ST. MARY'S COLLEGE OF MARYLAND

Financial Statements Together with
Report of Independent Public Accountants

For the Year Ended June 30, 2015

SB & COMPANY, LLC
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JUNE 30, 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Trustees
St. Mary's College of Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of St. Mary's College of Maryland (the College), a component unit of the State of Maryland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the discretely presented component unit financial statements of St. Mary's College of Maryland Foundation, Inc. (the Foundation) as of and for the year ended June 30, 2015. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the College and Foundation as of June 30, 2015, and the respective changes in their financial position and where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of a Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the College adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB, Statement No. 27". Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Hunt Valley, Maryland
November 23, 2015

SB & Company, LLC

Overview of the Financial Statements and Financial Analysis

St. Mary's College of Maryland (the College) is pleased to present its financial statements for fiscal year 2015, with fiscal year 2014, prior-year data for comparative purposes. There are three financial statements presented for each fiscal year: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows.

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

Statements of Net Position

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

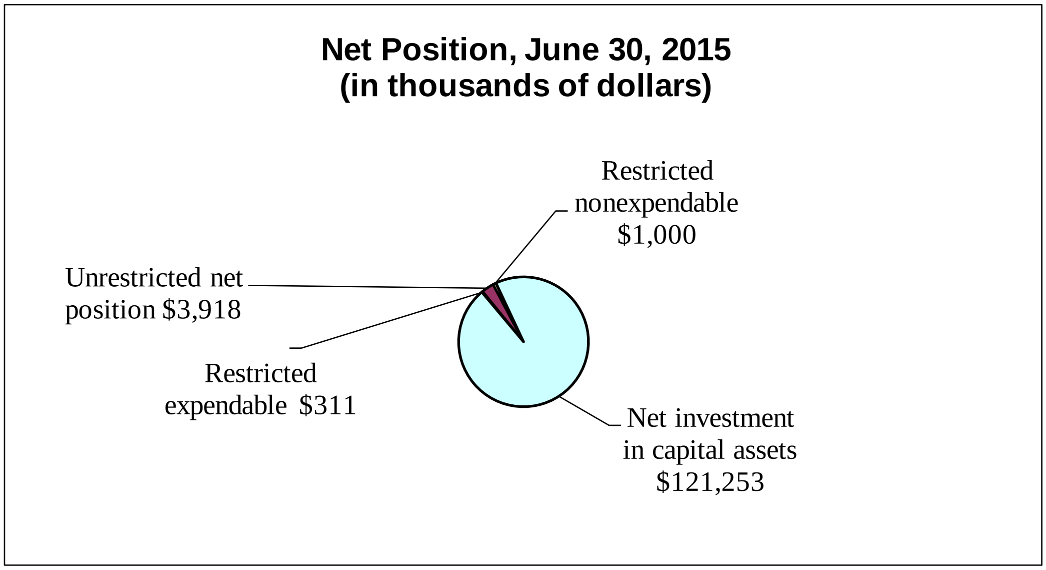
Condensed Statements of Net Position (in thousands of dollars)

	June 30, 2015	June 30, 2014
Assets:		
Current Assets	**$ 23,006**	$ 19,011
Noncurrent Assets, net	**154,482**	146,272
Total Assets	**177,488**	165,283
Deferred outflow of resources:		
Deferred financing outflows related to pensions	**1,430**	-
Deferred charge on refunding	**1,794**	1,889
Total Assets and Deferred Outflows	**180,712**	167,172
Liabilities:		
Current Liabilities	**10,655**	9,142
Noncurrent Liabilities	**42,551**	34,055
Total Liabilities	**53,206**	43,197
Deferred inflow of resources		
Deferred financing inflows related to pensions	**1,024**	-
Net Position:		
Invested in Capital Assets, net of debt	**121,253**	113,397
Restricted - nonexpendable	**1,000**	1,000
Restricted - expendable	**311**	102
Unrestricted	**3,918**	9,476
Total Net Position	**$ 126,482**	$ 123,975

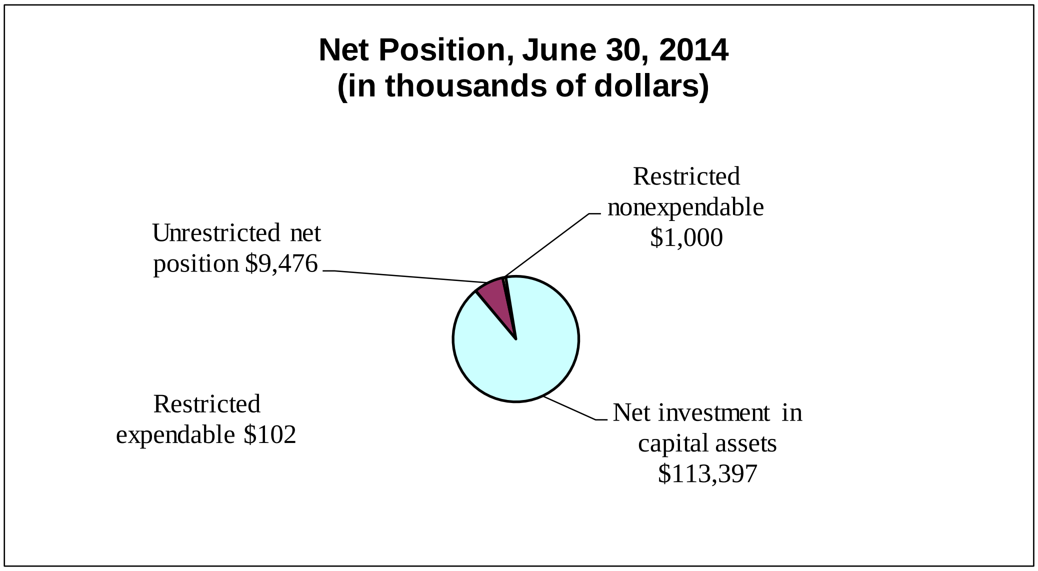
The total assets and deferred outflows of the College increased by $13.5 million. This increase was primarily due to an increase of $4 million in current assets and an increase of $8.2 million in non-current assets and $1.3 million in deferred outflow of resources, primarily related to the implementation of GASB 68 accounting for pensions. The total liabilities and deferred inflows for the year increased by $11 million, while $9.1 million of this liability was connected with the implementation of GASB 68. This combination of an increase in total assets of $13.5 million and an increase in total liabilities of $11 million resulted in an increase in total net position of $2.5 million.

Statements of Net Position (continued)

Net position is divided into three major categories. The first category, net investment in capital assets, includes the College's equity in property, plant and equipment owned by the College. The next category is restricted, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for use by the College, but must be spent only for purposes specified by donors. The final category is unrestricted net position, which is available to be expended for any lawful purpose of the College. The following graphs detail net position by category held by the College as of June 30, 2015 and 2014, respectively**.**



Statements of Net Position (continued)



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

Breakdown of Unrestricted Net Position (in thousands of dollars)

	June 30, 2015	June 30, 2014
Encumbrances and carryovers for general operating purposes	**$ 2,269**	$ 1,395
Encumbrances for capital projects	**1,359**	1,326
Funds designated for current plant projects	**2,519**	959
Funds designated for future plant projects	**(2,270)**	(2,797)
Funds functioning as endowments	**2,139**	1,899
Unrestricted funds for general operating purposes	**6,990**	6,694
Net pension liability and related deferred outflows/inflows	**(9,088)**	-
Total Unrestricted Net Position	**$ 3,918**	$ 9,476

Statements of Revenues, Expenses and Changes in Net Position

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

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

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

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

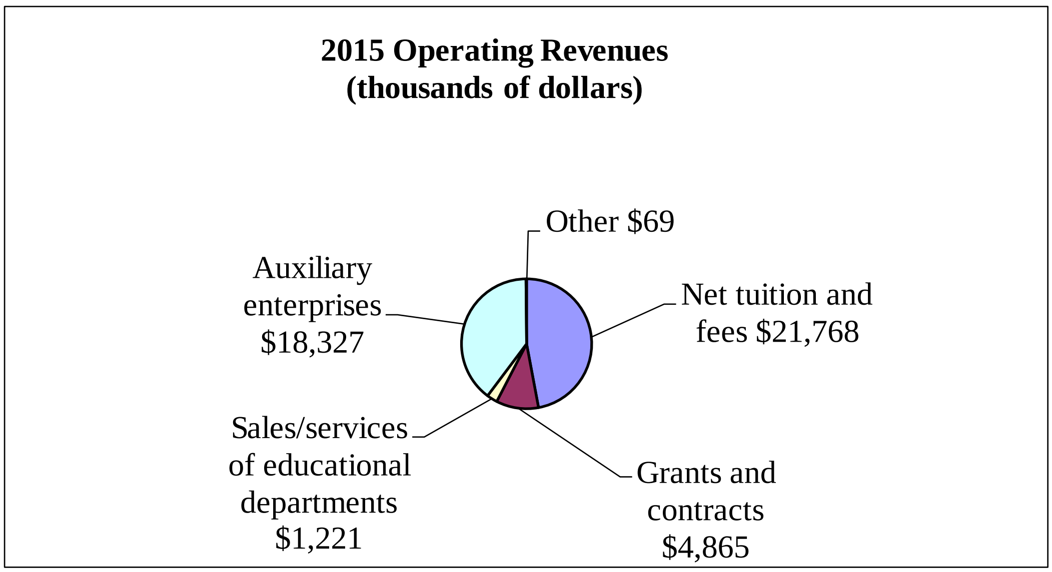
	June 30, 2015	June 30, 2014
Operating Revenues		
Tuition and fees, less scholarships and waivers	**$ 21,768**	$ 23,515
Grants and contracts	**4,865**	3,660
Sales and services of educational departments	**1,221**	1,097
Auxiliary enterprises	**18,327**	18,175
Other operating revenues	**69**	57
Total Operating Revenues	**46,250**	46,504
Operating Expenses	**64,189**	63,582
Operating loss	**(17,939)**	(17,078)
Non-operating revenues		
State appropriations	**22,222**	19,843
Other nonoperating deficit	**(872)**	(1,075)
Net non-operating revenues	**21,350**	18,768
Operating surplus	**3,410**	1,690
Capital appropriations	**8,185**	3,064
Increase in Net Position	**11,595**	4,754
Net position at beginning of year, as restated	**114,887**	119,221
Net Position at End of Year	**$ 126,482**	$ 123,975

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

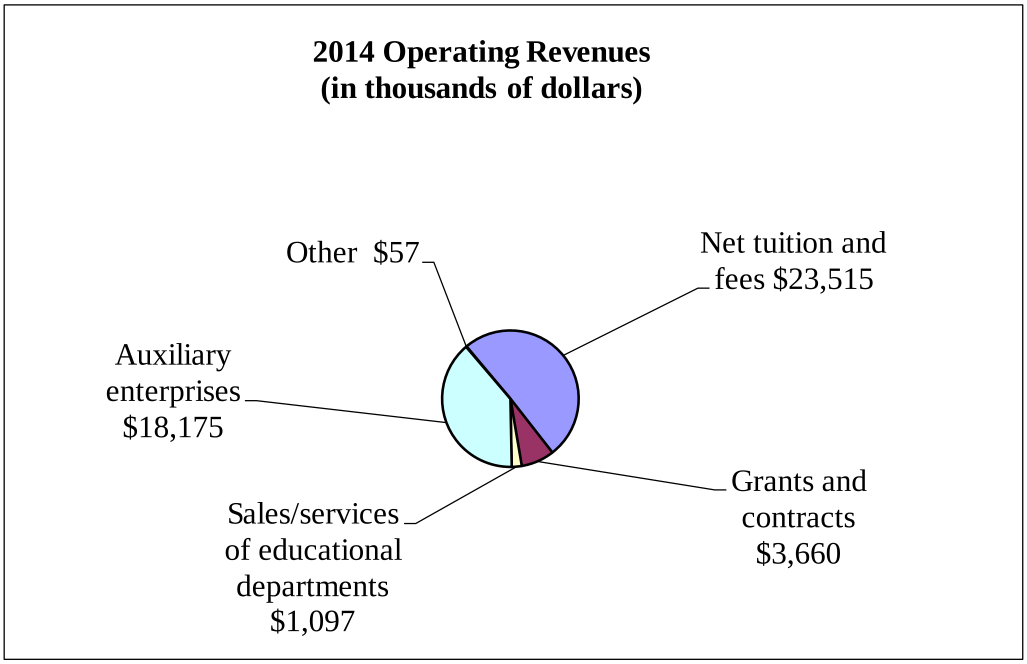
Net position increased by $2.5 million, or 2%, for 2015. The increase resulted primarily from increased state operating and capital appropriations and the implementation of GASB 68. Operating expenses increased by $0.6 million. Additionally, $1.9 million in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments have been included in operating expenses in 2015, in accordance with accounting principles generally accepted in the United States.

Operating Revenues

Total operating revenues for fiscal year 2015, were $46.2 million. The graphs below show comparisons of operating revenues for fiscal years 2015 and 2014:



Operating Revenues (continued)



Tuition and Fees

Tuition and fees, less scholarships and waivers, of $21.8 million, accounted for 47% of total operating revenue and decreased 7% from the prior year, primarily due to a reduction in tuition pricing. Scholarships provided to students with College funds are often referred to as a tuition discount, or simply as discounting.

Grants and Contracts

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

Auxiliary Enterprises

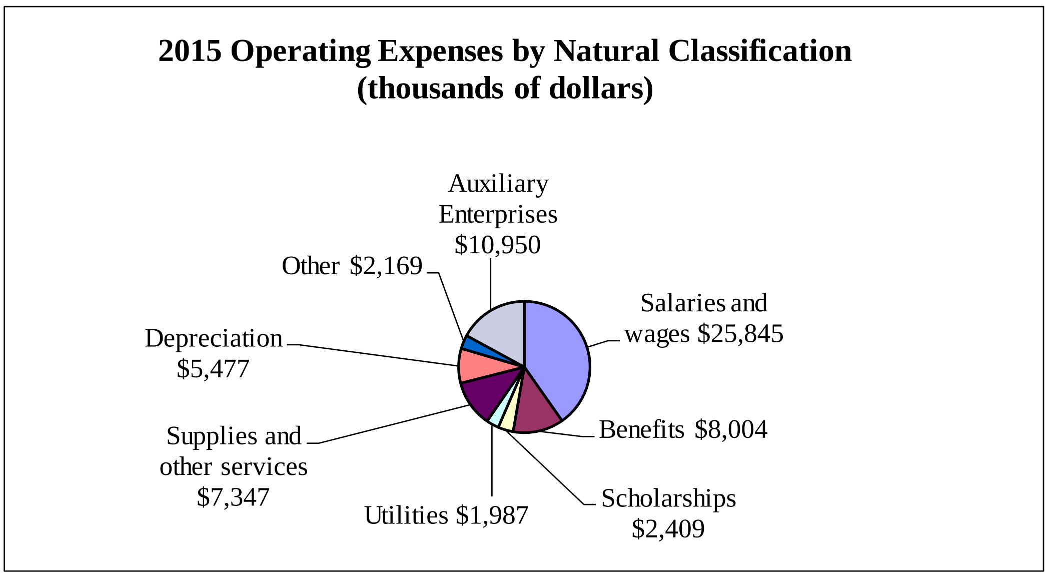
Auxiliary enterprises consist of various entities that exist primarily to furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The College's largest auxiliary enterprises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

Sales and Services of Educational Activities

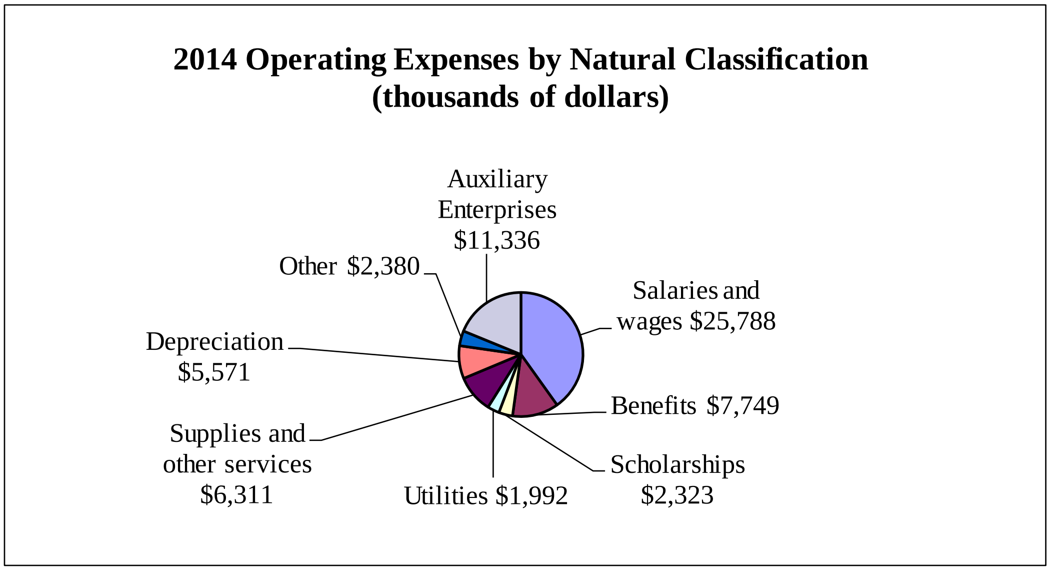
Other operating revenues consist of sales and services of educational activities totaling $1.2 million. Examples of educational activity include conferences and study abroad fees.

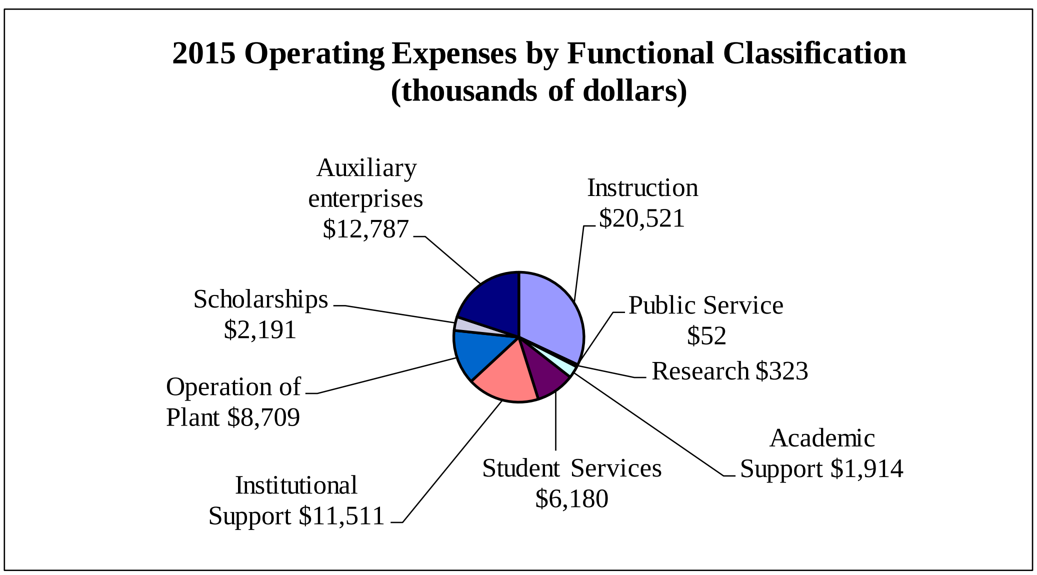
Operating Expenses

Operating expenses for 2015, totaled $64.2 million, of which $20.5 million or 32% was for instruction. Operating expenses include salaries and benefits of $33.8 million, scholarships and grants of $2.4 million, non-auxiliary utilities of $2 million, supplies and other services of $7.3 million, and depreciation of $5.5 million. Depreciation of capital goods is carried as an accounting item; however, it does not require any cash outlay on behalf of the College. Depreciation does indicate how much of the College's physical plant is being "consumed" each year.

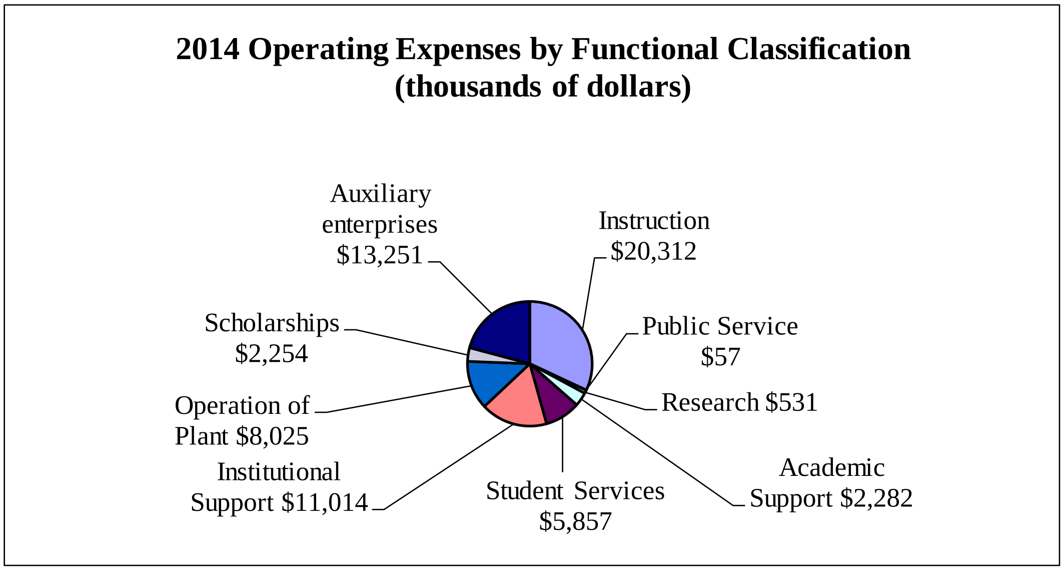


Operating Expenses (continued)





Operating Expenses (continued)



State Appropriation

The largest inflow in the non-capital financing activities group is the State appropriation of $22.2 million. The legislation governing the provision of State support to St. Mary's College of Maryland, Annotated Code of Maryland 14-405 (b)(2)(ii), requires the Governor of Maryland to submit an appropriation request to the legislature equal to the prior year's budgeted amount plus an amount equal to the implicit price deflator for state and local government. In recent years, the implicit price deflator has provided an increase to the College's appropriation that has ranged between one and two percent. The State appropriation provides approximately 35% of the operating budget for the College. The College has been successful in seeking additional state funding in recent years. Such funding was provided in 2015 for the purpose of reducing tuition and a DeSousa Brent completion grant.

Investment Income, Net

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

Statements of Cash Flows

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

Statements of Cash Flows (continued)

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

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

	June 30, 2015	June 30, 2014
Cash and Cash Equivalents From:		
Operating Activities	**$ (11,476)**	$ (11,113)
Non-capital Financing Activities	**30,371**	22,715
Capital and Related Financing Activities	**(15,590)**	(9,065)
Investing Activities	**536**	642
Net Change in Cash and Cash Equivalents	**3,841**	3,179
Cash and Cash Equivalents, Beginning of Year	**17,958**	14,779
Cash, End of Year	**$ 21,799**	$ 17,958

Campus Enrollment

After a period of declining enrollments, the recruiting season for the class entering in the Fall of 2014 was more successful with the entering class size stabilizing at the levels achieved the prior year after extensive additional recruitment over the summer. With additional state support, tuition rates were reduced 8.6% for the class entering in Fall 2014 and frozen for the class entering Fall 2015 in an effort to improve our market position. Fall 2015 enrollment trends show stabilization moving forward.

Fall 2006 to Fall 2014 Full-time, Part-time, and FTE Enrollment:

Fall	Full-time:		Part-time:		Away Students:		Full-time Equivalent**	
Semester	N	(%)	N	(%)	N	(%)	Total	(FTE)
2014	1,653	91.63%	64	3.55%	87	4.82%	1,804	1,797
2013	1,722	92.70%	69	3.70%	67	3.60%	1,858	1,878
2012	1,797	93.00%	65	3.36%	71	3.67%	1,933	1,960
2011	1,837	92.22%	61	3.06%	94	4.72%	1,992	2,000
2010	1,818	90.13%	76	3.77%	123	6.10%	2,017	2,048
2009	1,876	91.07%	65	3.16%	119	5.78%	2,060	2,190
2008	1,905	92.25%	73	3.54%	87	4.21%	2,065	2,095
2007	1,839	91.86%	74	3.70%	89	4.45% *	2,002	2,033
2006	1,815	92.70%	86	4.39%	56	2.86%	1,957	2,003

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

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

Capital Assets and Debt Administration

Capital additions totaled $13.7 million in fiscal year 2015. Capital additions were primarily comprised of the purchase of equipment and construction in progress. Current year capital additions were funded primarily with State capital appropriations of $8.2 million, student paid facility fee revenues, and unrestricted net position which are designated for capital purposes. The principal balance of revenue bond and notes payable declined by $.5 million, for the year ended June 30, 2015.

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

Factors and Events Impacting Future Periods

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

The Maryland State appropriation contributed $22.2 million in non-operating revenues. The level of support is therefore one of the key factors influencing the College's financial condition. During the 2014 Legislative session, the College received a $1.5 million addition to the State appropriation to be used to reduce the tuition price for Maryland state residents. In May of 2014, the Board of Trustees reduced the instate price by $1,050 or 8.6%. Additionally, the College received funds for the final phase of the DeSousa Brent Completion Grant which phased in over 3 years to a total of $800 thousand. The grant challenges the College to increase the 4-year graduation rate of our underrepresented students to 70% for the Fall 2015 cohort.

Factors and Events Impacting Future Periods (continued)

A crucial element to the College's future will continue to be our relationship with the State of Maryland, as we work to manage tuition to make it competitive while providing an outstanding honors college education for our students. There is a direct relationship between the growth of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels.

The College experienced stable energy prices during 2014 - 2015. Fuel oil, our most volatile energy component, is fixed in price for the remainder of the fiscal year at a reduced rate from the prior period but price levels are unknown and unpredictable for future years.

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

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

ST. MARY'S COLLEGE OF MARYLAND

Statement of Net Position
June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	**$ 21,798,833**
Accounts receivable, net	**855,705**
Inventories	**329,747**
Prepaid expenses and other assets	**21,812**
Total Current Assets	**23,006,097**
Noncurrent assets:	
Endowment investments	**2,370,478**
Other restricted investments	**118,638**
Notes receivable, net	**260,708**
Capital assets, net	**151,732,375**
Total Noncurrent Assets	**154,482,199**
Total Assets	**177,488,296**
Deferred outflow of resources:	
Deferred charge on refunding	**1,793,720**
Deferred financing outflows related to pensions	**1,430,066**
Total Assets and Deferred Outflow of Resources	**180,712,082**
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	**6,637,589**
Accrued vacation, current portion	**933,621**
Accrued workers' compensation, current portion	**67,245**
Bonds and notes payable, current	**2,289,460**
Capital lease, current	**14,222**
Unearned revenue	**713,038**
Total Current Liabilities	**10,655,175**
Noncurrent liabilities:	
Bonds and notes payable	**32,293,118**
Accrued vacation	**73,216**
Accrued workers' compensation	**367,755**
Capital lease	**51,359**
Federal Perkins funds	**407,510**
Net Pension Liability	**9,357,255**
Total Noncurrent Liabilities	**42,550,213**
Total Liabilities	**53,205,388**
Deferred Financing Inflows Related to Pensions	**1,024,213**
Total Liabilities and Deferred Inflows	**54,229,601**
NET POSITION	
Net investment in capital assets	**121,253,340**
Restricted nonexpendable:	
Scholarships and fellowships	**1,000,117**
Restricted expendable:	
Research	**222,214**
Loans	**69,053**
Scholarships and fellowships	**19,894**
Unrestricted	**3,917,863**
Total Net Position	**$ 126,482,481**

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

Statement of Financial Position – St. Mary's Foundations – Component Unit
June 30, 2015

ASSETS		
Cash	**$**	**2,545,858**
Investments		**33,122,326**
Investments - gift annuity		**1,092,771**
Receivables		**44,307**
Other assets		**127,055**
Promises to give, net		**1,448,098**
Property and equipment, net		**8,819**
Total Assets	**$**	**38,389,234**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$**	**227,957**
Gift annuity		**760,875**
Total Liabilities		**988,832**
Net Assets		
Unrestricted		**1,002,099**
Temporarily restricted		**9,565,322**
Permanently restricted		**26,832,981**
Total Net Assets		**37,400,402**
Total Liabilities and Net Assets	**$**	**38,389,234**

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

ST. MARY'S COLLEGE OF MARYLAND

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

REVENUES		
Operating Revenues		
Student tuition and fees (*less scholarships and waivers of 5,304,063)*	$	**21,767,665**
Grants and Contracts:		
Federal		**2,740,736**
State		**145,813**
Other		**1,978,902**
Sales and services		**1,220,744**
Auxiliary enterprises:		
Residence facilities, net of waivers of $103,887		**10,615,817**
Dining services, net of waivers of $38,273		**6,098,573**
Bookstore		**1,546,272**
Other auxiliary enterprises revenues		**66,421**
Other operating revenues		**68,699**
Total Operating Revenues		**46,249,642**
EXPENSES		
Operating Expenses		
Instruction		**20,521,820**
Research		**323,056**
Public Service		**52,182**
Academic support		**1,913,629**
Student services		**6,179,805**
Institutional support		**11,511,426**
Operations of plant		**8,709,067**
Scholarships and fellowships		**2,190,904**
Auxiliary enterprises		**12,787,486**
Total Operating Expenses		**64,189,375**
Operating Loss		**(17,939,733)**
NON-OPERATING REVENUES (EXPENSES)		
State appropriations		**22,221,538**
Gifts and grants		**-**
Other transfers		**(34,882)**
Investment gains and losses		**247,061**
Interest income		**262,610**
Interest on indebtedness		**(1,346,617)**
Net Non-Operating Revenues		**21,349,710**
Gain (loss) before other revenues, expenses, gains, or loss		**3,409,977**
Other revenues, expenses, gains and losses:		
Capital state appropriation		**8,184,728**
Net increase in net position		**11,594,705**
NET POSITION		
Net position, beginning of year		**123,975,473**
Change in accounting principle		**(9,087,697)**
Net Position, End of Year	**$**	**126,482,481**

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

Statement of Activities – St. Mary's Foundation – Component Unit
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 135,674	$ 1,260,072	$ 180,143	$ 1,575,889
Donated services	1,281,623	-	-	1,281,623
Event revenue	167,960	-	-	167,960
Investment income	31,940	782,630	-	814,570
Other revenue	2,226	21,095	-	23,321
Net assets released from restrictions	2,323,415	(2,323,415)	-	-
Total Support and Revenue	3,942,838	(259,618)	180,143	3,863,363
Expenses				
Program services:				
Support to St. Mary's College of Maryland				
Scholarships	808,441	-	-	808,441
Athletics	78,550	-	-	78,550
Academic chair	7,898	-	-	7,898
Waterfront	16,143	-	-	16,143
Facilities	4,937	-	-	4,937
International Studies	250	-	-	250
Alumni Activities	126,379	-	-	126,379
College department/division support	289,566	-	-	289,566
Applied Physics	82,048	-	-	82,048
Center for study of democracy	150,025	-	-	150,025
Art Alliance	16,417	-	-	16,417
Lectureship series	820	-	-	820
Faculty support	11,504	-	-	11,504
Student activities	4,815	-	-	4,815
Sailing	14,336	-	-	14,336
Sub-total	1,612,129	-	-	1,612,129
River concert series	84,063	-	-	84,063
Gift annuities	77,601	-	-	77,601
Family weekend	150	-	-	150
Total program services	1,773,943	-	-	1,773,943
Supporting services:				
Management and general	1,174,585	-	-	1,174,585
Fundraising	625,992	-	-	625,992
Total supporting services	1,800,577	-	-	1,800,577
Total Expenses	3,574,520	-	-	3,574,520
Change in net assets	368,318	(259,618)	180,143	288,843
Net assets, beginning of year	633,781	9,824,940	26,652,838	37,111,559
Net assets, End of Year	$ 1,002,099	$ 9,565,322	$ 26,832,981	$ 37,400,402

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

ST. MARY'S COLLEGE OF MARYLAND

Statement of Cash Flows
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees (net of all scholarships and grants)	$ 19,172,486
Grants and contracts	4,865,451
Salaries and benefits	(33,805,953)
Payments to suppliers	(10,459,409)
Loans issued to students	(71,800)
Collection of student loans	76,332
Sales-auxiliary enterprises	18,327,083
Expenses-auxiliary enterprises	(10,950,016)
Other receipts	1,369,233
Net Cash from Operating Activities	(11,476,593)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	30,406,266
Other transfers	(34,882)
Net Cash from Non-capital Financing Activities	30,371,384
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(13,735,533)
Principal paid on long term debt	(508,141)
Interest paid on long term debt	(1,346,617)
Net Cash from Capital and Related Financing Activities	(15,590,291)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	246,689
Proceeds from sales of investments	289,692
Net Cash from Investing Activities	536,381
Net change in cash and cash equivalents	3,840,881
Cash and cash equivalents, beginning of year	17,957,952
Cash and Cash Equivalents, End of Year	$ 21,798,833
Supplementary Disclosure	
Interest expense paid during the year	$ 1,346,617

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

ST. MARY'S COLLEGE OF MARYLAND

Statement of Cash Flows (continued)
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	**$ (17,939,733)**
Adjustments to reconcile operating loss to net cash from operating activities	
Non-cash expenses:	
Depreciation	**5,477,147**
Paid from bond funds	**(19)**
Accrued vacation	**(1,807)**
Other noncash expenses	**(70,939)**
Effect of changes of non-cash operating assets and liabilities:	
Receivables, net	**(187,694)**
Notes receivable, net	**6,126**
Inventories	**18,129**
Prepaid expenses and other assets	**15,060**
Accounts payable	**1,011,367**
Salaries payable	**211,314**
Deferred revenue	**(15,544)**
Net Cash from Operating Activities	**$ (11,476,593)**

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

ST. MARY'S COLLEGE OF MARYLAND

Statement of Cash Flows St. Mary's Foundation - Component Unit
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	**$ 288,843**
Adjustments to reconcile change in net assets to net cash	
from operating activities	
Contributions received for endowment	**(180,143)**
Realized and unrealized (gains) losses on investments	**(197,609)**
Discounts and allowance on promises to give	**(18,337)**
Uncollectible promise to give	**500**
Donated securities	**(111,931)**
Changes in assets and liabilities	
Receivables, net	**(41,028)**
Promises to give	**185,014**
Other assets	**5,572**
Accounts payable and accrued expenses	**(260,860)**
Deferred revenue	**(23,123)**
Gift annuity	**213**
Net Cash from Operating Activities	**(352,889)**
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of investments	**(10,226,485)**
Proceeds from sale of investments	**10,335,718**
Net Cash from Investing Activities	**109,233**
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions received for endowment	**180,143**
Net increase in cash and cash equivalents	**(63,513)**
Cash and cash equivalents, beginning of year	**2,609,371**
Cash and Cash Equivalents, End of Year	**$ 2,545,858**
Supplementary Disclosure of Noncash Investing Activity	
Donated Securities	**$ 111,931**

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

1. ORGANIZATION AND PURPOSE

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

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

In October 1971, St. Mary's College of Maryland Foundation, Inc. (the Foundation) was organized exclusively for charitable, religious, educational and scientific purposes. The Foundation's purposes further include, but are not restricted to, receiving and administering funds to enhance, improve, develop and promote St. Mary's College of Maryland and to benefit the College, its students and faculty. The Foundation meets the criteria 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 year ended June 30, 2015, the Foundation distributed $1,612,129, 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

Basis of Accounting

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

Basis of Presentation - Foundation

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

Cash Equivalents

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

Investments

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

Accounts Receivable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Capital Assets

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

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

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

Unearned Revenue

Unearned revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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

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

Deferred Outflows/Inflows of Resources

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

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

Net Position - College

The College's net position is classified as follows:

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

Restricted net position – expendable: Restricted expendable net position 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)

Net Position – College (continued)

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

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

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

Net Assets – Foundation

The Foundation's net assets are classified as follows:

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

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

Classification of Revenue

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Scholarship Discounts and Allowances

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

Unconditional Promises to Give

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

New Accounting Pronouncements

The College adopted Governmental Accounting Standard Board (GASB) Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, Statement No. 69, entitled Government Combinations and Disposals of Government Operations, and Statement No. 71, entitled Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.

Net position has been restated by $9,087,697, due to the implementation of GASB Statement No. 68 in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date for all the defined benefit pension plans.

As of the year ended June 30, 2015, GASB issued Statement No. 72, entitled *Fair Value Measurement and Application;* Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68,* and *Amendments to certain Provisions of GASB Statements 67 and 68;* GASB Statement No. 74 entitled, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans;* GASB Statement No. 75 entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions;* GASB Statement No. 76 entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. These statements may have a material effect on the College's financial statements once implemented. The College will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

3. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalent on hand with State Treasurer

As of June 30, 2015, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of $19,883,462. 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, 2015, 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, 2015.

Other Cash and Cash Equivalents

As of June 30, 2015, the College has cash on deposit with other local banks in the amount of $1,948,400. The College has statutory responsibility for the management of these funds which are fully insured by Federal depository insurance.

4. INVESTMENTS

The fair value of endowment and other investments held by the College as of June 30, 2015, were as follows:

Mutual funds	$	**118,638**
Corporate bonds		**1,106,590**
U.S. Government Securities		**648,078**
U.S. agency and other asset-backed securities		**614,833**
Corporate equity securities		**977**
Total Investments	**$**	**2,489,116**

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

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

4. INVESTMENTS (continued)

As of June 30, 2015, the College's endowment fund had the following fixed income investments, ratings and maturities:

Investment Type	Ratings (S & P)	Fair Value	Investment Maturities (in years) <1	1-5	6-10	11-15	>15
U.S. Government securities	AAA	$ 648,078	$ -	$ 389,732	$ 112,754	$ -	$ 145,592
U.S. Agency & other asset-backed securities	AAA	617,636	-	124,783	177,904	44,932	270,017
Corporate Bonds	AAA	22,966	20,149	-	-	-	2,817
Corporate Bonds	AA	31,540	31,540	-	-	-	-
Corporate Bonds	AA-	25,351	-	25,351	-	-	-
Corporate Bonds	AA+	53,237	-	53,237	-	-	-
Corporate Bonds	A+	40,768	-	25,210	15,558	-	-
Corporate Bonds	A	213,737	-	151,903	40,770	-	21,064
Corporate Bonds	A-	184,559	-	142,400	10,017	-	32,142
Corporate Bonds	BBB+	263,751	25,237	144,917	66,963	-	26,634
Corporate Bonds	BBB	114,588	-	36,673	62,024	-	15,891
Corporate Bonds	BBB-	20,228			20,228		-
Total		**$ 2,236,439**	**$ 76,926**	**$ 1,094,206**	**$ 506,218**	**$ 44,932**	**$ 514,157**

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy implies that the investments in the debt securities of any one company may not exceed 10% of the portfolio. As of June 30, 2015, the College had invested $113,275, of endowment funds in Fannie Mae, amounting to 5% of the College's total investments with Legg Mason.

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

4. INVESTMENTS (continued)

The Foundation's investment consisted of the following as of June 30, 2015:

Equities	$	16,402,948
Fixed Income		6,383,707
Cash Equivalents		935,527
Interest in Trust		1,470,677
Alternative Investment		9,022,238
Total Investments	**$**	**34,215,097**

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 $1,470,677, as of June 30, 2015. The Foundation received a distribution of $70,000 for the year ended June 30, 2015.

The Foundation's investment income consisted of the following for the year ended June 30, 2015:

		Unrestricted		Temporarily Restricted		Total
Realized and unrealized gains	$	(15,250)	$	212,858	$	197,608
Interest and dividends		47,190		569,772		616,962
Total Investment Income	**$**	**31,940**	**$**	**782,630**	**$**	**814,570**

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 as of June 30, 2015:

Restricted - scholarship and fellowships	$ 1,020,011
Unrestricted net assets	1,350,467
Total Endowment Net Assets	**$ 2,370,478**

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2015:

Student tuition and fees	$ 136,128
Campus store	48,811
Travel advances	4,183
Federal, state and private grants and contracts	719,520
Other miscellaneous	(18,905)
Total	**889,737**
Less: allowance for doubtful accounts	(34,032)
Net Accounts Receivable	**$ 855,705**

7. COMMITMENTS

As of June 30, 2015, there was $2,268,895 of encumbrances and funds designated for future use reported in unrestricted net position. The College does not separately identify the reserve for encumbrances in unrestricted net position.

8. INVENTORIES

Inventories consisted of the following as of June 30, 2015:

Health Center	$ 6,634
Housekeeping	5,926
Central Stores	8,123
Campus Stores	309,064
Total Inventories	**$ 329,747**

9. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 5,947,437	$ -	$ -	**$ 5,947,437**
Construction In-Progress	9,302,012	12,198,346	(18,839)	**21,481,519**
Total Capital Assets Not Being Depreciated	15,249,449	12,198,346	(18,839)	**27,428,956**
Capital Assets, Being Depreciated:				
Infrastructure	7,755,934	999,794	-	**8,755,728**
Building and Building Improvements	174,003,132	-	-	**174,003,132**
Furnitures, Fixtures and Equipment	13,223,164	87,645	(559,025)	**12,751,784**
Assets purchased with capital lease	46,982	-	(6,730)	**40,252**
Library Collections	11,036,327	475,316	-	**11,511,643**
Total Assets Being Depreciated	206,065,539	1,562,755	(565,755)	**207,062,539**
Less: Accumulated Depreciation:				
Infrastructure	3,341,848	578,627	-	**3,920,475**
Building and Building Improvements	53,456,858	4,072,072	-	**57,528,930**
Furnitures, Fixtures and Equipment	11,817,346	366,257	(559,025)	**11,624,578**
Capital Leases	21,255	-	-	**21,255**
Library Collections	9,203,691	460,191	-	**9,663,882**
Total Accumulated Depreciation	77,840,998	5,477,147	(559,025)	**82,759,120**
Total Capital Assets, Being Depreciated, Net	128,224,541	(3,914,392)	(6,730)	**124,303,419**
Capital Assets, Net	$ 143,473,990	$ 8,283,954	$ (25,569)	**$ 151,732,375**

Depreciation expense was $5,477,147 for the year ended June 30, 2015.

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds:					
Revenue bonds payable	$ 33,175,000	$ 1,446,078	$ (1,645,000)	**$ 32,976,078**	$ 1,973,824
Unamortized premium/discount	555,143	-	(55,499)	**499,644**	55,626
Total Bonds	33,730,143	1,446,078	(1,700,499)	**33,475,722**	2,029,450
Other Liabilities:					
Worker's compensation	465,000	23,843	(53,843)	**435,000**	67,245
Accrued vacation costs	1,008,644	1,229,101	(1,230,908)	**1,006,837**	933,621
Notes payable	1,360,577	-	(253,721)	**1,106,856**	260,010
Capital Lease	65,581	-	-	**65,581**	14,222
Federal loan program refundable	407,510	-	-	**407,510**	-
Net pension liability	9,087,697	269,558	-	**9,357,255**	-
Total Other Liabilities	12,395,009	1,522,502	(1,538,472)	**12,379,039**	1,275,098
Total Long Term Obligations	$ 46,125,152	$ 2,968,580	$ (3,238,971)	**$ 45,854,761**	$ 3,304,548

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

11. REVENUE BONDS

Revenue bonds consisted of the following (at par) as of June 30, 2015:

2005 Subordinate Revenue Bonds, Series A	**$ 14,695,000**
2006 Subordinate Revenue Bonds, Series A	**3,675,000**
2012 Subordinate Revenue Bonds, Series A	**13,160,000**
2014 Subordinate Revenue Bonds, Series A	**4,000,000**
Total	**35,530,000**
Less: Undrawn proceeds	**2,553,922**
Total Revenue Bonds	**32,976,078**
GASB 23 Adjustment to 2005/2012 Bond Issuance	**(1,793,720)**
Unamortized Premium/Discount	**499,644**
Total	**$ 31,682,002**

11. REVENUE BONDS (continued)

Academic Fees and Auxiliary Facilities Fees Revenue Bonds

In 2005, the College issued $19,105,000, of subordinate revenue bonds to refinance 1997, and 2000 Subordinate Revenue bonds which were originally issued for the purpose of constructing new student housing facilities, design, construction and equipping of the Campus Center and the renovation of, and construction of an addition to, the existing gymnasium. In 2006, the College issued $4,235,000, of subordinate revenue bonds to finance the design, construction, equipping and furnishing of a new student residence hall or facility as an addition to Warring Commons. In 2012, the College issued $15,750,000 of revenue bonds to be used to refund the College's 2002 Series A Bonds, the proceeds of which were used to finance the planning and construction of a new student housing facility, and advance refund of the College's 2003 Series A Bonds and to pay the cost of issuance of the 2012 Series A Bonds. 3. In 2014, the College issued, through a draw-down facility with a maximum principal amount of $4,000,000, revenue bonds to finance renovation and updating of four traditional residence halls and the residential floors of Calvert Hall.

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

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

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

The 2014 Series A subordinate revenue bonds are dated September 24, 2014, provide for the establishment of a construction account to provide for constructions draws, which as of June 30, 2015, was $1,446,078, and bears interest at a variable rate equal to the product of 70% multiplied by the sum of one month LIBOR plus 1.73%. As of June 30, 2015, the variable rate equaled 1.33%. The College has entered into an interest rate cap transaction limiting LIBOR from increasing beyond 3%. The 2014 Series A Bonds may be redeemed pursuant to the mandatory redemption provisions and mature September 24, 2025. Monthly maturities begin in November of 2015 subject to a principal amortization schedule until the final payment of $32,614 becomes due in September of 2025.

11. REVENUE BONDS (continued)

Academic Fees and Auxiliary Facilities Fees Revenue Bonds (continued)

All of the aforementioned bonds are limited obligations of the College payable solely from, and secured by, the gross revenues derived from academic fees and auxiliary facilities fees

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

Investments totaling $118,638, for 2015 are recorded as Other Restricted Investments under non-current assets and are comprised of certain funds to be held and invested by the Trustee. As such, the use of these funds is limited to the bond project issue cost, capitalized interest, or reserve fund purposes.

In-Substance Defeasance

The 2005 Series A bonds were issued on April 20, 2005, to refinance the 1997 Series A, and the 2000 Series A bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was $1,208,350. The reacquisition price exceeded the net carrying value of the old debt by $1,360,466, on April 20, 2005. This amount was deferred and is being amortized to interest expense over 30 years, which is the remaining life of the debt. The unamortized balance was $898,160, as of June 30, 2015, and, is reported as a deferred financing outflow.

The 2012 Series A bonds were issued on June 6, 2012, to refinance the Series A 2002 and 2003 bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was $2,618,781. The reacquisition price exceeded the net carrying value of the old debt by $1,048,983, on June 6, 2012. This amount was deferred and being amortized to interest expense over 22 years, which is the remaining life of the debt. The unamortized balance was $895,560, as of June 30, 2015, and is reported as a deferred financing outflow.

Defeased Revenue Bonds

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

11. REVENUE BONDS (continued)

Principal and Interest Payments

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

Fiscal Year	Revenue Bonds	Interest	Total
2016	$ 1,973,824	$ 1,259,399	$ 3,233,223
2017	2,143,972	1,209,934	3,353,906
2018	2,110,519	1,147,781	3,258,300
2019	2,075,639	1,081,873	3,157,512
2020	2,135,827	1,014,765	3,150,592
2021-2025	11,579,764	3,830,172	15,409,936
2026-2030	8,970,455	1,737,955	10,708,410
2031-2035	3,815,000	410,911	4,225,911
2036-2038	725,000	51,453	776,453
Total	$ 35,530,000	$ 11,744,243	$ 47,274,243

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.

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

Fiscal Year	Principal	Interest	Total
2016	$ 260,010	$ 37,150	$ 297,160
2017	269,538	27,113	296,651
2018	185,314	20,247	205,561
2019	192,348	13,120	205,468
2020	199,648	5,723	205,371
Total	$ 1,106,858	$ 103,353	$ 1,210,211

12. LEASES

Operating Leases

The College leases copiers and trailers. Total costs for these operating leases were $104,282 for the year ended June 30, 2015.

Capital Lease

In June 2014, the College entered into a lease agreement through the State of Maryland's Equipment Lease Purchase Agreement for a piece of Science Equipment in the amount of $65,581, with an interest rate of 1.39% per year. As of June 30, 2015, the College has made no lease payments. The principal payment for this lease will begin in fiscal year 2016.

Future principal and interest lease payments for the capital lease are as follows:

Fiscal Year	Principal	Interest	Admin Fees	Total
2016	$ 14,222	$ 862	$ 69	$ 15,153
2017	14,421	664	54	15,139
2018	14,622	463	37	15,122
2019	14,826	259	21	15,106
2020	7,490	52	4	7,546
Total	$ 65,581	$ 2,300	$ 185	$ 68,066

13. RETIREMENT PLANS

Maryland State Retirement and Pension System

The College contributes to the Maryland State Retirement and Pension System (the System), established by the State to provide pension benefits for State employees and employees of 123 participating entities within the State. 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.

13. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Plan description. The System, which is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland (the Article), consists of the several plans that are managed by the Board of Trustees for the System. All State employees hired into positions that are permanently funded and employees of the participating entities are eligible for coverage by the plans. Teachers employed by the College are provided with pensions through the Teachers Pension System of the State of Maryland (TPS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (the System). Certain employees of the College are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the System. The Article grants the authority to establish and amend the benefit terms of TPS and ERS to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

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

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

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

13. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

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

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

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

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

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

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

13. RETIREMENT PLANS (continued)

Maryland State Retirement and Pension System (continued)

Contributions. The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6-7% of their annual pay, depending on which system the employee belongs. The State of Maryland is responsible for the net pension liability of TPS. The College's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies for as a special funding situation. The State of Maryland did not make contributions on behalf of the College for the year ended June 30, 2015.

The College's contractually required contribution rate for the year ended June 30, 2015, was $1,294,706, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only). Contributions from the College were $1,294,706 for the year ended June 30, 2015.

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

As of June 30, 2015, the College reported a liability of $9,357,255, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2015, the College's proportion was 0.0527 percent, which was substantially the same from its proportion measured as of June 30, 2014.

13. RETIREMENT PLANS **(continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the College recognized pension expense of $1,158,411. As of June 30, 2015, the College reported deferred outflows of resources and deferred inflow of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of actuarial assumptions	$ 135,360	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,024,213
Contributions made subsequent to the measurement date	1,294,706	-
Total	$ 1,430,066	$ 1,024,213

The $1,294,706 reported as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, $33,840 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, $256,053 per year.

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

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

The College's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent was $9,357,255. Additionally, the College's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) is $14,245,427 or 1-percentage-point higher (8.65 percent) is $6,232,461.

13. RETIREMENT PLANS (continued)

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 $1,097,525, for the year ended June 30, 2015.

Beginning in fiscal year 2006, a supplemental plan was introduced whereby the College matched 100% (up to $600) of all contributions made into the plan. There were no amounts matched for the year ended June 30, 2015.

14. OTHER POST EMPLOYMENT BENEFITS

Former College employees who are receiving benefits participate in the State Employee and Retiree Health and Welfare Program (Plan) which is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Sections 2-501-2-516 of the Annotated Code of Maryland. The Plan, which is 80% covered from the retiree's/active employee's premiums and 20% from the State, provides medical, hospitalization, prescription drug and dental insurance benefits to retiree's and their dependents. Substantially all employees become eligible for these benefits when they retire. The cost of retiree's health care benefits is expensed when paid; and totaled $1,010,720, for the year ended June 30, 2015.

Furthermore, the State established a Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's post-retirement health insurance subsidy.

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

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

15. COMMITMENTS & CONTINGENCIES

Litigation

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

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

16. RISK MANAGEMENT

The College is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The College participates in the State's various self-insurance programs.

The State is self-insured for general liability, property and casualty, workers compensation, environmental and anti-trust liabilities and certain employee health benefits.

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

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

The provision for workers' compensation is based upon a separately determined actuarial valuation for the fiscal years ended June 30, 2015, 2014, and 2013.

16. RISK MANAGEMENT (continued)

As of June 30, 2015, the College has recorded $435,000, in liability associated with workers' compensation. The workers' compensation liability activity for the year ended June 30, 2015, 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, 2015	**$ 465,000**	**$ 23,843**	**$ (53,843)**	**$ 435,000**	**$ 67,245**
Year ended, June 30, 2014	392,000	261,199	(188,199)	465,000	75,075

17. FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS

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

Functional Classification
Year Ended June 30, 2015

Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	Total
Salaries & wages	$ 13,399,211	$ 215,080	$ 11,420	$ 1,009,432	$ 3,381,012	$ 6,293,242	$ 1,535,994	$ -	$ -	$ 25,845,391
Benefits	4,115,810	23,410	119	282,477	959,499	1,943,400	679,060	-	-	8,003,775
Supplies and others services	1,828,602	72,980	37,922	590,392	1,254,808	2,919,778	643,378	-	-	7,347,860
Utilities	154	-	-	-	77	419	1,986,063	-	-	1,986,713
Scholarships & grants	107,470	-	-	-	81,885	500	-	2,219,225	-	2,409,080
Auxiliary enterprises	-	-	-	-	-	-	-	-	10,950,016	10,950,016
Other operating expenses	1,070,573	11,586	2,721	31,328	502,524	354,087	224,894	(28,321)	-	2,169,392
Depreciation	-	-	-	-	-	-	3,639,678	-	1,837,470	5,477,148
Total Expenses	$ 20,521,820	$ 323,056	$ 52,182	$ 1,913,629	$ 6,179,805	$ 11,511,426	$ 8,709,067	$ 2,190,904	$ 12,787,486	$ 64,189,375

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY'S COLLEGE OF MARYLAND

Schedule of Proportionate Share of Net Pension Liability
June 30, 2015

		2015
The College's proportionate share of the net pension liability		0.0527%
The College's proportionate share of the net liability	$	9,357,255
The College's covered-employee payroll	$	8,417,606
The College's proportionate share of the net pension liability as a percentage of its covered-employee payroll		111%
Plan fiduciary net position as a percentage of total pension liability		71.87%

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

ST. MARY'S COLLEGE OF MARYLAND

Schedule of Contributions
June 30, 2015

		2015
Contractually required contribution	$	1,294,706
Contributions in relation to the contractually required contribution		(1,294,706)
Contribution deficiency (excess)	$	-
College's covered-employee payroll	$	8,417,606
Contributions as a percentage covered-employee payroll		15%

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