

St. Mary's College Of Maryland Foundation, Inc.

Financial Report
June 30, 2009

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
St. Mary's College of Maryland Foundation, Inc.
St. Mary's City, Maryland

We have audited the accompanying balance sheet of St. Mary's College of Maryland Foundation, Inc. (the Foundation) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Foundation's 2008 financial statements and, in our report dated September 15, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of St. Mary's College of Maryland Foundation, Inc., as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Notes 2 and 8, the financial statements include investments valued at \$7,622,774 (32% of net assets), whose fair value has been estimated by management in the absence of readily ascertainable fair values. Management's estimates are based on information provided by the fund manager.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
October 9, 2009

St. Mary's College Of Maryland Foundation, Inc.

Balance Sheet

June 30, 2009

(With Comparative Totals For 2008)

Assets	2009	2008
Cash	\$ 346,680	\$ 767,362
Investments	21,580,760	25,536,824
Investments – Gift Annuity	683,655	880,285
Receivables	96,672	86,844
Promises To Give, net	1,239,960	1,972,164
Property And Equipment, net	384,190	391,583
Art Collection (Note 1)	-	-
	<u>\$ 24,331,917</u>	<u>\$ 29,635,062</u>
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 137,161	\$ 195,043
Gift annuity	574,562	715,139
	<u>711,723</u>	<u>910,182</u>
Net Assets (Deficit)		
Unrestricted	(540,624)	932,822
Temporarily restricted	3,767,233	7,805,560
Permanently restricted	20,393,585	19,986,498
	<u>23,620,194</u>	<u>28,724,880</u>
	<u>\$ 24,331,917</u>	<u>\$ 29,635,062</u>

See Notes To Financial Statements.

St. Mary's College Of Maryland Foundation, Inc.

Statement Of Activities
 Year Ended June 30, 2009
 (With Comparative Totals For 2008)

	2009				2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Contributions	\$ 347,634	\$ 696,739	\$ 487,087	\$ 1,531,460	\$ 1,948,195
Donated services	376,458	-	-	376,458	352,544
Event revenue	329,998	3,711	-	333,709	387,576
Sponsorship	206,500	250	-	206,750	213,750
Investment (loss)	(285,197)	(2,224,250)	-	(2,509,447)	(2,672,669)
Other revenues	73,951	-	-	73,951	180,123
Net assets released from restrictions	2,514,777	(2,514,777)	-	-	-
Transfers between net assets classes	80,000	-	(80,000)	-	-
Total support and revenue	3,644,121	(4,038,327)	407,087	12,881	409,519
Expenses:					
Program services:					
Support to St. Mary's College of Maryland:					
Waterfront	2,028,726	-	-	2,028,726	16,198
Scholarships	426,060	-	-	426,060	889,926
Athletics	123,034	-	-	123,034	280,158
Center for Democracy	94,651	-	-	94,651	90,603
Academic chair	86,500	-	-	86,500	159,482
President	84,175	-	-	84,175	94,715
Library	70,223	-	-	70,223	130,882
Alumni activities	52,408	-	-	52,408	38,918
Choir fund	50,500	-	-	50,500	49,868
Art alliance	31,658	-	-	31,658	43,454
Alba campus	29,983	-	-	29,983	12,741
Poetry Festival	25,644	-	-	25,644	-
Slackwater	20,774	-	-	20,774	10,426
Fudan	15,899	-	-	15,899	-
Sailing	14,948	-	-	14,948	4,825
Horon Program	13,802	-	-	13,802	-
Wish	13,000	-	-	13,000	-
Ampitheater	12,250	-	-	12,250	-
Faculty support	10,400	-	-	10,400	10,000
Lectureship series	7,500	-	-	7,500	18,368
Artist house	4,601	-	-	4,601	375
College department/division support	4,000	-	-	4,000	4,000
Crew team	2,497	-	-	2,497	4,119
Safe Ride	1,854	-	-	1,854	11,295
	3,225,087	-	-	3,225,087	1,870,353
River Concert Series	445,835	-	-	445,835	416,587
Other programs	171,315	-	-	171,315	104,629
College relations	76,986	-	-	76,986	92,083
Governor's Cup	70,601	-	-	70,601	67,132
Gift annuities	38,708	-	-	38,708	44,921
Facility/events	11,731	-	-	11,731	7,787
Community connection	9,945	-	-	9,945	39,999
Family Weekend	8,469	-	-	8,469	4,825
Total program services	4,058,677	-	-	4,058,677	2,648,316
Supporting services:					
Management and general	679,239	-	-	679,239	494,649
Fundraising	379,651	-	-	379,651	368,090
Total supporting services	1,058,890	-	-	1,058,890	862,739
Total expenses	5,117,567	-	-	5,117,567	3,511,055
Change in net assets	(1,473,446)	(4,038,327)	407,087	(5,104,686)	(3,101,536)
Net assets:					
Beginning	932,822	7,805,560	19,986,498	28,724,880	31,826,416
Ending (deficit)	\$ (540,624)	\$ 3,767,233	\$ 20,393,585	\$ 23,620,194	\$ 28,724,880

See Notes To Financial Statements.

St. Mary's College Of Maryland Foundation, Inc.

Statement Of Cash Flows
Year Ended June 30, 2009
(With Comparative Totals For 2008)

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ (5,104,686)	\$ (3,101,536)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Contributions received for endowment	(487,087)	(1,279,746)
Depreciation	9,976	10,688
Realized and unrealized losses on investments	3,199,386	3,727,835
Discount and allowance on promises to give	(76,333)	(658,282)
Uncollectible promise to give expense	121,783	-
Donated securities	(24,767)	(135,809)
Loss on sale of property and equipment	-	1,462
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(9,828)	(8,972)
Promises to give	686,754	823,200
Prepaid expenses	-	536
Increase (decrease) in:		
Accounts payable and accrued expenses	(57,882)	(24,423)
Gift annuity	(140,577)	(15,187)
Net cash used in operating activities	(1,883,261)	(660,234)
Cash Flows From Investing Activities		
Purchase of investments	(14,460,181)	(9,876,171)
Proceeds from sale of investments	15,438,256	9,268,914
Purchase of property and equipment	(2,583)	(7,721)
Proceeds from sale of property and equipment	-	950
Net cash provided by (used in) investing activities	975,492	(614,028)
Cash Flows From Financing Activities		
Contributions received for endowment	487,087	1,279,746
Net cash provided by financing activities	487,087	1,279,746
Net (decrease) increase in cash	(420,682)	5,484
Cash		
Beginning	767,362	761,878
Ending	\$ 346,680	\$ 767,362
Supplemental Schedule Of Noncash Investing Activities		
Donated securities	\$ 24,767	\$ 135,809

See Notes To Financial Statements.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: St. Mary's College of Maryland Foundation (the Foundation) is a not-for-profit corporation founded in Maryland in 1971. The Foundation's principal activity is to provide support for the faculty and students of St. Mary's College of Maryland (the College). The Foundation raises funds and receives, holds, invests, manages, uses, disposes of, and administers property, as appropriate. All funds are used for the furtherance of the mission of the College.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenses are recorded when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Certain unrestricted net assets have been designated by the Board of Directors and consist of the Lectureship series (Goodpastor) in the amount of \$95,000.

Cash: All cash and investments, regardless of maturity, held by investment advisors, are considered investments.

Financial risk: The Foundation maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

The Foundation invests in a professionally managed portfolio that contains fixed income, cash equivalents, equities, and limited partnership interests. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of the investments, unrealized gains and losses are reported in the statement of activities as a part of investment income. Interest and dividends from investments are recorded as investment income when earned. The limited partnership interests are valued at fair value based on the applicable percentage ownership of the underlying partnerships' net assets as of the measurement date, as determined by the fund. In determining fair value, these funds utilize valuations provided by the fund managers of the underlying investment partnerships. The underlying investment partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner of the respective other investment partnership and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's investments in other investment partnerships generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the investment partnerships excluding any redemption charges that may apply.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Investment pools: The Foundation maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated quarterly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investments accounts, as adjusted for additions to or deductions from those accounts.

Receivables and promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are only recognized when the conditions on which they depend are substantially met. Unconditional promises to give are carried at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. The provision for doubtful promises based on management's evaluation of the collection of promises at June 30, 2009, was 4% of the gross value of the promises due beyond the year ending June 30, 2010.

Receivables are carried at original invoice amounts, less an estimate made for doubtful accounts based on a review of outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Interest is not recorded on any past due balances. There was no provision for doubtful accounts, based on management's evaluation of the collection of receivables at June 30, 2009. Receivables consist of interest receivables in the amount of \$96,672 at June 30, 2009.

Property and equipment: Property and equipment are recorded at cost. Donated property and equipment are recognized at appraised value when received. Depreciation is provided using the straight-line method over estimated useful lives of the assets ranging from five to ten years. The Foundation capitalizes all property and equipment purchased with a cost of \$1,500.

Impairment of long-lived assets: The Foundation accounts for the valuation of long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Art Collection: Art Collection owned by the Foundation was acquired through contributions in the fiscal year ended June 30, 2004. These items are not included as assets in the balance sheet because these assets will be transferred to the College or otherwise disposed. The cost of these properties is not readily available, and the Foundation is of the opinion that, because of the intrinsic value of the properties, it is impractical to assign values to the components. Proceeds from sale or insurance recoveries are reflected as increases in the appropriate net asset classes.

Gift annuities payable: Carrying amounts represent the present value of the contractual payments over the estimated remaining term.

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

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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.

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.

Event revenue is recognized when the particular event occurs.

Donated services and facilities: Donated services are recorded as revenue and expense in the financial statements for services received from the College. Donated services from the College are principally related to shared staff time. Contributed office space and facilities are also recorded at their estimated fair value.

Service fees: The Foundation applies an annual service fee of up to 2% on the total value of its endowed funds. The actual service fee rate is fixed annually at a level that is sufficient to cover the core Foundation expenses, including, but not limited to, insurance, accounting, legal, and investment management.

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities.

Income taxes: The Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to income taxes on revenue generated from sources unrelated to its exempt purpose. There was no income tax for the year ended June 30, 2009. In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a private foundation.

Use of estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from the estimates that were used.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening net asset balance, along with accompanying disclosures about the amounts of liabilities. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Foundation has elected to defer the application of FIN 48 in accordance with FASB Staff Position (FSP) FIN 48-3, which defers the effective date to fiscal years beginning after December 15, 2008. The Foundation will be required to adopt FIN 48 in its 2010 annual financial statements and management is currently assessing the impact of FIN 48 on its financial position and changes in net assets.

Effective July 1, 2008, the Foundation adopted SFAS No. 157, *Fair Value Measurements*, issued by FASB. SFAS No. 157 defines the fair value of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS No. 157 as assumptions market participants would use in pricing an asset or liability. The Foundation has added the required disclosures in Note 8 of the financial statements.

The Foundation adopted Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, at the beginning of the 2009 year. This standard prescribes new guidelines for expenditure of donor-restricted endowment funds, as well as the disclosures required. See Note 9 to the financial statements for details.

Subsequent events: The Foundation evaluated subsequent events for potential required disclosures through October 9, 2009, which is the date the financial statements were available to be issued.

Note 2. Investments

Investments consist of the following at June 30, 2009:

Limited partnership interests	\$	7,622,774
Fixed income		6,542,846
Equities		4,933,282
Cash equivalents		2,391,173
Gift annuities		683,655
Cash surrender value of life insurance policies		90,685
	\$	<u>22,264,415</u>

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 2. Investments (Continued)

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 \$1,109,411 as of June 30, 2009. The Foundation received two distributions of \$70,000 each during the year ended June 30, 2009.

Investment income consists of the following for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Total
Interest, dividends, and distributions	\$ 21,998	\$ 667,941	\$ 689,939
Realized and unrealized losses	(307,195)	(2,892,191)	(3,199,386)
	<u>\$ (285,197)</u>	<u>\$ (2,224,250)</u>	<u>\$ (2,509,447)</u>

Note 3. Promises To Give

Promises to give consist of the following at June 30, 2009:

Planned gifts	\$ 1,901,556
Restricted to other programs	707,603
Restricted to endowed scholarships	342,551
Restricted for the Center of Democracy	259,700
Restricted to scholarships	53,699
Restricted to endowment funds	<u>30,990</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	3,296,099
Less unamortized discount at 6% and allowance for uncollectibles at 4%	<u>2,056,139</u>
Total promises to give	<u><u>\$ 1,239,960</u></u>

Promises to give are due to be collected in the following periods:

Less than one year	\$ 590,132
One to five years	804,411
Five to ten years	-
More than ten years	<u>1,901,556</u>
	<u><u>\$ 3,296,099</u></u>

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 4. Property And Equipment

Property and equipment and accumulated depreciation are as follows at June 30, 2009:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Expense</u>
Paintings	-	\$ 343,418	\$ -	\$ 343,418	\$ -
Boat and marine equipment	5 – 10 years	484,914	453,944	30,970	5,473
Office equipment and other	3 – 7 years	124,265	114,463	9,802	4,503
		<u>\$ 952,597</u>	<u>\$ 568,407</u>	<u>\$ 384,190</u>	<u>\$ 9,976</u>

The Foundation owns boats that are used in the College's sailing education programs. Boats were typically received in prior years by donation. The Foundation no longer accepts boat donations.

Note 5. Assets Held In Charitable Gift Annuities

The Foundation has established 23 gift annuity programs. The programs allow the Foundation to accept a gift from a donor in exchange for the Foundation agreeing to pay the donor's annuity payments until the donor's death. The Foundation evaluates each potential annuity prior to acceptance with the consideration of the age of the donor, terms of the annuity payments, required payments terms, and the gift acceptance policy.

Upon execution of the charitable gift annuities, the Foundation records an asset for the fair market value of charitable gift annuities, and a liability based upon the actuarial present value of amounts expected to be paid to the donors. The net of the gift annuity asset and liability is the remainder interest, the residual amount the Foundation expects to receive from the annuities. The present value is readjusted annually, with the value based on an actuarial calculation as summarized below:

Gift annuities remainder interest expected to be paid out (based on life expectancy tables) in:	
Less than one year	\$ 56,489
One to five years	88,559
Over five years	429,514
Total	<u>\$ 574,562</u>

The following table summarizes activity in the gift annuities for the year ended June 30, 2009:

Charitable gift annuities balance at July 1, 2008	\$ 715,139
Contributions	20,000
Annuity payments	(67,195)
Change in value	(93,382)
Charitable gift annuities balance at June 30, 2009	<u>\$ 574,562</u>

Pursuant to charitable gift annuity regulations COMAR 31.09.07.03, the Foundation maintains sufficient assets to equal the sum of the reserves on its outstanding annuity agreements, as noted above.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 5. Assets Held In Charitable Gift Annuities (Continued)

The reserves on the outstanding annuity agreements are consistent with the assumptions underlying the respective rates adopted by the American Council on Gift Annuities which were in effect at the time of the issuance of the respective annuity contracts.

The liabilities are determined based upon the donor's life expectancy and using discount rates between 5% and 9% at June 30, 2009, provided by IRS valuation tables. At the time of the donor's death, any remaining unamortized liability is recorded as additional donations.

Note 6. Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2009:

	Balance at June 30, 2008	Additions	Investment Activity	Restriction Accomplished	Balance at June 30, 2009
Scholarships and awards	\$ 3,286,592	\$ 204,325	\$ (1,527,314)	\$ (80,413)	\$ 1,883,190
Waterfront	2,271,007	182,405	-	(2,022,521)	430,891
Library support	581,741	150	(267,276)	(115,935)	198,680
Choir support	163,630	16,349	-	(50,500)	129,479
Gift annuity	97,041	-	-	(2,090)	94,951
Washington, D.C. program	86,022	-	-	(35)	85,987
Slackwater	52,363	-	-	(13,908)	38,455
Arts alliance	20,953	27,569	-	(30,474)	18,048
Community connections	19,521	18,183	(194)	(33,442)	4,068
Center for Democracy	34,231	30,800	(32,735)	(32,296)	-
Endowed chairs	259,283	-	(259,283)	-	-
Aldom-Plansoen President's Endowment	4,476	-	(4,476)	-	-
Other programs	928,700	220,919	(132,972)	(133,163)	883,484
	<u>\$ 7,805,560</u>	<u>\$ 700,700</u>	<u>\$ (2,224,250)</u>	<u>\$ (2,514,777)</u>	<u>\$ 3,767,233</u>

Investment income is allocated quarterly based on the balance in each fund as of the end of the previous quarter. The balance includes the temporarily restricted, as well as the permanently restricted components of each fund. Investment income is only allocated to funds with a permanently restricted component. An allocation of investment loss, in excess of the temporarily restricted balance in the fund, was absorbed by the Foundation's unrestricted net assets.

Scholarships and awards are restricted contributions to assist the students of the College based on merit and/or financial need. A special emergency assistance fund was established during FY 2009 to assist with extraordinary needs of students resulting from the difficult economic times.

The waterfront program provides recreational and athletic opportunities to the College students.

Library support funds are restricted to support library acquisitions and other library resources.

Choir funds provide students with the opportunity to travel to Italy every summer to study under professional musicians.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 6. Restricted Net Assets (Continued)

Center for Democracy, jointly with Historic St. Mary's City, offers academic and civic engagement opportunities unique to the legacy of the College.

Other programs include support for various funds, including but not limited to the Art Department, Women's Studies, Christmas in April and Facilities and Events.

During the year ended June 30, 2009, net assets were released from donor restriction when expenses satisfying the restricted purposes were incurred, or by occurrence of other events specified by donors.

On September 29, 2008, the Foundation transferred \$2,018,695, of temporarily restricted net assets, to the St. Mary's College of Maryland for the River Center.

Permanently restricted net assets represent donor-restricted contributions in which the donor has stipulated that the principle be maintained intact. Unless otherwise stated by the donor, investment income is recorded into temporarily restricted net assets to be used for specific purposes.

	2008	Additions	Net Transfer To Unrestricted	2009
Scholarships and awards	\$ 11,799,806	\$ 101,633	\$ -	\$ 11,901,439
Endowed chairs	3,038,160	-	-	3,038,160
Library support	1,785,146	70	-	1,785,216
Other programs	3,363,386	385,384	(80,000)	3,668,770
	<u>\$ 19,986,498</u>	<u>\$ 487,087</u>	<u>\$ (80,000)</u>	<u>\$ 20,393,585</u>

The net total of \$80,000 transferred from permanently restricted net assets to unrestricted net assets, was primarily to accurately reflect the net assets designated by the Board of Directors for the Lectureship series (Goodpastor).

Note 7. Related Party Transactions

The Foundation receives services from various individuals whose salaries and benefits are paid by the College. In addition, the College provided the Foundation available administrative office space and use of facilities totaled \$376,458 for the year ended June 30, 2009. Such amounts are recorded as both donated services revenue and supporting services expenses.

Note 8. Fair Value Measurement

The Foundation adopted Financial Accounting Standard No. 157, *Fair Value Measurements* (FAS 157), in 2009, with no material impact to the financial statements. FAS 157 requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework for measuring fair value in GAAP and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 8. Fair Value Measurement (Continued)

FAS 157 applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required by SFAS No. 157, the Foundation does not adjust the quoted price for these investments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted prices.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in the category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 instrument.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are not included in this category generally include equity and debt positions in private companies and general and limited Organization interests in private investment finds, real estate funds, debt funds, and distressed debt.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

Fair values of assets measured on a recurring basis at June 30, are as follows (dollars in thousands):

Assets	Level 1	Level 2	Level 3	Total
Equities	\$ 4,837,813	\$ -	\$ 95,469	\$ 4,933,282
Cash equivalents	2,391,173	-	-	2,391,173
Gift annuities	683,655	-	-	683,655
Cash surrender value of life insurance policies	90,685	-	-	90,685
Fixed Income	-	6,542,846	-	6,542,846
Limited partnership interests	-	-	7,622,774	7,622,774
	<u>\$ 8,003,326</u>	<u>\$ 6,542,846</u>	<u>\$ 7,718,243</u>	<u>\$ 22,264,415</u>

Equities, cash equivalents, gift annuities, and cash surrender values are classified as Level 1 instruments as there are quoted market prices in active markets for identical assets.

Fixed income is classified as Level 2 instruments as there are not quoted market prices in active markets for identical assets. Their value is determined using models and other valuation methodologies, which are corroborated by market data.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 8. Fair Value Measurement (Continued)

Limited partnership interests are classified as Level 3 instruments as the market value is based on unobservable inputs that are not corroborated by market data. The equities classified as level 3 instruments above represent shares of a non-public company, the value for which is based on unobservable inputs that are not corroborated by market data.

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), FAS 157 requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs.

	Equities	Limited Partnership Interests
Beginning balance of assets, July 1, 2008	\$ 120,060	\$ -
Contributions	-	7,730,000
Unrealized losses on investments	(24,591)	(107,226)
Ending balance of assets, June 30, 2009	\$ 95,469	\$ 7,622,774

Note 9. Endowment Net Assets

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FAS 117-1 addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. Management has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of permanently restricted cash contributions and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible pledges. The remaining portion of donor-restricted cash contributions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- The purposes of the Foundation and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

The Foundation has adopted investment and spending policies for permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs, while maintaining purchasing power.

St. Mary's College Of Maryland Foundation, Inc.

Notes To Financial Statements

Note 9. Endowment Net Assets (Continued)

Spending policy: The Foundation applies an annual service fee of up to 2% on the total value of its endowed funds. The actual service fee rate is fixed annually at a level that is sufficient to cover the core Foundation expenses, including, but not limited to, insurance, accounting, legal, and investment management. The permanently restricted earnings are used in accordance with either the donor's stated purpose or to support the foundation's operations in general as described in Note 6 to the Financial Statements.

Investment policy: The Foundation's investment policy is approved by the joint investment advisory committee which was established by the Foundation's Board of Director's. The committee analyzes risk and return and determines target asset allocation. The committee selects investment advisors and provides them with the approved asset allocations. The portfolio must offer sufficient liquidity to meet payments of philanthropic endeavors and operating expenses. The Foundation's intent is to remain in perpetuity, and as such, the portfolio should support this goal.

Endowment fund activity for the year ended June 30, 2009, consists of the following:

	Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Net Assets, June 30, 2008	\$ -	\$ 4,240,433	\$ 19,986,498	\$ 24,226,931
Contributions	-	38,628	487,087	525,715
Transfers from permanently restricted net assets to board designated endowment	95,000	-	(95,000)	-
Transfer from unrestricted net assets	-	-	15,000	15,000
Net investment (loss)	-	(2,214,439)	-	(2,214,439)
Appropriation of endowment assets for expenditure	-	(102,942)	-	(102,942)
Net Assets, June 30, 2009	\$ 95,000	\$ 1,961,680	\$ 20,393,585	\$ 22,450,265

The endowment assets are primarily comprised of the Foundation's investments, as detailed in Note 2. The remaining endowment assets are comprised of cash and cash equivalents.