ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2010

Overview of the Financial Statements and Financial Analysis

St. Mary's College of Maryland (College) is pleased to present its financial statements for fiscal year 2010 with fiscal year 2009 and 2008 prior-year data for comparative purposes. There are three financial statements presented for each fiscal year: the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows.

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

Statements of Net Assets

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

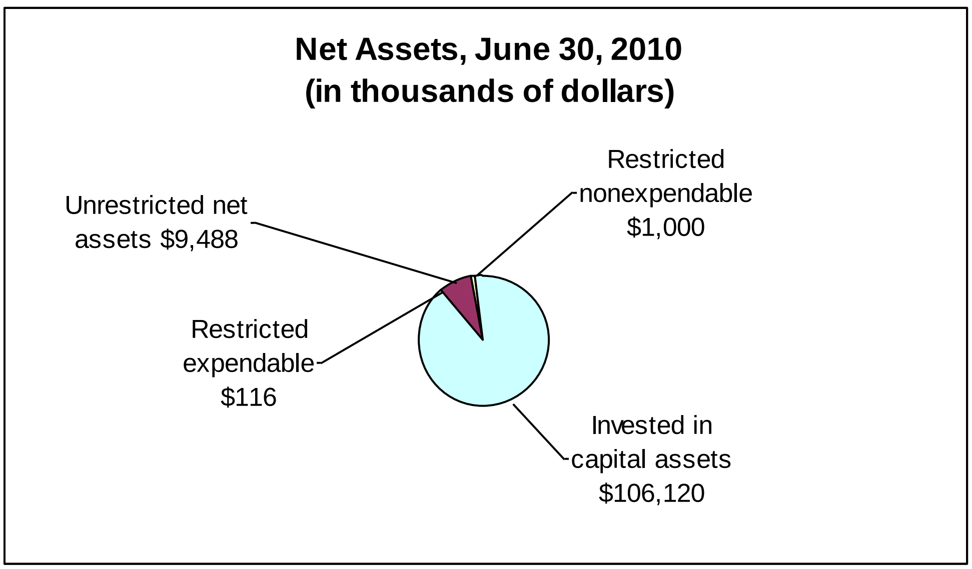
Condensed Statements of Net Assets (in thousands of dollars)

	June 30, 2010	June 30, 2009	June 30, 2008
Assets:			
Current Assets	$ 15,080	$ 13,642	$ 14,462
Noncurrent Assets, net	152,280	151,812	148,771
Total Assets	167,360	165,454	163,233
Liabilities:			
Current Liabilities	7,294	7,134	7,312
Noncurrent Liabilities	43,342	45,591	47,247
Total Liabilities	50,636	52,725	54,559
Net Assets:			
Invested in Capital Assets, net of debt	106,120	103,868	99,663
Restricted - nonexpendable	1,000	1,000	1,000
Restricted - expendable	116	117	296
Unrestricted	9,488	7,744	7,715
	$ 116,724	$ 112,729	$ 108,674

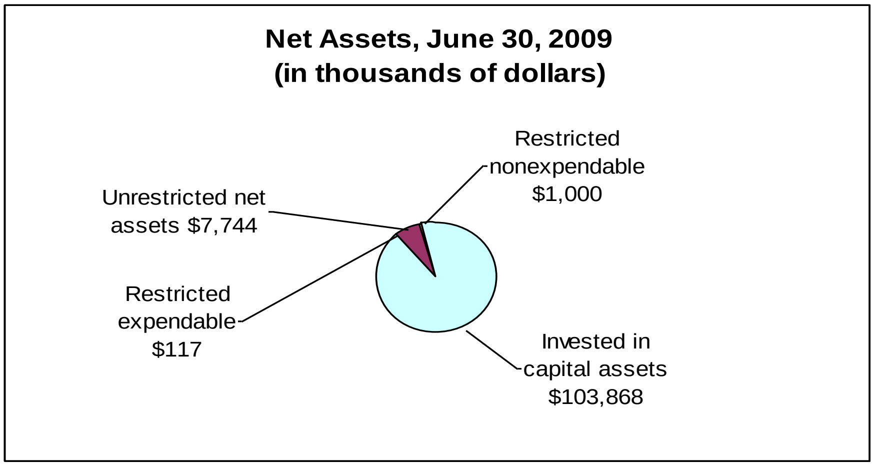
Statements of Net Assets (Continued)

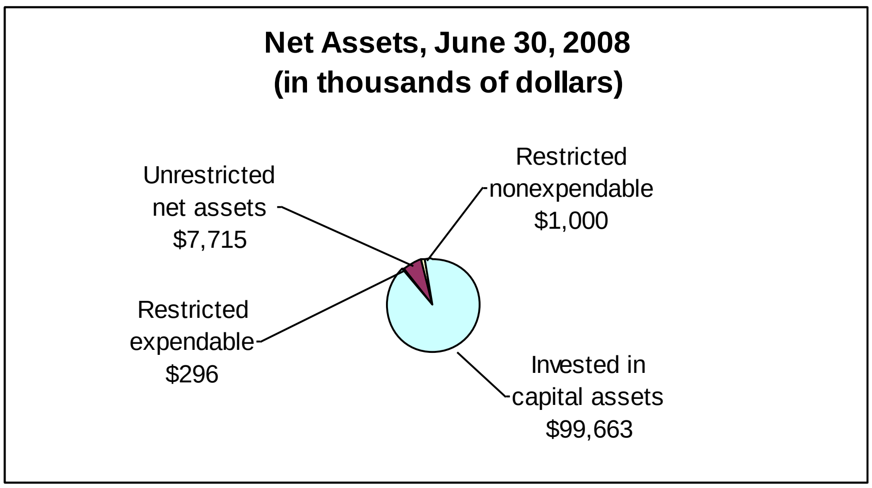
The total assets of the College increased $1.9 million. This increase was primarily due to strong enrollments, moderate energy prices, and increased capital assets. The total liabilities for the year decreased $2.1 million, primarily through the routine retirement of debt and vacation accrual changes of $0.6 million. This combination of an increase in total assets of $1.9 million and a decrease in total liabilities of $2.1 million resulted in an increase in total net assets of $4.0 million. In the prior period, total assets increased $2.2 million and liabilities decreased $1.8 million, resulting in a change in total net assets of $4.0 million.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment owned by the College. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for use by the College, but must be spent only for purposes specified by donors. The final category is unrestricted net assets, which are available to be expended for any lawful purpose of the College. The following graphs detail net assets by category held by the College as of June 30, 2010, June 30 2009, and June 30, 2008, respectively**.**



Statements of Net Assets (Continued)





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

Breakdown of Unrestricted Net Assets (in thousands of dollars)

	June 30, 2010	June 30, 2009	June 30, 2008
Encumbrances and carryovers for general operating purposes	$ 1,237	$ 423	$ 546
Encumbrances for capital projects	397	482	2,460
Funds designated for current plant projects	959	1,270	430
Funds designated for future plant projects	(992)	(1,814)	(3,133)
Funds functioning as endowments	2,915	2,861	3,038
Unrestricted funds for general operating purposes	4,972	4,522	4,374
Total Unrestricted Net Assets	$ 9,488	$ 7,744	$ 7,715

Statements of Revenues, Expenses and Changes in Net Assets

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Nonoperating revenues are generated by incidental activities, gifts and subsidies. The financial reporting model classifies State appropriations and gifts to the College as nonoperating 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 Revenues, Expenses, and Changes in Net Assets (in thousands of dollars):

	June 30, 2010	June 30, 2009	June 30, 2008
Operating Revenue			
Tuition and fees, less scholarships and waivers	$ 23,635	$ 22,834	$ 21,313
Grants and contracts	2,055	1,303	2,001
Sales and services of educational departments	1,387	981	1,202
Auxiliary enterprises	17,923	16,970	16,132
Other operating revenues	60	87	82
Total Operating Revenues	45,060	42,175	40,730
Operating Expenses	60,410	60,270	58,278
Operating loss	(15,350)	(18,095)	(17,548)
Nonoperating revenues			
State appropriations	17,215	17,050	17,083
Other nonoperating income (deficit)	(1,446)	1,186	(751)
Net nonoperating revenues	15,769	18,236	16,332
Operating surplus/(loss)	419	141	(1,216)
Capital appropriations	3,576	3,914	20,065
Increase in net assets	3,995	4,055	18,848
Net Assets at beginning of year	112,729	108,674	89,826
Net Assets at End of Year	$ 116,724	$ 112,729	$ 108,674

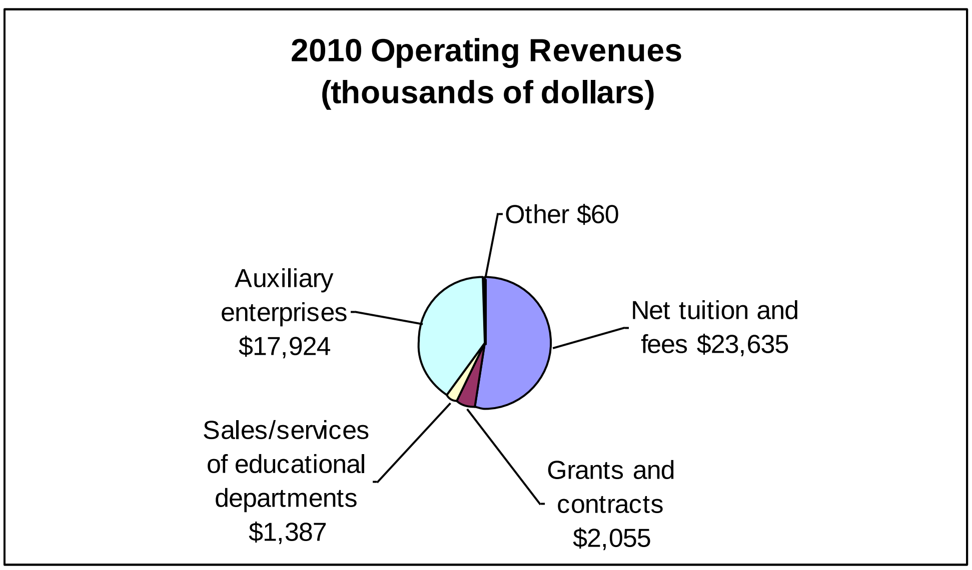
Summary of Changes in Statements of Revenues, Expenses, and Changes in Net Assets

Net assets increased by $4.0 million, or 4%, for 2010. The increase resulted primarily from operations. An overall increase in operating revenues of $2.9 million is primarily due to increased tuition and fee revenue of $0.8 million and an increase of $0.9 million in auxiliary revenue and increases in various grants and contracts. Operating expenses increased $0.1 million mainly as a result of increased expenditures for current employee and benefits as well as depreciation expense offset by reductions in utilities and auxiliary expenses. Additionally, $96 thousand in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments have been included in operating expenses in 2010**,** in accordance with accounting principles generally accepted in the United States of America. Similarly, net assets increased $4.0 million, or 3.7%, between June 30, 2008 and June 30, 2009.

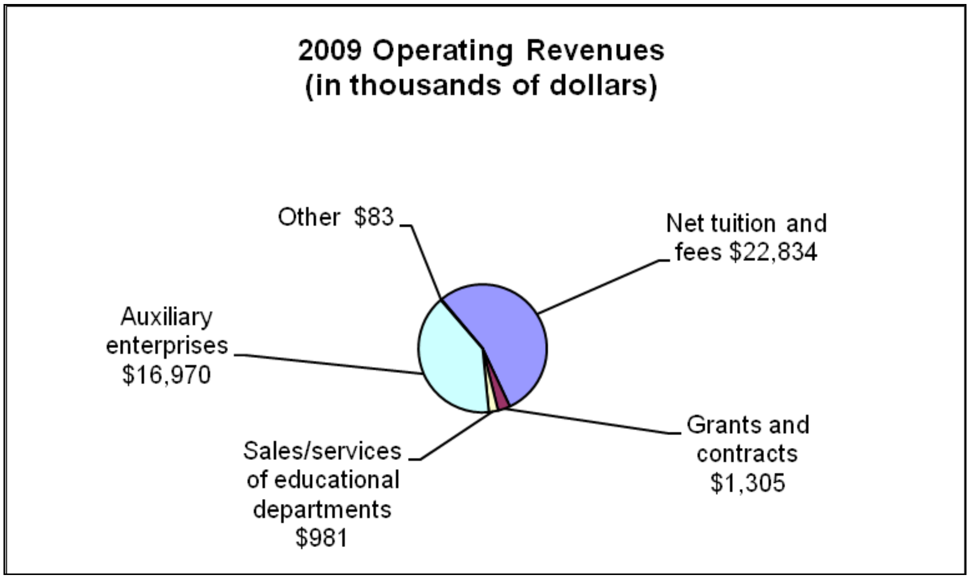
Nonoperating revenues net of nonoperating expenses decreased by $2.5 million from the previous year**.** The decrease represents a $2 million gift in 2009 and none in 2010 from the St. Mary's College of Maryland Foundation in support of the completed James P. Muldoon River Center, hence this change was expected.

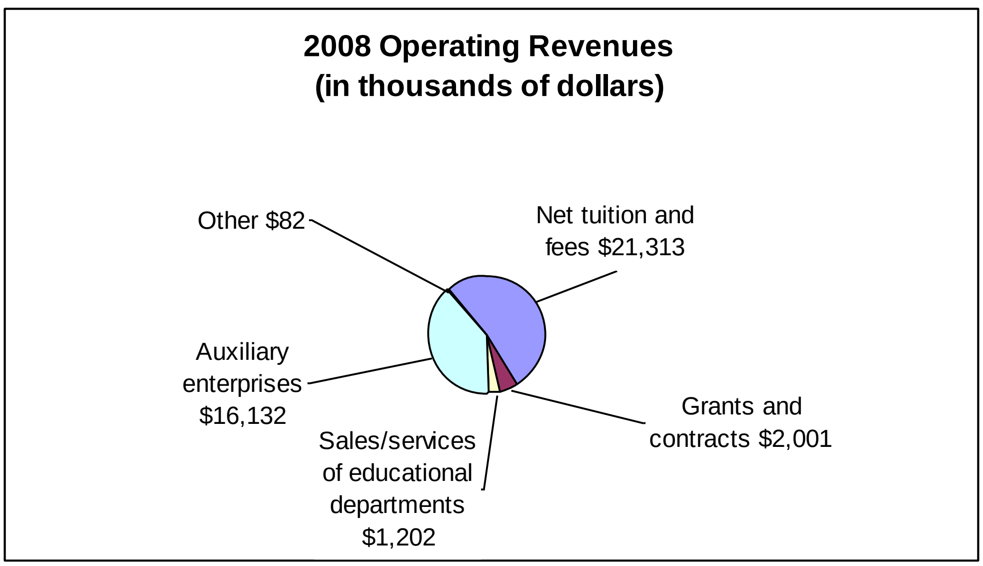
Operating Revenues

Total operating revenues for fiscal year 2010 were $45.1 million. The graphs below show comparisons in operating revenues for fiscal years 2010, 2009 and 2008:



Operating Revenues (Continued)





Tuition and Fees

Tuition and fees, less scholarships and waivers, of $23.6 million accounted for 52% of total operating revenue and increased 4% from the prior year. Scholarships provided to students with College funds are often referred to as a tuition discount, or simply as discounting.

Grants and Contracts

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

Auxiliary Enterprises

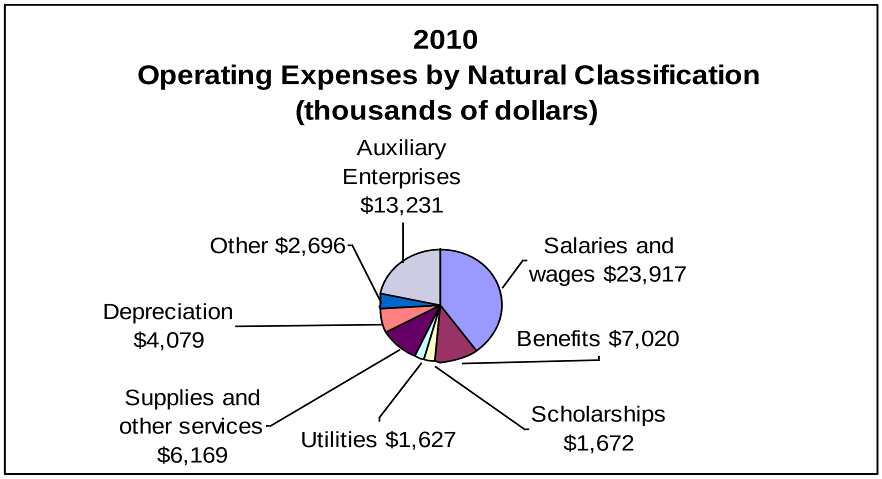
Auxiliary enterprises consist of various entities that exist primarily to furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The College's largest auxiliary enterprises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

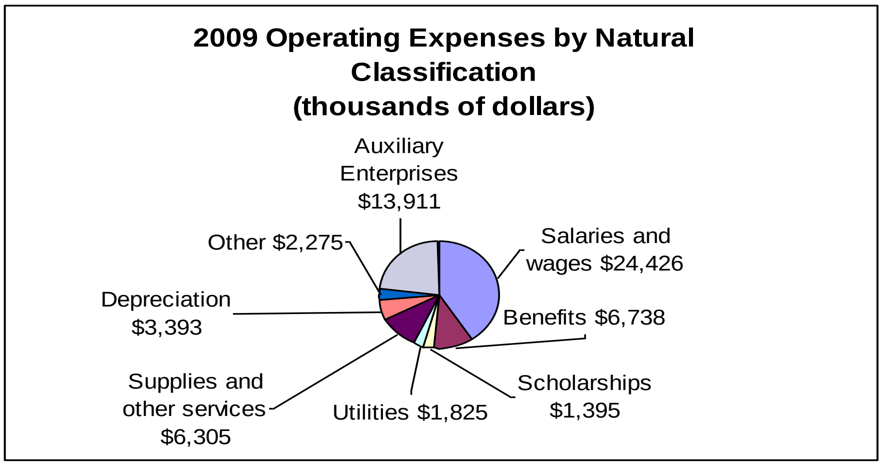
Sales and Services of Educational Activities

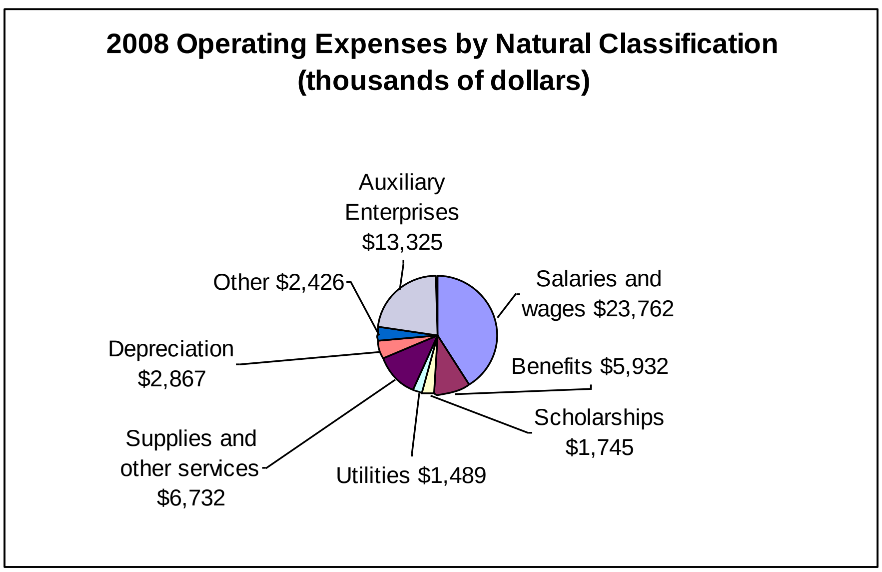
Other operating revenues consist of sales and services of educational activities totaling $1.4 million. Examples of educational activity include conferences and study abroad fees.

Operating Expenses

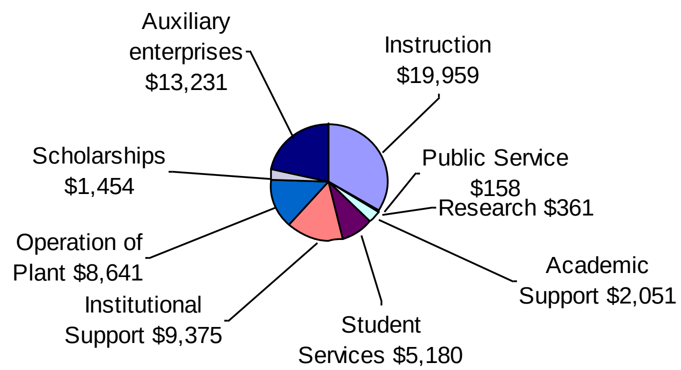
Operating expenses for 2010 totaled $60.4 million. Of this total $20.0 million, or 33%, was for instruction. Operating expenses include salaries and benefits of $30.9 million, scholarships and grants of $1.7 million, non-auxiliary utilities of $1.6 million, supplies and other services of $6.2 million and non-auxiliary depreciation of $4.1 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.


2010
Operating Expenses by Natural Classification
(thousands of dollars)
Auxiliary Enterprises $13,231
Other $2,696
Salaries and wages $23,917
Depreciation $4,079
Benefits $7,020
Supplies and other services $6,169
Utilities $1,627
Scholarships $1,672

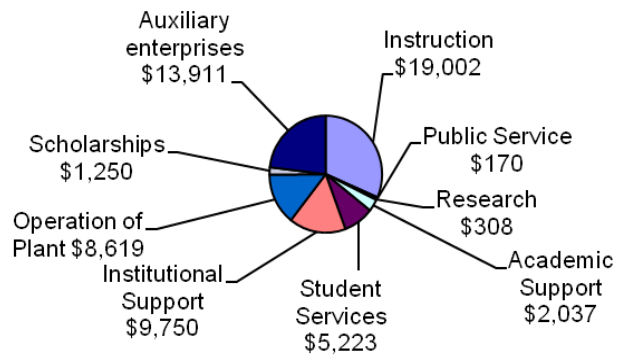

2009 Operating Expenses by Natural Classification
(thousands of dollars)
Auxiliary Enterprises $13,911
Other $2,275
Salaries and wages $24,426
Depreciation $3,393
Benefits $6,738
Supplies and other services $6,305
Utilities $1,825
Scholarships $1,395


2008 Operating Expenses by Natural Classification
(thousands of dollars)
Auxiliary Enterprises $13,325
Other $2,426
Salaries and wages $23,762
Depreciation $2,867
Benefits $5,932
Scholarships $1,745
Supplies and other services $6,732
Utilities $1,489

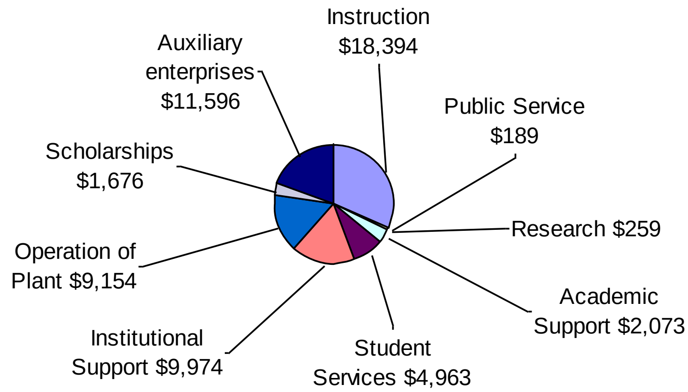
2010 Operating Expenses by Functional Classification
(thousands of dollars)



2009 Operating Expenses by Functional Classification
(thousands of dollars)



2008 Operating Expenses by Functional Classification
(thousands of dollars)



State Appropriation

The largest inflow in the non-capital financing activities group is the State appropriation of $20.8 million. The legislation governing the provision of State support (Annotated Code of Maryland 14-405 (b)(2)(ii) to St. Mary's College of Maryland 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 governments. In recent years, the implicit price deflator has provided an increase to the College's appropriation that has ranged between two and four percent. The State appropriation provides approximately 26.8% of the operating budget for the College. The State appropriation, while increasing in dollar terms, continues to drop steadily in its relative share of the College's budget. This drop requires the College to seek additional revenues from other sources, such as tuition and fees, auxiliary enterprises, grants, and gifts.

Investment Income, Net

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

Statements of Cash Flows

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

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

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

	June 30, 2010	June 30, 2009	June 30, 2008
Cash Provided (used) By:			
Operating Activities	$ (10,099)	$ (12,840)	$ (14,101)
Non-capital Financing Activities	20,826	23,484	38,083
Capital and Related Financing Activities	(9,581)	(13,492)	(32,592)
Investing Activities	401	2,630	4,787
Net Change in Cash	1,547	(218)	(3,823)
Cash, Beginning of Year	11,681	11,899	15,722
Cash, End of Year	$ 13,228	$ 11,681	$ 11,899

Campus Enrollment

The College continues to benefit from strong enrollments as students are attracted to the honors college program. Enrollments continue to fill all of the available housing capacity and as such are projected to remain relatively steady going forward. The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 2003-04 through 2008-09 academic years. Also indicated are full-time equivalent students attending the College.

Fall 2003 to Fall 2009 Full-time, Part-time, and FTE Enrollment:

Fall	*Full-time:*		*Part-time:*		*Away Students:**			Full-time Equivalent **
Semester	N	(%)	N	(%)	N	(%)	Total	(FTE)
2009	1,876	92.3%	65	3.2%	119	5.8%	2,060	2,190
2008	1,905	92.3%	73	3.5%	87	4.2%	2,065	2,095
2007	1,839	91.9%	74	3.7%	89	4.4%	2,002	2,033
2006	1,815	92.7%	86	4.4%	56	2.9%	1,957	2,003
2005	1,824	92.9%	115	5.9%	25	1.3%	1,964	2,039
2004	1,805	93.3%	105	5.4%	25	1.3%	1,935	1,995
2003	1,772	92.2%	116	6.0%	34	1.8%	1,922	1,990

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

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

Full-time, Part-time, and FTE Enrollment -- Fall 2002 to Fall 2009 (Continued)

Enrollment goals continue to be met. The enrollment goal for fall semester 2010 remains at 1,850 full-time students on campus. The College adopted a new Core Curriculum in 2008 with one of the requirements being a study abroad or service learning component. All students entering the College starting with the Fall 2008 semester are expected to fulfill this requirement through a 4-credit academic experience outside the classroom, including semester long study abroad programs, shorter length study tour opportunities, internships, and service learning courses. As participation in the study abroad component grows, we will continue to manage the overall enrollment to maintain full occupancy on campus as well as our traditionally low student-to-faculty ratio in the classroom.

Capital Assets and Debt Administration

Capital additions totaled $6.6 million in 2010. Capital additions were primarily comprised of building improvements and the purchase of equipment. Current year capital additions were funded primarily with State capital appropriations of $3.6 million and unrestricted net assets which were designated for capital purposes. The principal balance of revenue bond and notes payable declined $1.6 million for the year ended June 30, 2010 compared with a similar decline of $1.5 million in the prior year as the College continues its scheduled debt payments. There were no new bonds or notes issued in either period.

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

Factors and Events Impacting Future Periods

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

The Maryland State appropriation contributes approximately $20.8 million to general operations revenue. The level of State support is therefore one of the key factors influencing the College's financial condition. Maryland and most other states have experienced significant shortfalls in revenues as the U.S. economy in general has experienced recession in the past year. A crucial element to the College's future will continue to be our relationship with the State of Maryland, as we work to manage tuition to make it competitive while providing an outstanding honors college education for our students. There is a direct relationship between the growth of State support and the College's ability to control tuition growth, as declines in state appropriations generally result in increased tuition levels.

Factors and Events Impacting Future Periods (Continued)

The College experienced a moderate reduction in energy prices during 2010. Fuel oil, our most volatile energy component, is fixed in price for the remainder of the fiscal year but price levels are unknown and unpredictable for future years. Volatility in the financial markets has substantially reduced distribution of endowment returns from our Foundation, requiring the College to directly support scholarships and endowed professorships. Reduced interest earnings to the College from cash balances held by the Maryland State Treasurer have also restrained expenditures in many areas.

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

The College's overall financial position remains strong, with fiscal year 2010 providing an increase to the College's fund balances and future financial position. The College anticipates the current fiscal year will be much like the last as we watch closely over resources to maintain the College's ability to react to unknown internal and external issues.

Thomas J. Botzman, Ph.D.
Vice President for Business and Finance

ST. MARY'S COLLEGE OF MARYLAND
Statements of Net Assets
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 13,227,879	$ 11,681,279
Accounts receivable, net	566,784	481,877
Inventories	363,912	356,630
Prepaid items and other assets	921,592	1,122,580
Total Current Assets	15,080,167	13,642,366
Noncurrent Assets:		
Endowment Investments	4,061,722	3,881,412
Other restricted investments	626,081	627,563
Other investments	532,846	533,237
Notes receivable, net of allowance for doubtful notes	251,899	255,133
Capital assets, net of accumulated depreciation	146,807,657	146,514,498
Total Noncurrent Assets	152,280,205	151,811,843
TOTAL ASSETS	167,360,372	165,454,209
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	3,929,197	3,850,785
Accrued vacation, current portion	818,494	749,991
Accrued worker compensation, current portion	64,824	57,505
Bonds and notes payable, current	1,510,276	1,480,153
Deferred revenue	971,281	995,888
Total Current Liabilities	7,294,072	7,134,322
Noncurrent Liabilities		
Bonds and notes payable	42,490,498	44,089,327
Accrued vacation	81,283	753,970
Accrued worker compensation	353,394	313,495
Capital lease	9,157	26,966
Federal perkins funds	407,510	407,510
Total Noncurrent Liabilities	43,341,842	45,591,268
TOTAL LIABILITIES	50,635,914	52,725,590
NET ASSETS		
Invested in capital assets, net of related debt	106,120,126	103,867,629
Restricted nonexpendable		
Scholarships and fellowships	1,000,117	1,000,117
Restricted expendable		
Research	53,011	61,117
Loans	43,019	36,291
Scholarships and fellowships	19,894	19,894
Unrestricted	9,488,291	7,743,571
TOTAL NET ASSETS	$ 116,724,458	$ 112,728,619

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

ST. MARY'S COLLEGE OF MARYLAND
Balance Sheets – St. Mary's Foundation - Component Unit
June 30, 2010 and 2009

	2010	2009
ASSETS:		
Cash	$ 222,863	$ 346,680
Investments	23,360,863	21,490,075
Investments - gift annuity	733,836	683,655
Receivables	211,449	96,672
Other Assets	99,831	90,685
Promises to Give, net	904,368	1,239,960
Property and Equipment, net	375,470	384,190
Total Assets	$ 25,908,680	$ 24,331,917
LIABILITIES AND NET ASSETS:		
Liabilities		
Accounts Payable	$ 196,115	$ 137,161
Deferred Revenue	124,245	-
Gift Annuity	586,479	574,562
Total Liabilities	906,839	711,723
Net Assets		
Unrestricted	309,674	(540,624)
Temporarily restricted	3,858,741	3,767,233
Permanently restricted	20,833,426	20,393,585
Total Net Assets	25,001,841	23,620,194
Total Liabilities and Net Assets	$ 25,908,680	$ 24,331,917

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

ST. MARY'S COLLEGE OF MARYLAND
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
REVENUES		
Operating Revenues		
Student tuition and fees (*less scholarships and waivers of*: *$6,128,721 in 2010 and $5,579,474 in 2009)*	**$ 23,635,165**	$ 22,834,444
Grants and contracts		
Federal	**1,679,478**	1,156,434
State	**145,084**	100,154
Other	**230,431**	48,672
Sales and services	**1,386,911**	981,433
Auxiliary enterprises		
Residence facilities, net of waivers of $87,840 and $83,633	**9,693,888**	9,244,981
Dining services, net of waivers of $32,480 and $29,120	**6,058,092**	5,495,148
Bookstore	**2,131,777**	2,249,144
Other auxiliary enterprises revenue	**39,851**	(18,835)
Other operating revenues	**60,118**	82,965
Total Operating Revenues	**45,060,795**	42,174,540
OPERATING EXPENSES		
Salaries	**23,917,494**	24,425,792
Benefits	**7,019,775**	6,738,405
Scholarships and fellowships	**1,671,886**	1,395,082
Utilities (excluding auxiliary enterprises)	**1,627,414**	1,825,494
Supplies and other services	**6,168,436**	6,305,184
Depreciation (excluding auxiliary enterprises)	**4,079,050**	3,393,925
Other	**2,695,652**	2,274,543
Auxiliary enterprises	**13,230,588**	13,911,448
Total Operating Expenses	**60,410,295**	60,269,873
Operating Income (loss)	**(15,349,500)**	(18,095,333)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	**17,214,772**	17,050,016
Gifts and grants	**239,219**	2,644,781
Other transfers	**(204,368)**	(124,700)
Investment gains and losses	**180,136**	196,521
Interest income	**380,285**	586,399
Interest on indebtedness	**(2,041,012)**	(2,117,293)
Net Nonoperating Revenues	**15,769,032**	18,235,724
Gain (Loss) before other revenues, expenses, gains, or loss	**419,532**	140,391
Other revenues, expenses, gains and losses:		
Capital state appropriation	**3,576,307**	3,914,082
Total Other Revenues	**3,576,307**	3,914,082
Increase in Net Assets	**3,995,839**	4,054,473
NET ASSETS		
Net Assets-beginning of year	**112,728,619**	108,674,146
Net Assets-End of Year	**$ 116,724,458**	$ 112,728,619

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

ST. MARY'S COLLEGE OF MARYLAND
Statements of Activities - St. Mary's Foundation - Component Unit
Year Ended June 30, 2010 (With Comparative Totals for 2009)

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009
Support and Revenue:					
Contributions	$ 234,664	$ 695,167	$ 471,719	$ 1,401,550	$ 1,531,460
Donated services	757,323	-	-	757,323	376,458
Event Revenue	345,373	72,937	-	418,310	333,709
Sponsorship	55,402	2,886	-	58,288	206,750
Investment Income	1,061,679	645,809	-	1,707,488	(2,509,447)
Other Revenue	140,708	32,045	31,895	204,648	73,951
Net Assets Released from Restrictions	1,421,109	(1,357,336)	(63,773)	-	-
Total Support and Revenue	4,016,258	91,508	439,841	4,547,607	12,881
Expenses					
Programs Services:					
Support to St. Mary's College of Maryland					
Scholarships	324,544	-	-	324,544	426,060
Athletics	256,628	-	-	256,628	123,034
Amphitheater	202,893			202,893	12,250
Waterfront	158,254	-	-	158,254	2,028,726
Horton Program	98,299			98,299	13,802
International Studies	94,737	-	-	94,737	-
Alumni Activities	65,816	-	-	65,816	52,408
College Department/Division Support	58,537	-	-	58,537	4,000
Choir Fund	50,000	-	-	50,000	50,500
Center for Democracy	33,792	-	-	33,792	94,651
Crew Team	26,756	-	-	26,756	2,497
Art Alliance	25,370	-	-	25,370	31,658
Lectureship Series	24,831	-	-	24,831	7,500
Fudan	20,525	-	-	20,525	15,899
Faculty Support	14,134			14,134	10,400
Student Activities	13,497			13,497	
Poetry Festival	10,956			10,956	25,644
Wish	7,806			7,806	13,000
Sailing	5,879	-	-	5,879	14,948
President	2,193	-	-	2,193	84,175
Alba Campus	442	-	-	442	29,983
Safe Ride	98			98	1,854
Academic Chair	-	-	-	-	86,500
Library	-	-	-	-	70,223
Slackwater	-	-	-	-	20,774
Artist House	-	-	-	-	4,601
Subtotal	1,495,987	-	-	1,495,987	3,225,087
River Concert Series	421,066	-	-	421,066	445,835
Gift Annuities	82,252	-	-	82,252	38,708
Governor's Cup	62,515	-	-	62,515	70,601
Facility/Events	15,164	-	-	15,164	11,731
Other Programs	11,596	-	-	11,596	171,315
Family Weekend	6,595	-	-	6,595	8,469
Community Connection	2,300	-	-	2,300	9,945
College Relations	400	-	-	400	76,986
Total program services	2,097,875	-	-	2,097,875	4,058,677
Supporting Services:					
Management and general	660,822	-	-	660,822	679,239
Fundraising	407,263	-	-	407,263	379,651
Total supporting services	1,068,085	-	-	1,068,085	1,058,890
Total Expenses	3,165,960	-	-	3,165,960	5,117,567
Change in net assets	850,298	91,508	439,841	1,381,647	(5,104,686)
Net Assets					
Beginning	(540,624)	3,767,233	20,393,585	23,620,194	28,724,880
Ending	$ 309,674	$ 3,858,741	$ 20,833,426	$ 25,001,841	$ 23,620,194

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

ST. MARY'S COLLEGE OF MARYLAND
Statement of Activities – St. Mary's Foundation - Component Unit
Year Ended June 30, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 347,634	$ 696,739	$ 487,087	$ 1,531,460
Donated services	376,458	-	-	376,458
Event Revenue	329,998	3,711	-	333,709
Sponsorship	206,500	250	-	206,750
Investment Income	(285,197)	(2,224,250)	-	(2,509,447)
Other Revenue	73,951	-	-	73,951
Net Assets Released from Restrictions	2,514,777	(2,514,777)	-	-
Transfer between net assets classes	80,000	-	(80,000)	-
Total Support and Revenue	3,644,121	(4,038,327)	407,087	12,881
Expenses				
Programs Services				
Support To St. Mary's College of Maryland				
Scholarships	426,060	-	-	426,060
Athletics	123,034	-	-	123,034
Academic Chair	86,500	-	-	86,500
Waterfront	2,028,726	-	-	2,028,726
Choir Fund	50,500	-	-	50,500
Library	70,223	-	-	70,223
President	84,175	-	-	84,175
Alumni Activities	52,408	-	-	52,408
Center for Democracy	94,651	-	-	94,651
Art Alliance	31,658	-	-	31,658
Alba Campus	29,983	-	-	29,983
Artist House	4,601	-	-	4,601
Wish	13,000			13,000
Slackwater	20,774	-	-	20,774
Crew Team	2,497	-	-	2,497
Amphitheater	12,250			12,250
Sailing	14,948	-	-	14,948
Lectureship Series	7,500			7,500
College Department/Division Support	4,000	-	-	4,000
Safe Ride	1,854			1,854
Faculty Support	10,400			10,400
Horton Program	13,802			13,802
Fudan	15,899	-	-	15,899
Poetry Festival	25,644			25,644
Total	3,225,087	-	-	3,225,087
River Concert Series	445,835	-	-	445,835
Gift Annuities	38,708	-	-	38,708
Governor's Cup	70,601	-	-	70,601
College Relations	76,986	-	-	76,986
Facility/Events	11,731	-	-	11,731
Community Connection	9,945	-	-	9,945
Family Weekend	8,469	-	-	8,469
Other Programs	171,315	-	-	171,315
	4,058,677	-	-	4,058,677
Supporting Services				
Management and general	679,239	-	-	679,239
Fundraising	379,651	-	-	379,651
Total supporting services	1,058,890	-	-	1,058,890
Total expenses	5,117,567	-	-	5,117,567
Change in net assets	(1,473,446)	(4,038,327)	407,087	(5,104,686)
Net Assets Beginning	932,822	7,805,560	19,986,498	28,724,880
Ending	$ (540,624)	$ 3,767,233	$ 20,393,585	$ 23,620,194

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

ST. MARY'S COLLEGE OF MARYLAND
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees (net of all scholarships and grants)	**$ 21,873,130**	$ 21,701,597
Grants and contracts (exchange)	**2,054,993**	1,305,260
Salaries and benefits	**(31,162,765)**	(30,996,989)
Payments to suppliers	**(10,534,110)**	(10,779,538)
Loans issued to students	**(30,455)**	(26,000)
Collection of student loans	**38,931**	34,986
Sales-auxiliary enterprises	**17,923,608**	16,970,439
Expenses-auxiliary enterprises	**(11,470,442)**	(12,080,374)
Other receipts	**1,207,864**	1,031,007
Net Cash from Operating Activities	**(10,099,246)**	(12,839,611)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	**20,791,079**	20,964,098
Other transfers	**(204,368)**	(124,700)
Noncapital gifts and grants	**239,219**	2,644,781
Net Cash from Non-capital Financing Activities	**20,825,930**	23,484,178
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	**(6,150,165)**	(10,122,447)
Principal paid on long term debt	**(1,390,000)**	(1,252,473)
Interest paid on long-term debt	**(2,041,012)**	(2,117,293)
Net Cash from Capital and Related Financing Activities	**(9,581,177)**	(13,492,213)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	**36,243**	37,269
Interest on investments	**363,541**	570,985
Purchase of investments	**1,309**	2,021,768
Net Cash from Investing Activities	**401,093**	2,630,023
Net Increase (Decrease) in Cash	**1,546,600**	(217,627)
Cash and Cash Equivalents - beginning of year	**11,681,279**	11,898,903
Cash and Cash Equivalents - end of year	**$ 13,227,879**	$ 11,681,276
Supplementary Disclosure		
Interest expense paid during the year	**$ 2,041,012**	$ 2,117,293

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

ST. MARY'S COLLEGE OF MARYLAND
Statements of Cash Flows (Continued)
Years Ended June 30, 2010 and 2009

Reconciliation of Operations Loss to Net Cash Provided (Used) By Operating Activities

	2010	2009
Operating loss	**$ (15,349,500)**	$ (18,095,333)
Adjustments to reconcile operating loss to net cash from operating activities		
Noncash expenses:		
Depreciation	**5,839,196**	5,224,999
Paid from bond funds	**(1,483)**	(1,439,735)
Accrued vacation	**(604,184)**	(15,096)
Other noncash expenses	**(126,244)**	1,395,318
Change in non-cash operating assets and liabilities:		
Receivables, net	**(84,907)**	257,462
Notes receivable	**3,234**	13,759
Inventories	**(7,282)**	25,283
Prepaid expenses	**161,375**	279,353
Accounts payable	**(236,314)**	(718,564)
Salaries payable	**331,470**	68,304
Deferred revenue	**(24,607)**	164,638
Net Cash used by Operating Activities	**$ (10,099,246)**	$ (12,839,612)

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

ST. MARY'S COLLEGE OF MARYLAND
Statements of Cash Flows – St. Mary's Foundation – Component Unit
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 1,381,647**	$ (5,104,686)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributions received for endowment	**(471,719)**	(487,087)
Depreciation	**8,720**	9,976
Realized and unrealized (gains) losses on investments	**(1,325,711)**	3,199,386
Sdiscount and allowance on promises to give	**(62,601)**	(76,333)
Donated securities	**183,142**	121,783
Changes in non-cash operating assets and liabilities	**(27,659)**	(24,767)
Receivables, net	**(114,776)**	(9,828)
Promises to give	**215,051**	686,754
Other assets	**(9,146)**	-
Accounts payable and accrued expenses	**58,954**	(57,882)
Deferred revenue	**124,245**	-
Gift annuity	**11,917**	(140,577)
Net Cash used by Operating Activities	**(27,936)**	(1,883,260)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(7,568,700)**	(14,460,181)
Proceeds from sale of investments	**7,001,100**	15,438,256
Purchase of property and equipment	**-**	(2,583)
Net Cash from Investing Activities	**(567,600)**	975,491
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for endowment	**471,719**	487,087
Net Increase (Decrease) in Cash	**(123,817)**	(420,682)
Cash and Cash Equivalents - beginning of year	**346,680**	767,362
Cash and Cash Equivalents - end of year	**$ 222,863**	$ 346,680
Supplementary Disclosure of Noncash Investing Activity		
Donated securities	**$ 27,659**	$ 24,767

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

1. ORGANIZATION AND PURPOSE

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

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

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

During the years ended June 30, 2010 and 2009, the Foundation distributed $1,495,987 and $3,225,087 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - College

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

B. Basis of Presentation - Foundation

The financial statement presentation for the Foundation follows the recommendations of the FASB in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Complete financial statements of the foundation may be requested from Deborah Brooks, Development Office – Calvert Hall Room 102, St. Mary's College, 18952 East Fisher Road, St. Mary's City, MD 20686-3001.

C. Basis of Accounting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash Equivalents

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

E. 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.

F. 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.

G. 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.

H. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (Continued)

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.

I. Deferred Revenues

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

J. Compensated Absences

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

K. Net Assets - College

The College's net assets are classified as follows:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets – College (Continued)

The College's net assets are classified as follows: (Continued)

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

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

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

L. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Classification of Revenues

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

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

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

N. 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.

O. Unconditional Promises to Give

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Implementation of New Pronouncements

In December 2006, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* was issued. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. Statement No. 49 is effective for financial statements for the periods beginning after December 15, 2007. The College adopted statement No. 49 for its financial statement for the year ended June 30, 2009.

In May 2007, GASB Statement No. 50, *Pensions Disclosures,* was issued changing the financial reporting requirements for pensions to more closely conform to those for other postemployment benefits. Statement No. 50 is effective for financial statements for the periods beginning after June 15, 2007. The College adopted Statement No. 50 for its financial statements for the year ended June 30, 2008.

In June 2007, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* was issued. This accounting standard establishes accounting and financial reporting requirements for intangible assets such as easements, patents and trademarks, and computer software. The College adopted Statement No. 51 for its financial statements for the year ended June 30, 2009.

3. CASH AND CASH EQUIVALENTS

A. Cash and Cash Equivalent on hand with State Treasurer

As of June 30, 2010 and 2009, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of $12,790,495 and $11,518,752 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, 2010, 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, 2010.

3. CASH AND CASH EQUIVALENTS (continued)

B. Other Cash and Cash Equivalents

As of June 30, 2010 and June 30, 2009, the College has cash on deposit with other local banks in the amount of $270,018 and $162,527 respectively. The College has statutory responsibility for the management of these funds which are fully insured by Federal depository insurance. As of June 30, 2010 and 2009 the College has $167,366 and $0 respectively in Alba, Italy for purposes of enabling local program activities.

4. INVESTMENTS

The carrying value of endowment and other restricted investments at June 30, 2010 and 2009 are as follows:

	June 30, 2010 Fair Value	June 30, 2009 Fair Value
Mutual funds	$ 2,509,080	$ 2,348,948
Corporate bonds	793,231	778,453
U.S. Government Securities	316,830	473,759
U.S. agency and other asset-backed securities	1,067,684	906,837
Corporate equity securities	978	978
Total Investments	$ 4,687,803	$ 4,508,975

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

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

4. INVESTMENTS (continued)

As of June 30, 2010, the College's endowment fund had the following fixed income investments, ratings and maturities:

			Investment Maturities (in years)				
Investment Type	Ratings (S & P)	Fair Value	<1	1-5	6-10	11-15	>15
US Government securities	AAA	$ 316,830	$ -	$ -	$ 193,555	$ -	$ 123,275
US Agency & other asset-backed securities	AAA	1,067,684	3,867	115,476	23,134	49,255	875,952
Corporate Bonds	AAA	21,790	-	21,790	-	-	-
Corporate Bonds	AA	121,105	-	63,502	57,603	-	-
Corporate Bonds	AA-	116,678	-	96,163	20,515	-	-
Corporate Bonds	A+	124,265	-	124,265	-	-	-
Corporate Bonds	A	211,005	-	135,418	56,248	-	19,339
Corporate Bonds	A-	80,573	-	54,934	-	-	25,639
Corporate Bonds	BBB+	57,931	-	30,622	-	-	27,309
Corporate Bonds	BBB	59,884	-	59,884	-	-	-
		$ 2,177,745	$ 3,867	$ 702,054	$ 351,055	$ 49,255	$ 1,071,514

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

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

4. INVESTMENTS (continued)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy implies that the investments in the debt securities of any one company may not exceed 10 percent of the portfolio. As of June 30, 2010, the College had invested $313,951 of endowment funds in Fannie Mae, amounting to 8% of the College's total investments.

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

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

	2010	2009
Equities	$ 5,598,683	$ 5,616,937
Fixed income	7,799,217	6,542,846
Limited partnerships	7,517,119	7,622,774
Cash equivalents	2,478,844	2,481,858
Total Investments	$ 23,395,873	$ 22,264,415

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, 2010. The Foundation did not receive any distribution from the trust during the year ended June 30, 2010.

4. INVESTMENTS (continued)

The Foundation's investment income consisted of the following for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Total
Realized and unrealized gains	$ 249,875	$ 131,901	$ 381,776
Interest and dividends	811,804	513,908	1,325,712
Total Investment Income	$ 1,061,679	$ 645,809	$ 1,707,488

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.

5. ENDOWMENTS (continued)

The endowment net assets are reported as follows:

	June 30, 2010	June 30, 2009
Restricted - scholarship and fellowships	$ 1,020,011	$ 1,020,011
Unrestricted net assets	2,915,295	2,861,401
Total endowment net assets	$ 3,935,306	$ 3,881,412

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	June 30, 2010	June 30, 2009
Student tuition and fees	$ 285,173	$ 391,292
Employee accounts	1,465	1,882
Campus Store	79,143	56,876
Travel advances	10,862	2,074
Federal, state and private grants and contracts	280,552	75,593
Interest income receivable	40,249	8,728
Other miscellaneous	25,429	41,850
Total	722,873	578,295
Less: allowance for doubtful accounts	(156,089)	(96,418)
Net accounts receivable	$ 566,784	$ 481,877

7. COMMITMENTS

As of June 30, 2010 and 2009, there was $1,634,628 and $905,166, respectively, of encumbrances and funds designated for future use reported in unrestricted net assets. The College does not separately identify the reserve for encumbrances in unrestricted net assets.

8. INVENTORIES

Inventories consisted of the following:

	June 30, 2010	June 30, 2009
Health Center	$ 6,445	$ 7,308
Housekeeping	5,042	7,318
Central Stores	8,271	8,187
Campus Stores	344,155	333,817
Total Inventories	$ 363,913	$ 356,630

9. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 5,947,437	$ -	$ -	$ 5,947,437
Construction In-Progress	23,066,031	5,453,808	466,162	28,053,677
Total Capital Assets Not Being Depreciated	29,013,468	5,453,808	466,162	34,001,114
Capital Assets, Being Depreciated:				
Infrastructure	8,073,569	28,848	-	8,102,417
Building and Building Improvements	140,023,739	-	1,221,901	138,801,838
Furnitures, Fixtures and Equipment	12,340,547	701,250	771,760	12,270,037
Capital Leases	81,015	-	7,186	73,829
Library Collections	8,870,764	414,611	-	9,285,375
Total Assets Being Depreciated	169,389,634	1,144,709	2,000,847	168,533,496
		-		
Less: Accumulated Depreciation				
Infrastructure	1,909,479	346,532	-	2,256,011
Building and Building Improvements	35,941,194	3,217,516	1,221,901	37,936,809
Furnitures, Fixtures and Equipment	7,123,506	1,769,109	771,760	8,120,855
Capital Leases	60,086.00	16,203	7,186	69,103
Library Collections	6,854,339	489,836	-	7,344,175
Total Accumulated Depreciation	51,888,604	5,839,196	2,000,847	55,726,953
Total Capital Assets, Being Depreciated, Net	117,501,030	(4,694,487)	-	112,806,543
Capital Assets, net	$ 146,514,497	$ 759,321	$ 466,162	$ 146,807,657

Note – During the fiscal year ending June 30, 2010 there have been no change in the utility of the reported capital assets (i.e., technology, environmental events, or physical damage that diminished its usefulness for its intended purpose or use); as a result, no such adjustments were required.

9. CAPITAL ASSETS (continued)

Following are the changes in capital assets for the year ended June 30, 2009:

	Balances June 30, 2008	Additions	Reductions	Balance June 30, 2009
Capital Assets, Not Being Depreciated:				
Land	$ 5,947,437	$ -	$ -	$ 5,947,437
Construction in Progress	14,762,539	9,156,473	(852,981)	23,066,031
Total Capital Assets Not Being Depreciated	20,709,976	9,156,473	(852,981)	29,013,468
Capital Assets, Being Depreciated:				
Infrastructure	7,676,690	396,879	-	8,073,569
Building and Building Improvements	139,170,758	852,981	-	140,023,739
Furnitures, Fixtures and Equipment	12,340,547	-	-	12,340,547
Capital Leases	81,015	-	-	81,015
Library Collections	8,318,823	551,941	-	8,870,764
Total Assets Being Depreciated	167,587,833	1,801,801	-	169,389,634
Less: Accumulated Depreciation				
Infrastructure	1,557,931	351,548	-	1,909,479
Building and Building Improvements	32,647,706	3,293,488	-	35,941,194
Furnitures, Fixtures and Equipment	6,032,530	1,090,976	-	7,123,506
Capital Leases	43,883	16,203	-	60,086
Library Collections	6,381,555	472,784	-	6,854,339
Total Accumulated Depreciation	46,663,605	5,224,999	-	51,888,604
Total Capital Assets, Being Depreciated, Net	120,924,228	(3,423,198)	-	117,501,030
Capital Assets, net	$ 141,634,204	$ 5,733,275	$ (852,981)	$ 146,514,498

Note – During the fiscal year ending June 30, 2009 there have been no change in the utility of the reported capital assets (i.e., technology, environmental events, or physical damage that diminished its usefulness for its intended purpose or use); as a result, no such adjustments were required.

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Year ended June 30, 2010				
	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds and capital leases:					
Revenue Bonds Payable	$ 44,190,000	$ -	$ (1,390,000)	$ 42,800,000	$ 1,340,000
Capital lease obligations	26,966	-	(17,809)	9,157	-
Unamortized premium/Discount	32,639	-	(9,498)	23,141	9,498
Premium or discount on refunded bonds	(1,170,253)	-	45,349	(1,124,904)	(45,349)
Total bonds and capital leases	43,079,352	-	(1,371,958)	41,707,394	1,304,149
Other Liabilities:					
Worker's compensation	371,000	116,736	(69,518)	418,218	64,824
Accrued vacation costs	1,503,963	701,117	(1,305,303)	899,777	818,494
Notes Payable	2,517,095	-	(214,558)	2,302,537	206,127
Federal Loan Program Refundable	407,510	-	-	407,510	-
Total other liabilities	4,799,568	817,853	(1,589,379)	4,028,042	1,089,445
Total Long Term Obligations	$ 47,878,920	$ 817,853	$ (2,961,337)	$ 45,735,436	$ 2,393,594

10. LONG-TERM LIABILITIES (continued)

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Year ended June 30, 2009				
	Balance June 30, 2008	**Additions**	**Reductions**	**Balance June 30, 2009**	**Amounts Due Within One Year**
Bonds and capital leases:					
Revenue Bonds Payable	$ 45,440,000	$ -	$ 1,250,000	$ 44,190,000	$ 1,300,000
Capital lease obligations	44,120	-	17,154	26,966	-
Unamortized premium	43,583	-	10,944	32,639	10,944
Premium or discount on refunded bonds	(1,215,602)	-	(45,349)	(1,170,253)	(45,349)
Total bonds and capital leases	44,312,101	-	1,232,749	43,079,352	1,265,595
Other Liabilities:					
Worker's compensation	257,000	114,000	-	371,000	57,505
Accrued vacation costs	1,519,058	1,004,640	1,019,737	1,503,961	749,991
Notes Payable	2,715,123	-	198,029	2,517,094	214,558
Federal Loan Program Refundable	407,510	-	-	407,510	-
Total other liabilities	4,898,691	1,118,640	1,217,766	4,799,565	1,022,054
Total Long Term Obligations	$ 49,210,792	$ 1,118,640	$ 2,450,515	$ 47,878,917	$ 2,287,649

Additional information regarding Revenue Bonds Payable and Notes Payable is included in Note 11. Additional information regarding capital lease obligations is included in Note 12.

11. REVENUE BONDS

Revenue bonds consist of the following (at par):

	June 30, 2010	June 30, 2009
1997 Revenue Bonds, Series A	$ -	$ -
2000 Revenue Bonds, Series A	-	245,000
2002 Subordinate Revenue Bonds, Series A	11,865,000	12,165,000
2003 Subordinate Revenue Bonds, Series A	4,885,000	5,210,000
2005 Subordinate Revenue Bonds, Series A	18,050,000	18,405,000
2006 Subordinate Revenue Bonds, Series A	4,000,000	4,165,000
2007 Subordinate Revenue Bonds, Series A	4,000,000	4,000,000
Subtotal	42,800,000	44,190,000
GASB 23 Adjustment to 2005 Bond Issuance	(1,124,904)	(1,170,253)
Premium/Discount	23,141	32,639
	$ 41,698,237	$ 43,052,386

11. REVENUE BONDS (continued)

A. Academic Fees and Auxiliary Facilities Fees Revenue Bonds

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

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

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

11. REVENUE BONDS (continued)

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

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

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

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

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

The 2007 Series A Revenue Bond Anticipation Notes are dated February 15, 2007, and bear interest at the rate of 3.8589%. Monthly interest payments of $12,574 are fixed based upon a five year Weighted Average Maturity of the Notes. Assuming the College does not prepay the principal, the loan is due in full on February 15, 2012.

Investments totaling $626,081 and $627,564 for 2010 and 2009, respectively, are recorded as Other Restricted Investments under non-current assets and are comprised of certain funds to be held and invested by the Trustee. As such, the use of these funds is limited to the bond project, capitalized interest or reserve fund purposes.

11. REVENUE BONDS (continued)

A. Academic Fees and Auxiliary Facilities Fees Revenue Bonds (continued)

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

B. In-Substance Defeasance

The 2005 Series A bonds were issued on April 20, 2005, to refinance the 1997 Series A and the 2000 Series A bonds. The total difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was $1,208,349.

	June 30, 2005	Present Value
Savings from Cash Flows	$ 1,208,349	$ 757,615
Less: Prior funds on hand	(36,894)	(36,894)
Economic gain	$ 1,171,455	$ 720,721

11. REVENUE BONDS (continued)

B. In-Substance Defeasance (continued)

Date	Prior Debt Services	Refunding Debt Service	Refunding Receipts	Refunding Net Cash Flows	Savings	Present Value to 04/20/2005 @ 4.3669530%
06/30/05	$ -	$ -	$ 42,966	$ (42,966)	$ 42,966	$ 42,966
06/30/06	946,740	903,647	-	903,647	43,093	40,971
06/30/07	946,740	902,344	-	902,344	44,396	40,436
06/30/08	946,740	904,175	-	904,175	42,565	37,042
06/30/09	1,185,921	1,141,944	-	1,141,944	43,978	36,701
06/30/10	1,183,919	1,140,125	-	1,140,125	43,794	34,997
06/30/11	1,439,390	1,392,975	-	1,392,975	46,415	35,637
06/30/12	1,437,001	1,389,944	-	1,389,944	47,058	34,650
06/30/13	1,433,279	1,390,288	-	1,390,288	42,992	30,260
06/30/14	1,433,009	1,389,694	-	1,389,694	43,315	29,244
06/30/15	1,435,770	1,388,163	-	1,388,163	47,608	30,917
06/30/16	1,431,621	1,385,694	-	1,385,694	45,927	28,584
06/30/17	1,435,489	1,391,125	-	1,391,125	44,364	26,459
06/30/18	1,437,098	1,394,225	-	1,394,225	42,873	24,509
06/30/19	1,436,178	1,391,025	-	1,391,025	45,153	24,804
06/30/20	1,432,798	1,386,078	-	1,386,078	46,719	54,645
06/30/21	1,432,158	1,389,159	-	1,389,159	42,998	21,737
06/30/22	1,428,890	1,385,694	-	1,385,694	43,196	20,971
06/30/23	1,432,715	1,386,225	-	1,386,225	46,490	21,655
06/30/24	1,428,721	1,385,225	-	1,385,225	43,496	19,400
06/30/25	1,431,771	1,386,600	-	1,386,600	45,171	19,322
06/30/26	1,426,728	1,380,350	-	1,380,350	46,378	19,023
06/30/27	1,428,310	1,384,375	-	1,384,375	43,935	17,295
06/30/28	1,426,241	1,378,800	-	1,378,800	47,441	17,947
06/30/29	763,374	716,050	-	716,050	47,324	17,177
06/30/30	760,495	716,575	-	716,575	43,920	15,295
06/30/31	760,535	715,750	-	715,750	44,785	14,972
	$ 33,281,630	$ 32,116,247	$ 42,966	$ 32,073,281	$ 1,208,349	$757,615

The reacquisition price exceeded the net carrying value of the old debt by $1,360,466 on April 20, 2005. This amount was deferred and is being amortized to interest expense over 30 years, which is the remaining life of the debt. The unamortized balance was $1,124,904 and $1,170,253 as of June 30, 2010 and 2009 respectively; and, is reported as a deduction from the new debt.

11. REVENUE BONDS (continued)

C. Principal and Interest Payments

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

Fiscal Year	Revenue Bonds	Interest	Total
2011	$ 1,340,000	$ 1,863,943	$ 3,203,943
2012	5,300,000	1,760,913	7,060,913
2013	1,450,000	1,602,866	3,052,866
2014	1,505,000	1,545,260	3,050,260
2015	1,560,000	1,485,288	3,045,288
2016-2020	8,370,000	6,420,223	14,790,223
2021-2025	9,500,000	4,446,554	13,946,554
2026-2030	8,975,000	2,155,731	11,130,731
2031-2035	4,075,000	485,522	4,560,522
2036-2038	725,000	51,453	776,453
	$ 42,800,000	$ 21,817,753	$ 64,617,753

D. Deferred Debt Issue Costs

Administrative, legal, financing, underwriting discount and other miscellaneous expenses that were incurred in connection with the 2002 Series A, 2003 Series A, 2005 Series A 2006 Series A, and 2007 Series A Academic Fees and Auxiliary Facilities Fees Revenue Bond offerings were deferred and are being amortized over the life of the bond issue. The amortization expense on deferred debt issue costs related to these offerings was $39,614 and $35,035 for 2010 and 2009, respectively.

11. REVENUE BONDS (continued)

E. Notes Payable

On April 11, 2007 the College financed an Energy Performance Contract, which will reduce energy consumption through implementation of specific energy conservation measures (ECMs), under the State of Maryland's Energy Performance Contract Master Lease-Purchase Financing Program in the amount of $2,047,727 and under the Maryland Energy Administration's Agency Energy Conservation Loan Program in the amount of $808,000. These notes are recorded at their net present value; and, the minimum annual payments include principal and imputed interest using a rate of 3.76%. Assuming the College does not prepay the principal, the State of Maryland's Energy Performance Contract Master Lease-Purchase Financing Note is scheduled to be paid off January 1, 2020 and the Maryland Energy Administration Conservation Loan is scheduled to be paid off July 1, 2016.

F. 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. At June 30, 2010 and 2009, the outstanding balance of the defeased 2000 Series A Bonds was $0 and $9,580,000 respectively.

12. LEASES

A. Operating Leases

The College leases copiers and trailers. Total costs for these operating leases were $83,280 and $132,540 for years ended June 30, 2010 and 2009.

B. Capital Leases

During fiscal 2006, the College entered into a lease agreement through the State of Maryland's Master Lease Purchase Financing Program. The total obligation outstanding for the capital leases as of June 30, 2010 and 2009, was $9,157 and $26,966, respectively.

The following assets were acquired through capital leases:

	2010	2009
Equipment	$ 81,015	$ 81,015
Accumulated Depreciation	(76,289)	(60,086)
	$ 4,726	$ 20,929

The future minimum lease payments (including principal and imputed interest using a rate of 3.78%) for this lease is as follows:

Year Ending June 30,	Amount
2011	$ 9,333
Less amounts representing interest	(176)
Total	$ 9,157

13. RETIREMENT PLANS

A. Maryland State Retirement and Pension System

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

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

B. Plan Description

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

C. Funding Policy

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

The College's contributions during the years ended June 30, 2010, 2009 and 2008 were $817,818, $704,103 and $618,216 respectively.

13. RETIREMENT PLANS (continued)

D. 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 $1,055,971, $1,047,095 and $1,005,742 for the years ended June 30, 2010, 2009 and 2008 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. The amounts matched were $0 and $72,290 for the year ended June 30, 2010 and 2009, respectively.

E. Other Post Employment Benefits

Former College employees who are receiving benefits participate in the State Employee and Retiree Health and Welfare Program (Plan) which is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Sections 2-501-2-516 of the Annotated Code of Maryland. The Plan, which is contributory, is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to 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 $753,114, $414,362 and $27,215 for the years ended June 30, 2010, 2009 and 2008, 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.

13. RETIREMENT PLANS (continued)

E. Other Post Employment Benefits (continued)

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 Office of the Comptroller of Maryland, 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.

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.

14. COMMITMENTS & CONTINGENCIES (continued)

RISK MANAGEMENT (continued)

The College records a liability when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities recorded include a provision for claims incurred but not reported. Because actual claims liabilities depend on such complex factors such as inflation, changes in legal doctrines, and damage awards, actual claims could differ from estimates. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The provision for workers' compensation is based upon a separately determined actuarial valuation for the fiscal year ended June 30, 2010 and June 30, 2009

As of June 30, 2010, the College has recorded $418,218 in liability associated with workers' compensation. The workers' compensation liability activity for the years ended June 30, 2010 and 2009 was as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End	Amounts Due Within One Year
Year ended, June 30, 2010	$ 371,000	$ 116,736	$ (69,518)	$ 418,218	$ 64,824
Year ended, June 30, 2009	257,000	160,551	(46,551)	371,000	57,505

15. FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS

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

Functional Classification

Year Ended June 30, 2010

Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	Total
Salaries & wages	$ 12,750,490	$ 185,668	$ 27,625	$ 832,363	$ 2,934,619	$ 5,630,206	$ 1,556,523	$ -	$ -	$ 23,917,494
Benefits	3,526,426	9,584	4,020	281,920	933,759	1,616,855	647,211	-	-	7,019,775
Supplies and other services	1,895,714	97,061	125,430	925,524	935,975	1,504,982	683,750	-	-	6,168,436
Utilities	39,626	-	-	-	-	279	1,587,509	-	-	1,627,414
Scholarships & fellowships	76,519	60,000	-	-	81,816	500	-	1,453,051	-	1,671,886
Auxiliary enterprises	-	-	-	-	-	-	-	-	11,470,442	11,470,442
Other operating expenses	1,670,333	8,287	1,305	11,534	294,288	622,606	86,829	470	-	2,695,652
Depreciation	-	-	-	-	-	-	4,079,050	-	1,760,146	5,839,196
Total Expenses	$ 19,959,108	$ 360,600	$ 158,380	$ 2,051,341	$ 5,180,457	$ 9,375,428	$ 8,640,872	$ 1,453,521	$ 13,230,588	$ 60,410,295

15. FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS (continued)

Functional Classification

Year Ended June 30, 2009

Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	Total
Salaries & wages	$ 12,300,840	$ 180,087	$ 52,772	$ 972,346	$ 2,993,452	$ 6,193,176	$ 1,733,119	$ -	$ -	$ 24,425,792
Benefits	3,389,212	11,988	21,675	289,250	851,374	1,595,748	579,158	-	-	6,738,405
Supplies and other services	1,925,293	109,088	86,636	755,869	996,547	1,467,095	964,656	-	-	6,305,184
Utilities	27,236	-	-	-	-	305	1,797,953	-	-	1,825,494
Scholarships & Grants	71,441	-	-	-	73,286	500	-	1,249,855	-	1,395,082
Auxiliary enterprises	-	-	-	-	-	-	-	-	12,080,374	12,080,374
Other Operating Expenses	1,286,503	7,313	9,392	19,251	308,805	492,806	150,003	470	-	2,274,543
Depreciation	-	-	-	-	-	-	3,393,925	-	1,831,074	5,224,999
Total Expenses	$ 19,000,525	$ 308,476	$ 170,475	$ 2,036,716	$ 5,223,464	$ 9,749,630	$ 8,618,814	$ 1,250,325	$ 13,911,448	$ 60,269,873