b>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Student tuition and fees	\$ 267,550	\$ 222,949
Campus store	31,517	30,937
Travel advances	13,855	4,211
Federal, state and private grants and contracts	449,663	971,988
<b>Total</b>	<u>762,585</u>	<u>1,230,085</u>
Less: allowance for doubtful accounts	65,423	55,737
<b>Net Accounts Receivable</b>	<u>\$ 697,162</u>	<u>\$ 1,174,348</u>

### 7. COMMITMENTS

As of June 30, 2017 and 2016, there was \$5,438,796 and \$3,589,802, 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 as of June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Health Center	\$ 15,518	\$ 29,263
Housekeeping	6,706	8,293
Central Stores	6,987	6,458
Campus Stores	266,335	291,699
<b>Total Inventories</b>	<u>\$ 295,546</u>	<u>\$ 335,713</u>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 9. CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30, 2017 and 2016:

	<b>Balance June 30, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2017</b>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction In-Progress	34,826,422	8,157,829	(38,774,610)	4,209,641
Total Capital Assets Not Being Depreciated	40,773,859	8,157,829	(38,774,610)	10,157,078
Capital Assets, Being Depreciated:				
Infrastructure	9,023,875	-	-	9,023,875
Building and Building Improvements	177,154,707	38,654,120	-	215,808,827
Furnitures, Fixtures and Equipment	12,940,199	454,780	(193,491)	13,201,488
Assets purchased with capital lease	21,677	-	(15,138)	6,539
Library Collections	11,935,152	454,297	-	12,389,449
Total Assets Being Depreciated	211,075,610	39,563,197	(208,629)	250,430,178
Less: Accumulated Depreciation:				
Infrastructure	4,498,890	572,965	-	5,071,855
Building and Building Improvements	61,589,742	4,044,529	-	65,634,271
Furnitures, Fixtures and Equipment	11,877,571	339,706	(193,491)	12,023,786
Capital Leases	21,255	-	-	21,255
Library Collections	10,112,059	434,742	-	10,546,801
Total Accumulated Depreciation	88,099,517	5,391,942	(193,491)	93,297,968
Total Capital Assets, Being Depreciated, Net	122,976,093	34,171,255	(15,138)	157,132,210
<b>Capital Assets, Net</b>	<b>\$ 163,749,952</b>	<b>\$ 42,329,084</b>	<b>\$ (38,789,748)</b>	<b>\$ 167,289,288</b>
	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction In-Progress	21,481,519	16,496,478	(3,151,575)	34,826,422
Total Capital Assets Not Being Depreciated	27,428,956	16,496,478	(3,151,575)	40,773,859
Capital Assets, Being Depreciated:				
Infrastructure	8,755,728	268,147	-	9,023,875
Building and Building Improvements	174,003,132	3,151,575	-	177,154,707
Furnitures, Fixtures and Equipment	12,751,784	232,723	(44,308)	12,940,199
Assets purchased with capital lease	40,252	-	(18,575)	21,677
Library Collections	11,511,643	423,509	-	11,935,152
Total Assets Being Depreciated	207,062,539	4,075,954	(62,883)	211,075,610
Less: Accumulated Depreciation:				
Infrastructure	3,920,475	578,415	-	4,498,890
Building and Building Improvements	57,528,930	4,060,812	-	61,589,742
Furnitures, Fixtures and Equipment	11,624,578	297,301	(44,308)	11,877,571
Capital Leases	21,255	-	-	21,255
Library Collections	9,663,882	448,177	-	10,112,059
Total Accumulated Depreciation	82,759,120	5,384,705	(44,308)	88,099,517
Total Capital Assets, Being Depreciated, Net	124,303,419	(1,308,751)	(18,575)	122,976,093
<b>Capital Assets, Net</b>	<b>\$ 151,732,375</b>	<b>\$ 15,187,727</b>	<b>\$ (3,170,150)</b>	<b>\$ 163,749,952</b>

Depreciation expense was \$5,391,942 and \$5,384,705 for the years ended June 30, 2017 and 2016, respectively.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 10. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2017 and 2016, were as follows:

	Year Ended June 30, 2017				
	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
<b>Bonds:</b>					
Revenue bonds payable	\$ 31,735,921	\$ 1,820,255	\$ (2,165,737)	\$ 31,390,439	\$ 2,135,736
Unamortized premium/discount	443,687	-	(55,992)	387,695	56,159
<b>Total Bonds</b>	<u>32,179,608</u>	<u>1,820,255</u>	<u>(2,221,729)</u>	<u>31,778,134</u>	<u>2,191,895</u>
<b>Other Liabilities:</b>					
Worker's compensation	470,000	63,924	(80,924)	453,000	67,950
Accrued vacation costs	1,095,934	1,270,844	(1,385,480)	981,298	981,298
Notes payable	846,848	-	(269,538)	577,310	185,314
Capital Lease	51,359	-	(14,421)	36,938	14,622
Federal loan program refundable	290,187	-	(175,299)	114,888	-
Net pension liability	12,765,491	1,228,131	-	13,993,622	-
<b>Total Other Liabilities</b>	<u>15,519,819</u>	<u>2,562,899</u>	<u>(1,925,662)</u>	<u>16,157,056</u>	<u>1,249,184</u>
<b>Total Long Term Obligations</b>	<u>\$ 47,699,427</u>	<u>\$ 4,383,154</u>	<u>\$ (4,147,391)</u>	<u>\$ 47,935,190</u>	<u>\$ 3,441,079</u>
	Year Ended June 30, 2016				
	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
<b>Bonds:</b>					
Revenue bonds payable	\$ 32,976,078	\$ 733,667	\$ (1,973,824)	\$ 31,735,921	\$ 2,135,736
Unamortized premium/discount	499,644	-	(55,957)	443,687	55,626
<b>Total Bonds</b>	<u>33,475,722</u>	<u>733,667</u>	<u>(2,029,781)</u>	<u>32,179,608</u>	<u>2,191,362</u>
<b>Other Liabilities:</b>					
Worker's compensation	435,000	175,109	(140,109)	470,000	70,500
Accrued vacation costs	1,006,837	1,249,218	(1,160,121)	1,095,934	942,063
Notes payable	1,106,856	-	(260,008)	846,848	269,538
Capital Lease	65,581	-	(14,222)	51,359	14,222
Federal loan program refundable	407,510	-	(117,323)	290,187	-
Net pension liability	9,357,255	3,408,236	-	12,765,491	-
<b>Total Other Liabilities</b>	<u>12,379,039</u>	<u>4,832,563</u>	<u>(1,691,783)</u>	<u>15,519,819</u>	<u>1,296,323</u>
<b>Total Long Term Obligations</b>	<u>\$ 45,854,761</u>	<u>\$ 5,566,230</u>	<u>\$ (3,721,564)</u>	<u>\$ 47,699,427</u>	<u>\$ 3,487,685</u>

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 10. LONG-TERM LIABILITIES (continued)

Revenue bonds consisted of the following (at par) as of June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
2005 Subordinate Revenue Bonds, Series A	\$ 13,170,000	\$ 13,950,000
2006 Subordinate Revenue Bonds, Series A	3,480,000	3,580,000
2012 Subordinate Revenue Bonds, Series A	11,425,000	12,300,000
2014 Subordinate Revenue Bonds, Series A	3,315,439	3,726,176
Total	<u>31,390,439</u>	<u>33,556,176</u>
Less: Undrawn proceeds	<u>-</u>	<u>1,820,255</u>
Total Revenue Bonds	<u>31,390,439</u>	<u>31,735,921</u>
Unamortized Premium/Discount	<u>387,695</u>	<u>443,687</u>
<b>Total</b>	<u><u>\$ 31,778,134</u></u>	<u><u>\$ 32,179,608</u></u>

### Academic Fees and Auxiliary Facilities Fees Revenue Bonds

In 2005, the College issued \$19,105,000, of subordinate revenue bonds to refinance 1997, and 2000 Subordinate Revenue bonds which were originally issued for the purpose of constructing new student housing facilities, design, construction and equipping of the Campus Center and the renovation of, and construction of an addition to, the existing gymnasium. 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 2012, the College issued \$15,750,000 of revenue bonds to be used to refund the College's 2002 Series A Bonds, the proceeds of which were used to finance the planning and construction of a new student housing facility, and advance refund of the College's 2003 Series A Bonds and to pay the cost of issuance of the 2012 Series A Bonds. 3. In 2014, the College issued, through a draw-down facility with a maximum principal amount of \$4,000,000, revenue bonds to finance renovation and updating of four traditional residence halls and the residential floors of Calvert Hall.

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.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 10. LONG-TERM LIABILITIES (continued)

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

The 2012 Series A subordinate revenue bonds are 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.

The 2014 Series A subordinate revenue bonds are dated September 24, 2014, provide for the establishment of a construction account to provide for construction draws, which as of June 30, 2017, was \$3,315,439, and bears interest at a variable rate equal to the product of 70% multiplied by the sum of one month LIBOR plus 1.73%. As of June 30, 2017, the variable rate equaled 1.95%. The College has entered into an interest rate cap transaction limiting LIBOR from increasing beyond 3%. The 2014 Series A Bonds may be redeemed pursuant to the mandatory redemption provisions and mature September 24, 2025. Monthly maturities begin in November of 2015 subject to a principal amortization schedule until the final payment of \$32,614 becomes due in September of 2025.

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.

The trust agreements related to these 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.

Investments totaling \$118,796, and \$118,657 for 2017 and 2016, respectively, were 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.

#### 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 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. 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 \$807,462, and 852,811 as of June 30, 2017 and 2016, respectively, is reported as a deferred financing outflow.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 10. LONG-TERM LIABILITIES (continued)

#### In-Substance Defeasance (continued)

The 2012 Series A bonds were issued on June 6, 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. The reacquisition price exceeded the net carrying value of the old debt by \$1,048,983, on June 6, 2012. This amount was deferred and being amortized to interest expense over 22 years, which is the remaining life of the debt. The unamortized balance was \$795,657 and \$845,609 as of June 30, 2017 and 2016, respectively, and is reported as a deferred financing outflow.

#### 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.

#### Principal and Interest Payments

Future principal and interest payments of outstanding revenue bonds as of June 30, 2017, are as follows:

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,135,736	\$ 1,147,781	\$ 3,283,517
2019	2,095,736	1,081,873	3,177,609
2020	2,150,736	1,014,766	3,165,502
2021	2,220,736	940,785	3,161,521
2022	2,300,736	859,837	3,160,573
2023-2027	10,951,759	2,949,225	13,900,984
2028-2032	7,455,000	1,071,732	8,526,732
2033-2037	1,825,000	203,016	2,028,016
2038	255,000	5,897	260,897
<b>Total</b>	<b>\$ 31,390,439</b>	<b>\$ 9,274,912</b>	<b>\$ 40,665,351</b>

## ST. MARY'S COLLEGE OF MARYLAND

### Notes to Financial Statements June 30, 2017 and 2016

#### 10. LONG-TERM LIABILITIES (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 was paid off in July 2016.

Future principal and interest payments of outstanding notes payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 185,314	\$ 20,247	\$ 205,561
2019	192,348	13,120	205,468
2020	199,648	5,723	205,371
<b>Total</b>	<b>\$ 577,310</b>	<b>\$ 39,090</b>	<b>\$ 616,400</b>

#### 11. LEASES

##### Operating Leases

The College leases copiers and trailers. Total costs for these operating leases were \$126,883 and \$104,282, for the years ended June 30, 2017 and 2016, 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, with an interest rate of 1.39% per year. As of June 30, 2017, the College made the second lease payment.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 11. LEASES (continued)

#### Capital Lease (continued)

Future principal and interest lease payments for the capital lease were as follows as of June 30, 2017:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fees</u>	<u>Total</u>
2018	\$ 14,622	\$ 463	\$ 37	\$ 15,122
2019	14,825	259	21	15,105
2020	7,491	52	4	7,547
<b>Total</b>	<b>\$ 36,938</b>	<b>\$ 774</b>	<b>\$ 62</b>	<b>\$ 37,774</b>

### 12. RETIREMENT PLANS

#### Maryland State Retirement and Pension System

The College contributes to the Maryland State Retirement and Pension System (the System), established by the State to provide pension benefits for State employees and employees of 123 participating entities within the State. The System is an agent, multiple employer public employee retirement system and no separate valuation is 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 and the following website: [http://finances.marylandtaxes.com/Where\\_the\\_Money\\_Comes\\_From/General\\_Revenue\\_Reports/default.shtml](http://finances.marylandtaxes.com/Where_the_Money_Comes_From/General_Revenue_Reports/default.shtml).

*Plan description.* The System, which is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland (the Article), 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. Teachers employed by the College are provided with pensions through the Teachers' Pension System of the State of Maryland (TPS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (the System). Certain employees of the College are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the System. The Article grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

## ST. MARY'S COLLEGE OF MARYLAND

### Notes to Financial Statements June 30, 2017 and 2016

#### 12. RETIREMENT PLANS

##### **Maryland State Retirement and Pension System (continued)**

*Benefits provided.* A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals  $1/55$  (1.81%) of the member's Average Final Compensation (AFC) multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits.

The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

*Early Service Retirement.* A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service.

## ST. MARY'S COLLEGE OF MARYLAND

### Notes to Financial Statements June 30, 2017 and 2016

#### 12. RETIREMENT PLANS (continued)

##### **Maryland State Retirement and Pension System (continued)**

Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

*Disability and Death Benefits.* Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

*Contributions.* The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6-7% of their annual pay, depending on which system the employee belongs. The State of Maryland is responsible for the net pension liability of TPS. The College's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies for as a special funding situation. The State of Maryland did not make contributions on behalf of the College for the years ended June 30, 2017 and 2016.

The College's contractually required contribution rate for the years ended June 30, 2017 and 2016 was \$1,449,233 and \$1,340,082, respectively, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only). Contributions from the College were \$1,449,233 and \$1,250,073 for the years ended June 30, 2017 and 2016, respectively.

# ST. MARY'S COLLEGE OF MARYLAND

## Notes to Financial Statements June 30, 2017 and 2016

### 12. RETIREMENT PLANS (continued)

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

As of June 30, 2017 and 2016, the College reported a liability of \$13,993,622, and \$12,765,491, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and June 30, 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2017 and 2016, the College's proportion was 0.0630 percent and 0.0653 percent, respectively, which was substantially the same from its proportion measured as of June 30, 2016.

For the years ended June 30, 2017 and 2016, the College recognized pension expense of \$380,310 and \$1,692,029, respectively. As of June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources from the following sources:

#### **As of June 30, 2017**

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between projected and actual earnings on plan investments	\$ 2,231,347	\$ 512,017
Change in actuarial assumptions	541,358	-
Change in proportionate share	-	390,649
Change in experience	-	349,392
Contributions made subsequent to the measurement date	1,449,233	-
	<b><u>\$ 4,221,938</u></b>	<b><u>\$ 1,252,058</u></b>

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

**Notes to Financial Statements  
June 30, 2017 and 2016**

**12. RETIREMENT PLANS (continued)**

The \$1,449,233 as of June 30, 2017, reported as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

For the Years Ending June 30,	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Net difference between projected and actual earnings	Change in actuarial assumptions	Contributions made subsequent to the measurement date	Net difference between projected and actual earnings	Change in experience	Change in proportionate share
2018	\$ 628,110	\$ 193,593	\$ 1,449,233	\$ (256,053)	\$ (103,687)	\$ (86,562)
2019	628,110	193,593	-	(255,964)	(103,687)	(86,562)
2020	628,110	154,172	-	-	(103,687)	(86,562)
2021	347,017	-	-	-	(38,331)	(86,562)
2022						(44,401)
<b>Total</b>	<b>\$ 2,231,347</b>	<b>\$ 541,358</b>	<b>\$ 1,449,233</b>	<b>\$ (512,017)</b>	<b>\$ (349,392)</b>	<b>\$ (390,649)</b>

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

*Sensitivity of the Services' proportionate share of the net pension liability to changes in the discount rate.*

The College's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent was \$13,993,622. Additionally, the College's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) is \$20,417,318 or 1-percentage-point higher (8.55 percent) is \$10,243,241.

**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 \$1,140,073 and \$1,145,552, for the years ended June 30, 2017 and 2016, respectively. Beginning in fiscal year 2006, a supplemental plan was introduced whereby the College matched 100% (up to \$600) of all contributions made into the plan. There were no amounts matched for the years ended June 30, 2017 or 2016.

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

### **Notes to Financial Statements**

**June 30, 2017 and 2016**

#### **13. 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 80% covered from the retiree's/active employee's premiums and 20% from the State, provides medical, hospitalization, prescription drug and dental insurance benefits to retirees and their dependents. Substantially all employees become eligible for these benefits when they retire. The cost of retiree's health care benefits is expensed when paid, and totaled \$1,471,022 and \$1,238,043, for the years ended June 30, 2017 and 2016, 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, 2017 and 2016

### 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 years ended June 30, 2017, 2016, and 2015.

As of June 30, 2017 and 2016, the College has recorded \$453,000 and \$470,000, respectively, in liability associated with workers' compensation. The workers' compensation liability activity for the years ended June 30, 2017, 2016 and 2015, were 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, 2017	\$ 470,000	\$ 63,924	\$ (80,924)	\$ 453,000	\$ 67,950
Year ended, June 30, 2016	435,000	175,109	(140,109)	470,000	70,500
Year ended, June 30, 2015	465,000	23,843	(53,843)	435,000	67,245

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

**Notes to Financial Statements  
June 30, 2017 and 2016**

**16. FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS**

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

Year Ended June 30, 2017										
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	Total
Salaries & wages	\$ 13,442,565	\$ 130,806	\$ 14,612	\$ 1,154,048	\$ 3,412,567	\$ 6,931,895	\$ 1,406,202	\$ -	\$ -	\$ 26,492,695
Benefits	4,686,900	20,147	238	364,109	1,232,896	2,557,246	834,447	-	-	9,695,983
Supplies and others services	1,840,645	62,430	90,239	1,071,728	1,563,491	3,827,397	270,693	-	-	8,726,623
Utilities	-	-	-	-	91	-	1,485,584	-	-	1,485,675
Scholarships & grants	99,085	-	-	-	91,225	500	-	2,203,874	-	2,394,684
Auxiliary enterprises	-	-	-	-	-	-	-	-	10,345,774	10,345,774
Other operating expenses	933,967	13,975	4,410	31,990	470,459	529,798	(7,046)	-	-	1,977,553
Depreciation	-	-	-	-	-	-	3,566,568	-	1,825,374	5,391,942
<b>Total Expenses</b>	<b>\$ 21,003,162</b>	<b>\$ 227,358</b>	<b>\$ 109,499</b>	<b>\$ 2,621,875</b>	<b>\$ 6,770,729</b>	<b>\$ 13,846,836</b>	<b>\$ 7,556,448</b>	<b>\$ 2,203,874</b>	<b>\$ 12,171,148</b>	<b>\$ 66,510,929</b>

Year Ended June 30, 2016										
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	Total
Salaries & wages	\$ 13,420,730	\$ 215,330	\$ 20,998	\$ 1,052,999	\$ 3,638,687	\$ 6,568,171	\$ 1,581,668	\$ -	\$ -	\$ 26,498,583
Benefits	4,608,263	22,665	278	310,093	1,484,619	2,783,031	1,149,556	-	-	10,358,505
Supplies and others services	1,564,455	122,206	161,881	629,588	1,334,880	4,125,567	668,815	-	-	8,607,392
Utilities	80	-	-	-	-	-	1,493,322	-	-	1,493,402
Scholarships & grants	118,050	3,000	-	-	102,364	500	-	2,312,903	-	2,536,817
Auxiliary enterprises	-	-	-	-	-	-	-	-	10,943,590	10,943,590
Other operating expenses	1,078,947	7,042	214	54,635	544,254	370,644	202,581	-	-	2,258,317
Depreciation	-	-	-	-	-	-	3,554,086	-	1,830,619	5,384,705
<b>Total Expenses</b>	<b>\$ 20,790,525</b>	<b>\$ 370,243</b>	<b>\$ 183,371</b>	<b>\$ 2,047,315</b>	<b>\$ 7,104,804</b>	<b>\$ 13,847,913</b>	<b>\$ 8,650,028</b>	<b>\$ 2,312,903</b>	<b>\$ 12,774,209</b>	<b>\$ 68,081,311</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

## ST. MARY'S COLLEGE OF MARYLAND

### Schedules of Proportionate Share of Net Pension Liability June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The College's proportionate share of the net pension liability	0.0630%	0.0653%	0.0527%
The College's proportionate share of the net pension liability	<u>\$ 13,993,622</u>	<u>\$ 12,765,491</u>	<u>\$ 9,357,255</u>
The College's covered-employee payroll	\$ 6,770,003	\$ 7,617,655	\$ 8,417,606
The College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207%	168%	111%
Plan fiduciary net position as a percentage of total pension liability	65.79%	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

# ST. MARY'S COLLEGE OF MARYLAND

## Schedules of Contributions June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,449,233	\$ 1,340,082	\$ 1,294,706
Contributions in relation to the contractually required contribution	<u>(1,449,233)</u>	<u>(1,340,082)</u>	<u>(1,294,706)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 6,770,003	\$ 7,617,655	\$ 8,417,606
Contributions as a percentage of covered-employee payroll	21%	18%	15%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.