

ST. MARY'S COLLEGE OF MARYLAND

**Financial Statements
and
Independent Auditors' Report**

Years Ended June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
St. Mary's College of Maryland

We have audited the accompanying basic financial statements of St. Mary's College of Maryland (College), a component unit of the State of Maryland, and its discretely presented component unit, St. Mary's College of Maryland Foundation, Inc. (Foundation), as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundation, which represents 100 percent of the discretely presented component unit as of the years ended June 30, 2009 and 2008, and for the year ended June 30, 2009 with comparable totals for 2008. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 15 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abrams, Foster, Nole & Williams, P.A.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

October 13, 2009

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

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 2009 with fiscal year 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 the 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. 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)

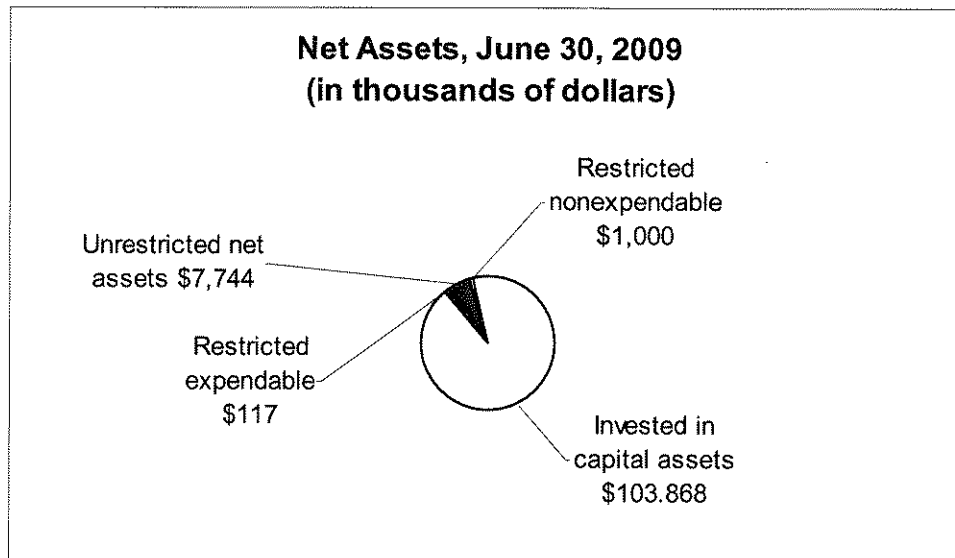
	<u>June 30, 2009</u>	<u>% of Total</u>	<u>June 30, 2008</u>	<u>% of Total</u>
Assets:				
Current Assets	\$ 13,642	8%	\$14,462	9%
Capital Assets, net	146,514	89%	141,634	87%
Other Assets	5,299	3%	7,137	4%
Total Assets	<u>165,455</u>	<u>100%</u>	<u>163,233</u>	<u>100%</u>
Liabilities:				
Current Liabilities	6,870		7,312	
Noncurrent Liabilities	45,856		47,247	
Total Liabilities	<u>52,726</u>		<u>54,559</u>	
Net Assets:				
Invested in Capital Assets, net of debt	103,868		99,663	
Restricted - nonexpendable	1,000		1,000	
Restricted - expendable	117		296	
Unrestricted	7,744		7,715	
Total Net Assets	<u>\$ 112,729</u>		<u>\$ 108,674</u>	

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
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Statements of Net Assets (Continued)

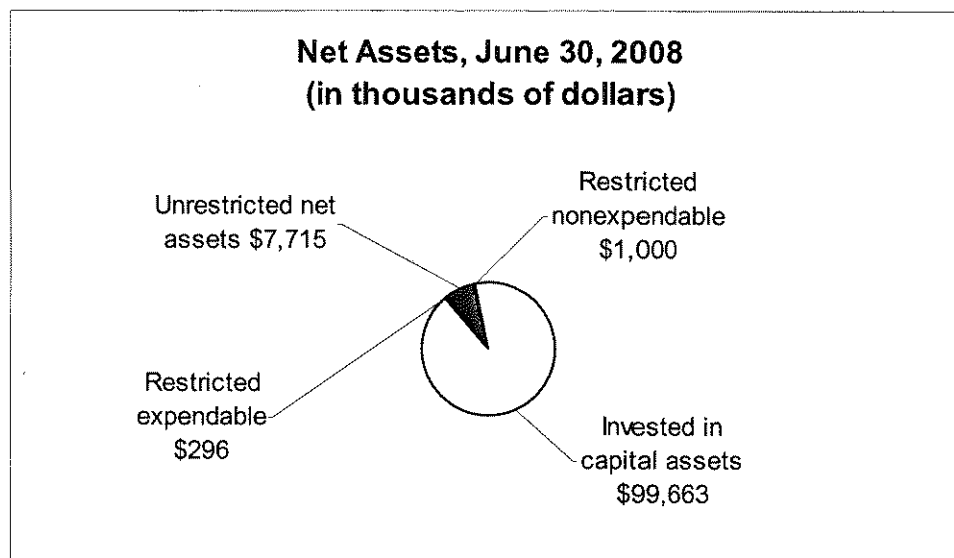
The total assets of the College increased \$2.2 million. This increase was primarily due to an increase in capital assets, including construction-in-progress in connection with Glendening Hall, our new student services building. The total liabilities for the year decreased \$1.8 million. This combination of an increase in total assets of \$2.2 million and a decrease in total liabilities of \$1.8 million resulted in an increase 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, 2009 and June 30, 2008, respectively.



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Management's Discussion and Analysis
June 30, 2009

Statements of Net Assets (Continued)



The increase of \$4.0 million in total net assets is primarily due to funding received from the State for the construction of Glendening Hall. The breakdown of unrestricted net assets with comparisons to last year is shown below:

Breakdown of Unrestricted Net Assets (in thousands of dollars)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Encumbrances and carryovers for general operating purposes	\$ 423	\$ 546
Encumbrances for capital projects	482	2,460
Funds designated for current plant projects	1,270	430
Funds designated for future plant projects	(1,814)	(3,133)
Funds functioning as endowments	2,861	3,038
Unrestricted funds for general operating purposes	4,522	4,374
Total Unrestricted Net Assets	<u>\$ 7,744</u>	<u>\$ 7,715</u>

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

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):

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating Revenue		
Tuition and fees, less scholarships and waivers	\$ 22,834	\$ 21,313
Grants and contracts	1,305	2,001
Sales and services of educational departments	981	1,202
Auxiliary enterprises	16,970	16,132
Other operating revenues	85	82
Total operating revenues	<u>42,175</u>	<u>40,730</u>
Operating Expenses	60,270	58,278
Operating loss	<u>(18,095)</u>	<u>(17,548)</u>
Nonoperating revenues		
State appropriations	17,050	17,083
Other nonoperating income (deficit)	1,186	(751)
Net non-operating revenues	<u>18,236</u>	<u>16,331</u>
Operating surplus/(loss)	<u>141</u>	<u>(1,217)</u>
Other revenue, expenses, gains or loss		
Capital appropriations	3,914	20,065
Total other revenues, expenses, gains and losses	<u>3,914</u>	<u>20,065</u>
Increase in Net Assets	4,055	18,848
Net Assets at beginning of year	108,674	89,826
Net Assets at End of Year	<u>\$ 112,729</u>	<u>\$ 108,674</u>

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

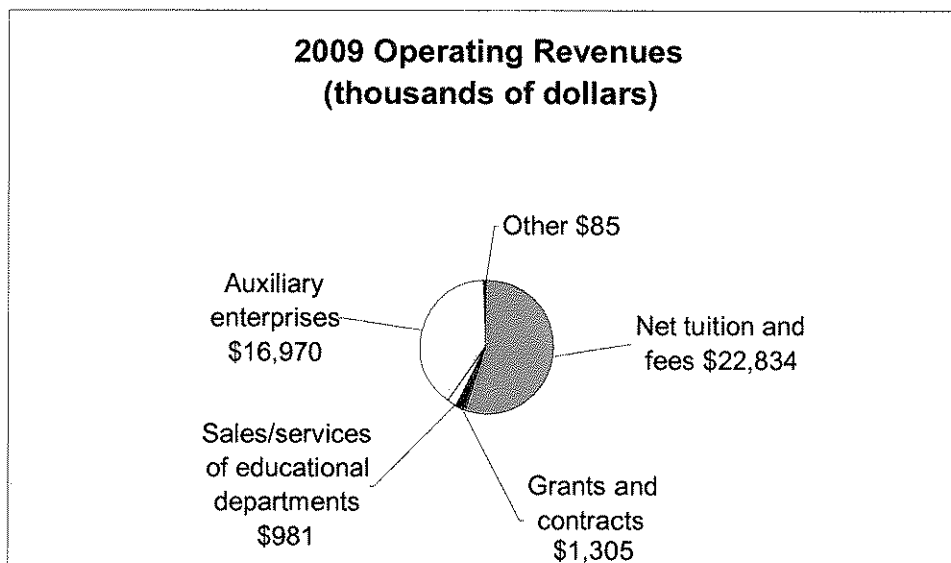
Summary of Changes in Statements of Revenues, Expenses, and Changes in Net Assets

Net assets increased by \$4.0 million, or 3.7%, for 2009. The increase resulted primarily from \$3.9 million of capital funding received from the State for the construction of Glendening Hall, a student services building. In addition, an overall increase in operating revenues of \$1.4 million is primarily due to increased tuition and fee revenue of \$1.5 million and an increase of \$.9 million in auxiliary revenue and reductions in various grants and contracts. Operating expenses increased \$2.0 million mainly as a result of increased expenditures for salaries and benefits as well as auxiliary expenses associated with dining facilities and higher utility costs. Additionally, \$59 thousand in direct assistance provided by the Foundation to College departments have been included in operating expenses in 2009, in accordance with generally accepted accounting principles. Additional auxiliary expenses were offset by increased revenues from auxiliary operations.

Non-operating revenues net of non-operating expenses increased by \$1.4 million from the previous year. The increase reflects a one-time gift of \$2.0 million from our Foundation in support of the completed James P. Muldoon River Center. Capital appropriations decreased \$14.8 million.

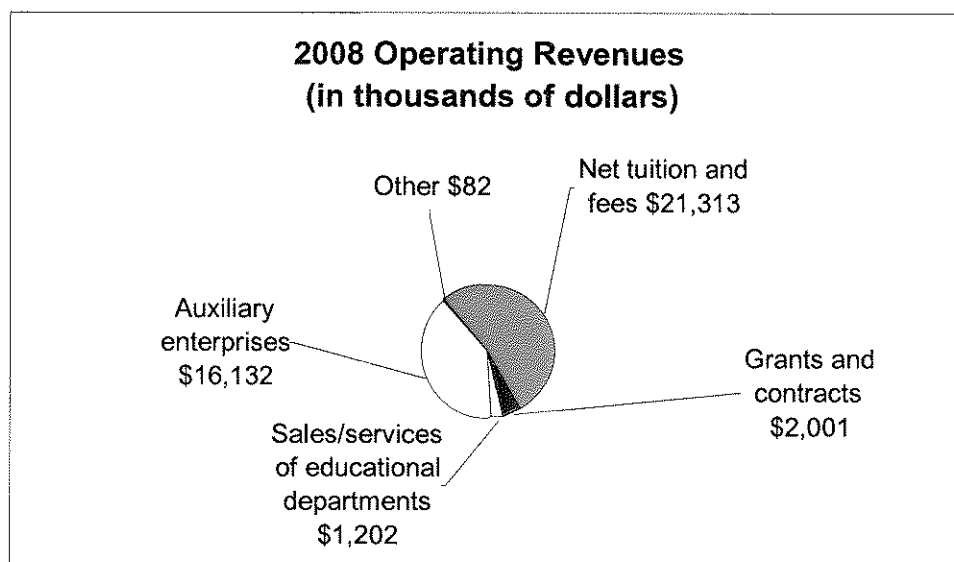
Operating Revenues

Total operating revenues for fiscal year 2009 were \$42.2 million. The graphs below show comparisons in operating revenues for fiscal years 2009 and 2008:



ST. MARY'S COLLEGE OF MARYLAND
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Operating Revenues (Continued)



Tuition and Fees

Tuition and fees, less scholarships and waivers, of \$22.8 million accounted for 54% of total operating revenue and increased 7% 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.

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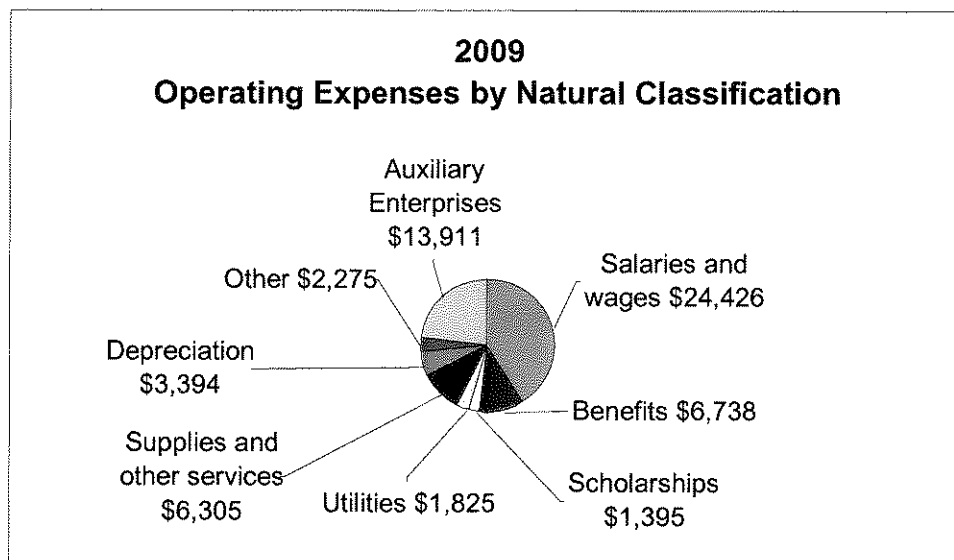
The operating expenses for auxiliary enterprises include depreciation and utilities.

Sales and Services of Educational Activities

Other operating revenues consist of sales and services of educational activities totaling \$1.0 million. An example of an educational activity includes conference activity and study abroad fees.

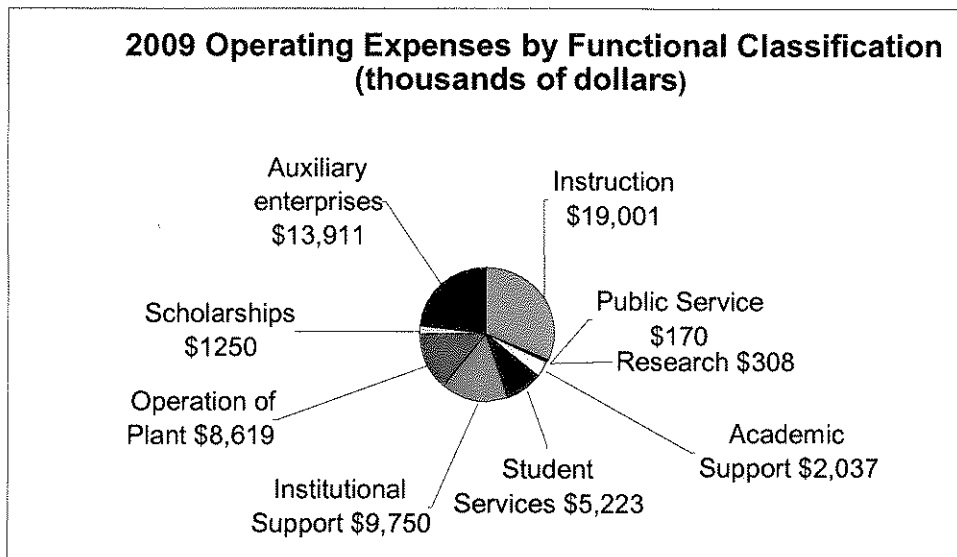
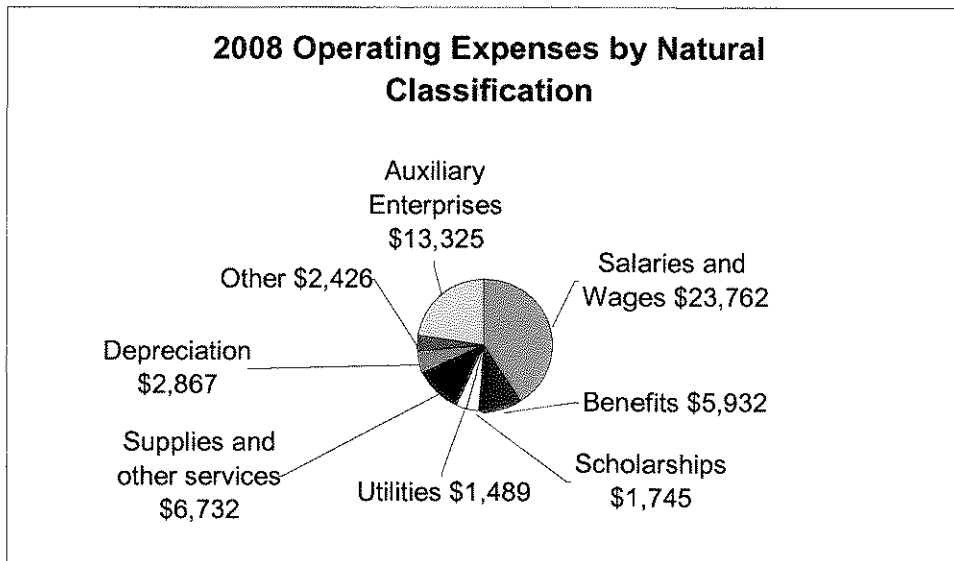
Operating Expenses

Operating expenses for 2009 totaled \$60.3 million. Of this total, \$19.0 million or 31.5% was for instruction. Operating expenses include salaries and benefits of \$31.1 million, scholarships and grants of \$1.4 million, utilities of \$1.8 million, supplies and other services of \$6.3 million and depreciation of \$3.4 million. Depreciation of capital goods is carried as an accounting item; however, it does not require any cash outlay on behalf of the College. Depreciation does indicate how much of the College's physical plant is being "consumed" each year.



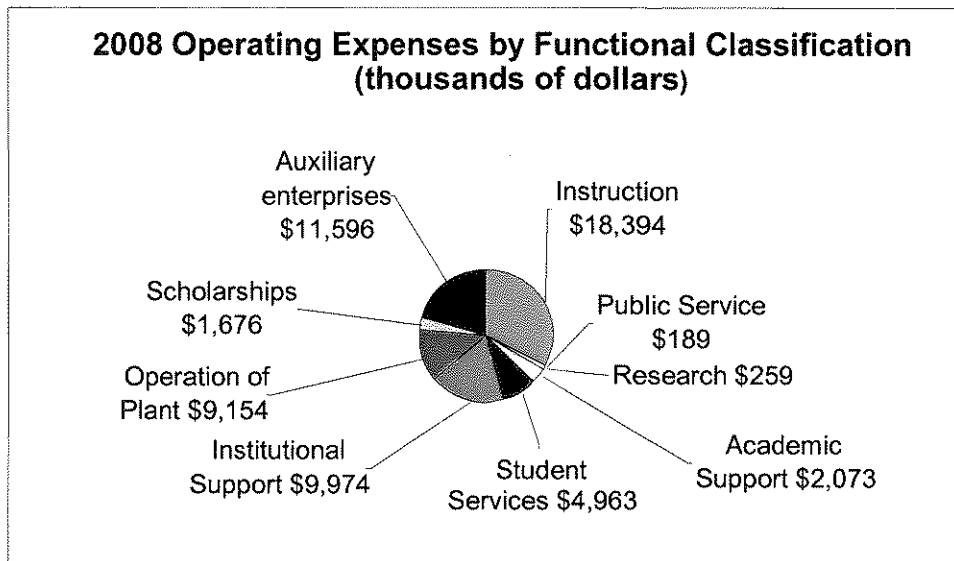
ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

Operating Expenses (Continued)



ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

Operating Expenses (Continued)



State Appropriation

The largest inflow in the non-capital financing activities group is the State appropriation of \$17.1 million. The legislation governing the provision of State support to St. Mary's College of Maryland requires the Governor 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 27% of the operating budget for the College. The State appropriation continues to drop steadily in its 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.

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Management's Discussion and Analysis
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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 Trustees.

Statements of Cash Flows

The final statements presented by St. Mary's College of Maryland are 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.

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash Provided (used) By:		
Operating Activities	\$ (12,840)	\$ (14,101)
Non-capital Financing Activities	23,484	38,083
Capital and Related Financing		
Activities	(13,492)	(32,592)
Investing Activities	2,630	4,877
Net Change in Cash	(218)	(3,823)
Cash, Beginning of Year	11,899	15,722
Cash, End of Year	<u>\$ 11,681</u>	<u>\$ 11,899</u>

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 2002-03 through 2007-08 academic years. Also indicated are full-time equivalent students attending the College.

Full-time, Part-time, and FTE Enrollment:

Fall 2002 to Fall 2008

Fall	<u>Full-time:</u>		<u>Part-time:</u>		<u>Away Students: *</u>		<u>Full-time Equivalent **</u>	
Semester	N	(%)	N	(%)	N	(%)	Total	(FTE)
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	2,003
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
2002	1,648	90.4%	148	8.1%	27	1.5%	1,823	1,836

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

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

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
June 30, 2009

Full-time, Part-time, and FTE Enrollment -- Fall 2002 to Fall 2008 (Continued)

Enrollment goals continue to be met. The enrollment goal for fall semester 2009 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 \$4.2 million in 2009. Capital additions were primarily comprised of Glendening Hall. Current year capital additions were funded primarily with State capital appropriations of \$3.9 million and unrestricted net assets which were designated for capital purposes.

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, compensation increases, student tuition and fee increases, and energy cost increases 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 \$17 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 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.

ST. MARY'S COLLEGE OF MARYLAND
Management's Discussion and Analysis
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Factors and Events Impacting Future Periods (Continued)

The College experienced a serious increase in energy costs during 2009. These expenditures have moderated in the current fiscal year. 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 impacted the distribution of endowment returns from our Foundation and reduced interest earnings to the College from cash balances held by the Maryland State Treasurer.

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

The College's overall financial position remains strong. 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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (note 3)	\$ 11,681,279	\$ 11,898,903
Accounts Receivable, net (note 6)	481,877	739,339
Inventories (note 8)	356,630	381,913
Prepaid Items	204,910	484,262
Other Assets	917,670	957,285
Total Current Assets	<u>13,642,366</u>	<u>14,461,702</u>
Noncurrent Assets:		
Endowment Investments (note 4)	3,881,412	4,266,924
Other restricted investments (note 4)	627,564	2,067,299
Other investments	533,237	533,628
Notes receivable, net of allowance for doubtful notes	255,133	268,891
Capital assets, net of accumulated depreciation (note 9)	146,514,497	141,634,203
Total Noncurrent Assets	<u>151,811,843</u>	<u>148,770,945</u>
TOTAL ASSETS	<u>165,454,209</u>	<u>163,232,647</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	1,176,252	1,894,817
Salaries Payable	2,076,802	2,008,498
Accrued interest	597,731	613,145
Accrued vacation, current portion	749,991	706,172
Accrued worker compensation, current portion	57,505	39,835
Bonds payable, current	1,215,595	1,218,068
Deferred revenue	995,888	831,250
Total Current Liabilities	<u>6,869,764</u>	<u>7,311,785</u>

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Statements of Net Assets
June 30, 2009 and 2008

Statements of Net Assets (Continued)

Liabilities, (continued)

	<u>2009</u>	<u>2008</u>
Noncurrent Liabilities (note 10)		
Bonds payable	41,836,790	43,049,913
Accrued vacation	753,970	812,887
Accrued worker compensation	313,495	217,165
Notes Payable	2,517,095	2,715,123
Capital Lease	26,966	44,120
Federal Perkins funds	407,510	407,510
Total Noncurrent Liabilities	<u>45,855,826</u>	<u>47,246,716</u>
TOTAL LIABILITIES	<u>52,725,590</u>	<u>54,558,501</u>
 NET ASSETS		
Invested in Capital Assets, net of related debt	103,867,629	99,663,095
Restricted Nonexpendable		
Scholarships and fellowships	1,000,117	1,000,117
Restricted Expendable		
Research	61,117	245,880
Loans	36,291	29,978
Scholarships and fellowships	19,894	19,894
Unrestricted	<u>7,743,571</u>	<u>7,715,182</u>
TOTAL NET ASSETS	<u><u>\$ 112,728,619</u></u>	<u><u>\$ 108,674,146</u></u>

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Balance Sheets – Component Unit
June 30, 2009 and 2008

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

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Operating Revenues		
Student Tuition and Fees <i>(less scholarships and waivers of: \$5,570,794 in 2009 and \$5,216,222 in 2008)</i>	\$ 22,834,444	\$ 21,312,564
Grants and Contracts		
Federal	1,156,434	1,480,591
State	100,154	172,881
Other	48,672	347,871
Sales and Services	981,433	1,201,617
Auxiliary Enterprises		
Residence facilities, net of waivers of \$83,633	9,244,981	8,670,351
Dining services, net of waivers of \$29,120	5,495,148	5,147,031
Bookstore	2,249,144	2,339,249
Other auxiliary enterprises revenue	(18,835)	(24,745)
Other Operating Revenues	82,965	82,562
Total Operating Revenues	<u>42,174,540</u>	<u>40,729,972</u>
EXPENSES		
Operating Expenses		
Salaries	24,425,792	23,762,161
Benefits	6,738,405	5,932,193
Scholarships and Fellowships	1,395,082	1,745,049
Utilities (excluding auxiliary enterprises)	1,825,494	1,488,880
Supplies and Other Services	6,305,184	6,731,619
Depreciation (excluding auxiliary enterprises)	3,393,925	2,867,140
Other	2,274,543	2,425,844
Auxiliary Enterprises	13,911,448	13,324,672
Total Operating Expenses	<u>60,269,873</u>	<u>58,277,558</u>
Operating Income (loss)	<u>(18,095,333)</u>	<u>(17,547,586)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	17,050,016	17,083,073
Gifts and grants	2,644,781	1,327,846
Other Transfers	(124,700)	(392,995)
Investment gains and losses	196,521	(808,783)
Interest Income	586,399	1,269,524
Interest on indebtedness	(2,117,293)	(2,148,524)
Net Nonoperating Revenues	<u>18,235,724</u>	<u>16,330,141</u>
Gain (Loss) before other revenues, expenses, gains, or loss	<u>140,391</u>	<u>(1,217,445)</u>
Other revenues, expenses, gains and losses:		
Capital state appropriation	3,914,082	20,065,277
Total Other Revenues	<u>3,914,082</u>	<u>20,065,277</u>
Increase in Net Assets	4,054,473	18,847,832
NET ASSETS		
Net Assets-beginning of year	108,674,146	89,826,312
Net Assets-End of Year	<u>\$ 112,728,619</u>	<u>\$108,674,146</u>

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Statement of Activities and Changes in Net Assets – Component Unit
Year Ended June 30, 2009
(with Comparable Totals for 2008)

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

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees (net of all scholarships and grants)	\$ 21,701,597	\$ 19,343,767
Grants and Contracts (Exchange)	1,305,260	2,001,343
Salaries and benefits	(30,996,989)	(29,599,276)
Payments to Suppliers	(10,779,538)	(9,422,357)
Loans Issued to Students	(26,000)	(24,000)
Collection of Student Loans	34,986	62,110
Sales-Auxiliary enterprises	16,970,439	16,131,887
Expenses-Auxiliary enterprises	(12,080,374)	(11,595,863)
Other Receipts (payments)	1,031,007	758,117
Net Cash Provided (used) by Operating Activities	<u>(12,839,612)</u>	<u>(14,101,476)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations	20,964,098	37,148,351
Other Transfers	(124,700)	(392,995)
Noncapital gifts and grants	2,644,781	1,327,847
Net Cash Provided by Non-capital Financing Activities	<u>23,484,179</u>	<u>38,083,203</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(10,122,447)	(29,403,031)
Principal Paid on Long Term Debt	(1,252,473)	(1,040,688)
Interest Paid on Long-Term Debt	(2,117,293)	(2,148,524)
Net Cash used by Capital and Related Financing Activities	<u>(13,492,213)</u>	<u>(32,592,243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	37,269	(71,988)
Interest on Investments	570,985	1,254,867
Purchase of Investments	2,021,768	3,604,150
Net Cash Provided (used) by Investing Activities	<u>2,630,022</u>	<u>4,787,029</u>
Net Increase/Decrease in Cash	(217,624)	(3,823,487)
Cash and Cash Equivalents - beginning of year	11,898,903	15,722,390
Cash and Cash Equivalents - end of year	<u>\$ 11,681,279</u>	<u>\$ 11,898,903</u>
Supplementary Disclosure		
Interest expense paid during the year	<u>\$ 2,117,293</u>	<u>\$ 2,148,524</u>

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Statements of Cash Flows (Continued)
Years Ended June 30, 2009 and 2008

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

	<u>2009</u>	<u>2008</u>
Operating Income (loss)	\$ (18,095,333)	\$ (17,547,586)
Adjustments to Reconcile Net Income (loss) to Net Cash		
Noncash expenses:		
Depreciation	5,224,999	4,595,949
Paid from Bond Funds	(1,439,735)	(3,604,114)
Accrued Vacation	(15,096)	60,276
Other Noncash Expenses	1,395,318	3,263,005
Change in Assets and Liabilities:		
Receivables, net	257,462	(228,696)
Notes Receivable, net	13,759	43,058
Inventories	25,283	(10,968)
Prepaid Expenses	279,353	(278,794)
Accounts Payable	(718,564)	(242,952)
Salaries Payable	68,304	234,800
Deferred Revenue	164,638	(385,454)
Net Cash Provided (used) by Operating Activities	<u>\$ (12,839,612)</u>	<u>\$(14,101,476)</u>

“See Accompanying Notes”

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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, 2009 and 2008, the Foundation distributed \$3,225,087 and \$1,870,353 respectively to the College for both restricted and unrestricted purposes.

The College performs various accounting, personnel, and public safety functions for Historic St. Mary's City (the City). The College is paid a fee for these services. The college does not exercise control over the City; therefore, the activities of the City are not reflected or consolidated in these financial statements.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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 Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

The College has the option to apply Financial Accounting Standards Board (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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses 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 that 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, 2009 and June 30, 2008.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Risk Management (Continued)

As of June 30, 2009, the College has recorded \$371,000 in liabilities associated with workers' compensation. The workers' compensation liability activity for the years ended June 30, 2009 and 2008 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, 2009	\$ 257,000	\$ 160,551	\$ (46,551)	\$ 371,000	\$ 57,505
Year ended, June 30, 2008	\$ 457,000	\$ (183,139)	\$ 16,861	\$ 257,000	\$ 39,835

Q. Implementation of New Pronouncements

In 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which was effective for financial statement periods ending after June 15, 2004. Statement No. 40 establishes significant new financial reporting requirements for State and local governments, including public colleges and universities. The College adopted Statement No. 40 for its financial statements for the year ended June 30, 2005.

In November 2003, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was issued, which requires that financial statements reflect adjustments for changes in the utility of capital assets when technology, environmental events, or physical damage diminish the usefulness of a capital asset for its intended purpose or use. The College adopted Statement No. 42 for its financial statements for the year ended June 30, 2006.

In June 2004, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, was issued. This statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual – basis measurement and recognition of other post-employment benefits' (OPEB) cost over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Implementation of New Pronouncements (continued)

funding the plan. Implementation of changes to the funding of postemployment benefits other than pensions is expected to result in a significant increase in amounts remitted by State agencies, including St. Mary's College of Maryland. The College adopted State No. 45 for the year ended June 30, 2008.

In December 2004, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment to GASB Statement No. 34*, was issued. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The College adopted Statement No. 46 for its financial statements for the year ended June 30, 2005.

In June 2005, GASB Statement No. 47, *Accounting for Termination Benefits*, was issued. This statement requires employers to record a liability for payments and benefits associated with voluntary and involuntary plans that result in the termination of employees. The college adopted Statement No. 47 for its financial statements for the year ended June 30, 2008.

In October 2006, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, was issued. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The College adopted Statement No. 48 for its financial statements for the year ended June 30, 2008.

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 periods beginning after December 15, 2007. The College adopted Statement No. 49 for its financial statements for the year ended June 30, 2009.

In May 2007, GASB Statement No. 50, *Pension Disclosures*, was issued, changing the financial reporting requirements for pensions to more closely conform to those for other postemployment benefits. The College adapted Statement No. 50 for its financial statements for the year ended June 30, 2009.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Implementation of New Pronouncements (continued)

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 is in the process of assessing the impact of the new accounting standard and will present its financial statements for the year ended June 30, 2010 in accordance also with GASB Statement No. 51.

3. CASH AND CASH EQUIVALENTS

A. Cash and Cash Equivalent on hand with State Treasurer

As of June 30, 2009 and 2008, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$11,518,752 and \$11,653,768 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, 2009, 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, 2009.

B. Other Cash and Cash Equivalents

As of June 30, 2009 and June 30, 2008, the College has cash on deposit with other local banks in the amount of \$162,527 and \$245,136 respectively. The College has statutory responsibility for the management of these funds which are fully insured by Federal depository insurance.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

4. INVESTMENTS

The carrying value of endowment and other investments at June 30, 2009 and 2008 are as follows:

	<u>June 30, 2009</u> <u>Fair Value</u>	<u>June 30, 2008</u> <u>Fair Value</u>
Mutual funds	\$ 2,348,948	\$ 4,041,640
Corporate bonds	778,453	553,814
U.S. Government Securities	473,759	594,321
U.S. agency and other asset-backed securities	906,837	1,143,469
Foreign bonds	-	-
Corporate equity securities	978	978
Total Investments	<u>\$ 4,508,975</u>	<u>\$ 6,334,223</u>

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

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

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

4. INVESTMENTS (Continued)

As of June 30, 2009, the College's endowment fund had the following fixed income investments, ratings and maturities:

Investment Type	Ratings (S & P)	Fair Value	<1	1-5	6-10	11-15	>15
US Government securities	AAA	\$ 473,759		\$ 285,185	\$ 133,590	\$ -	\$ 54,983
US Agency & other asset-backed securities							
Corporate Bonds	AAA	906,837	48,935	240,072	100,290	66,668	450,873
Corporate Bonds	AA	225,717		152,872	72,845		
Corporate Bonds	AA-	37,142		37,142			
Corporate Bonds	A+	117,802		94,339	15,264		8,199
Corporate Bonds	A	62,455		62,455			
Corporate Bonds	A-	171,501		125,977	15,951		29,573
Corporate Bonds	BBB+	64,767		64,767			
Corporate Bonds	BBB	76,458		36,879			39,578
Corporate Bonds		22,612		22,612			

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
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4. INVESTMENTS (Continued)

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.

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, 2009, the College had invested \$543,389 of endowment funds in Fannie Mae, amounting to 14% 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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
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4. INVESTMENTS (Continued)

The Foundation's investments consisted of the following as of June 30, 2009:

Equities	\$5,616,937
Fixed income	6,542,846
Limited Partnerships	7,622,774
Cash equivalents	2,481,858
 Total Investments	 <u><u>\$22,264,415</u></u>

During 2000, the Foundation became a named beneficiary to one-fourth of a trust held by a third party. The trust is restricted to scholarships. Under the terms of the trust, the Foundation will receive a distribution each year of approximately one-fourth of 5% of the value of the trust, even if the 5% is to be paid from the principal. The Foundation records one-fourth of the annual changes in market value of the trust as investment income. The value of the Foundation's share of the trust was \$1,109,411 as of June 30, 2009. The Foundation received a distribution in 2009 of \$140,000.

The Foundation's investment income consisted of the following for the year ended June 30, 2009:

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

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

5. ENDOWMENTS

The College records most endowment income as unrestricted, nonoperating income. Endowment income not expended for restricted scholarships or other allowable purposes during the fiscal year is included in funds functioning as endowments.

The spending rate of general endowment funds (quasi and pure), as adopted by the Board, is 4% of the average market value of total funds as of the last day of the previous three calendar years. The spending rate applies to endowment funds for both unrestricted and restricted purposes and is applied in accordance with the designation of each endowment. The difference between the calculated amount and the actual realized endowment income is recorded as a non-mandatory transfer from or to the quasi-endowment fund in accordance with the above spending policy. The objectives of the spending rule are to preserve the purchasing power of the principal and attain a minimum of one percent real growth.

The endowment net assets are reported as follows:

The endowment net assets are reported as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Restricted - scholarship and fellowships	\$ 1,020,011	\$ 1,020,011
Unrestricted net assets	<u>2,861,401</u>	<u>3,245,935</u>
Total Endowment Net Assets	<u>\$ 3,881,412</u>	<u>\$ 4,265,946</u>

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

6. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Student tuition and fees	\$ 391,293	\$ 323,175
Employee accounts	1,882	1,616
Campus Store	56,876	93,545
Travel advances	2,074	39,037
Federal, state and private grants and contracts	75,593	217,768
Interest income receivable	8,728	20,366
Other miscellaneous	41,849	124,626
Total	<u>578,295</u>	<u>820,133</u>
Less: allowance for doubtful accounts	<u>(96,418)</u>	<u>(80,794)</u>
Net Accounts Receivable	<u>\$ 481,877</u>	<u>\$ 739,339</u>

7. COMMITMENTS

As of June 30, 2009, there was \$905,166 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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

8. INVENTORIES

Inventories consisted of the following:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Health Center	\$ 7,308	\$ 3,832
Housekeeping	7,318	5,753
Central Stores	8,187	16,901
Campus Stores	<u>333,817</u>	<u>355,427</u>
Total Inventories	<u>\$ 356,630</u>	<u>\$ 381,913</u>

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

9. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 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	46,663,606	5,224,999	-	51,888,604
Total Capital Assets, Being Depreciated, Net	120,924,227	(3,423,198)	-	117,501,030
Capital Assets, net	<u>\$ 141,634,203</u>	<u>\$ 5,733,275</u>	<u>\$ 852,981</u>	<u>\$ 146,514,497</u>

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.

T. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

9. CAPITAL ASSETS (Continued)

Following are the changes in capital assets for the year ended June 30, 2008:

	Balances June 30, 2007	Additions	Reductions	Balance June 30, 2008
Capital Assets, Not Being Depreciated:				
Land	\$ 5,142,675	\$ 804,762	\$ -	\$ 5,947,437
Construction in Progress	15,490,081	14,682,524	15,410,066	14,762,539
Total Capital Assets Not Being Depreciated	20,632,756	15,487,286	15,410,066	20,709,976
Capital Assets, Being Depreciated:				
Infrastructure	7,291,972	384,718	-	7,676,690
Building and Building Improvements	113,061,659	26,109,099	-	139,170,758
Furnitures, Fixtures and Equipment	10,107,919	2,232,628	-	12,340,547
Capital Leases	81,015	-	-	81,015
Library Collections	7,735,980	582,844	-	8,318,823
Total Assets Being Depreciated	138,278,545	6,130,019	-	167,587,833
Less: Accumulated Depreciation				
Infrastructure	1,225,854	332,077	-	1,557,931
Building and Building Improvements	29,664,940	2,982,766	-	32,647,706
Furnitures, Fixtures and Equipment	5,235,647	796,883	-	6,032,530
Capital Leases	27,680	16,204	-	43,884
Library Collections	5,913,536	468,019	-	6,381,555
Total Accumulated Depreciation	42,067,657	4,595,949	-	46,663,606
Total Capital Assets, Being Depreciated, Net	96,210,888	24,713,339	-	120,924,227
Capital Assets, net	<u>\$ 116,843,644</u>	<u>\$ 40,200,625</u>	<u>\$15,410,066</u>	<u>\$ 141,634,203</u>

Note – During the fiscal year ending June 30, 2008 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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

10. LONG-TERM LIABILITIES

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

Year ended June 30, 2009					
	Balance			Balance	Amounts
	June 30, 2008	Additions	Reductions	June 30, 2009	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/Discount	43,583	-	10,944	32,639	10,944
GASB 23 adjustment	(1,215,602)	-	(45,349)	(1,170,253)	(45,349)
Total bonds and capital leases	<u>44,312,101</u>	<u>-</u>	<u>1,232,749</u>	<u>43,079,352</u>	<u>1,265,595</u>
Other Liabilities:					
Worker's compensation	257,000	114,000	-	371,000	57,505
Accrued vacation costs	1,519,058	1,004,640	1,019,735	1,503,963	749,993
Notes Payable	2,715,123		198,028	2,517,095	214,558
Federal Loan Program Refundable	407,510		-	407,510	-
Total other liabilities	<u>4,898,691</u>	<u>1,118,640</u>	<u>1,217,763</u>	<u>4,799,568</u>	<u>1,022,056</u>
Total Long Term Obligations	<u>\$ 49,210,792</u>	<u>\$ 1,118,640</u>	<u>\$ 2,450,512</u>	<u>\$ 47,878,920</u>	<u>\$2,287,651</u>

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

10. LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Year ended June 30, 200			Balance June 30, 2008	Amounts Due Within One Year
	Balance June 30, 2007	Additions	Reductions		
Bonds and capital leases:					
Revenue Bonds Payable	\$ 46,585,000	\$ -	\$ (1,145,000)	\$ 45,440,000	\$ 1,250,000
Capital lease obligations	60,643	-	(16,523)	44,120	-
Unamortized premium	56,999	-	(13,417)	43,582	13,577
GASB 23 adjustment	(1,260,950)	-	45,349	(1,215,601)	(45,349)
Total bonds and capital leases	45,441,692	-	(1,129,591)	\$44,312,101	1,218,228
Other Liabilities:					
Worker's compensation	457,000	-	(200,000)	257,000	39,835
Accrued vacation costs	1,458,782	1,043,294	(983,018)	1,519,058	706,172
Notes Payable	2,855,727	-	(140,604)	2,715,123	172,404
Federal Loan Program Refundable	407,510	-	-	407,510	-
Total other liabilities	5,179,019	1,043,294	(1,323,622)	4,898,691	918,411
Total Long Term Obligations	\$ 50,620,711	\$ 1,043,294	\$ (2,453,213)	\$ 49,210,792	\$ 2,136,639

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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

11. REVENUE BONDS

Revenue bonds consist of the following (at par):

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
1997 Revenue Bonds, Series A	\$ -	\$ -
2000 Revenue Bonds, Series A	245,000	480,000
2002 Subordinate Revenue Bonds, Series A	12,165,000	12,450,000
2003 Subordinate Revenue Bonds, Series A	5,210,000	5,525,000
2005 Subordinate Revenue Bonds, Series A	18,405,000	18,750,000
2006 Subordinate Revenue Bonds, Series A	4,165,000	4,235,000
2007 Subordinate Revenue Bonds, Series A	4,000,000	4,000,000
Subtotal	<u>44,190,000</u>	<u>45,440,000</u>
GASB 23	(1,170,253)	(1,215,603)
Premium Discount	32,639	43,583
Total Revenue Bonds	<u>\$43,052,386</u>	<u>\$ 44,267,980</u>

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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 Waring 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%.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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 \$12,883 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 \$627,564 and \$2,067,299 for 2009 and 2008, 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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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.

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

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

11. REVENUE BONDS (Continued)

B. In-Substance Defeasance (Continued)

<u>Date</u>	<u>Prior Debt Services</u>	<u>Refunding Debt Service</u>	<u>Refunding Receipts</u>	<u>Refunding Net Cash Flows</u>	<u>Savings</u>	<u>Present Value to 04/20/2005 @ 4.3669530%</u>
06/30/05	\$ -	\$ -	\$ 42,966	\$ (42,966)	\$ 42,966	\$42,966
06/30/06	946,740	903,647		903,647	43,093	40,971
06/30/07	946,740	902,344		902,344	44,396	40,436
06/30/08	946,740	904,175		904,175	42,565	37,042
06/30/09	1,185,921	1,141,944		1,141,944	43,978	36,701
06/30/10	1,183,919	1,140,125		1,140,125	43,794	34,997
06/30/11	1,439,390	1,392,975		1,392,975	46,415	35,637
06/30/12	1,437,001	1,389,944		1,389,944	47,058	34,650
06/30/13	1,433,279	1,390,288		1,390,288	42,992	30,260
06/30/14	1,433,009	1,389,694		1,389,694	43,315	29,244
06/30/15	1,435,770	1,388,163		1,388,163	47,608	30,917
06/30/16	1,431,621	1,385,694		1,385,694	45,927	28,584
06/30/17	1,435,489	1,391,125		1,391,125	44,364	26,459
06/30/18	1,437,098	1,394,225		1,394,225	42,873	24,509
06/30/19	1,436,178	1,391,025		1,391,025	45,153	24,804
06/30/20	1,432,798	1,386,078		1,386,078	46,719	54,645
06/30/21	1,432,158	1,389,159		1,389,159	42,998	21,737
06/30/22	1,428,890	1,385,694		1,385,694	43,196	20,971
06/30/23	1,432,715	1,386,225		1,386,225	46,490	21,655
06/30/24	1,428,721	1,385,225		1,385,225	43,496	19,400

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

12. 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%
06/30/25	1,431,771	1,386,600		1,386,600	45,171	19,322
06/30/26	1,426,728	1,380,350		1,380,350	46,378	19,023
06/30/27	1,428,310	1,384,375		1,384,375	43,935	17,295
06/30/28	1,426,241	1,378,800		1,378,800	47,441	17,947
06/30/29	763,374	716,050		716,050	47,324	17,177
06/30/30	760,495	716,575		716,575	43,920	15,295
06/30/31	760,535	715,750		715,750	44,785	14,972
	<u>\$33,281,630</u>	<u>\$32,116,247</u>	<u>\$ 42,966</u>	<u>\$ 32,073,281</u>	<u>\$ 1,208,349</u>	<u>\$757,615</u>

The reacquisition price exceeded the net carrying value of the old debt by \$1,360,466 on April 20, 2005. This amount was deferred and is being amortized to interest expense over 30 years, which is the remaining life of the debt. The unamortized balance was \$1,170,253 and \$1,215,602 as of June 30, 2009 and 2008 respectively; and, is reported as a deduction from the new debt.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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
2010	\$ 1,300,000	\$ 1,913,637	\$ 3,213,637
2011	1,340,000	1,773,559	3,113,559
2012	5,390,000	1,760,913	7,150,913
2013	1,450,000	1,602,866	3,052,866
2014	1,505,000	1,545,260	3,050,260
2015-2019	8,215,000	6,762,418	14,977,418
2020-2024	9,410,000	4,888,429	14,298,429
2025-2029	9,220,000	2,589,939	11,809,939
2030-2034	5,415,000	713,913	6,128,913
2035-2038	945,000	90,072	1,035,072
	<u>\$ 44,190,000</u>	<u>\$ 23,641,006</u>	<u>\$ 67,831,006</u>

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 \$35,035 and \$35,035 for 2009 and 2008, respectively.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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, 2009, the outstanding balance of the defeased 2000 Series A Bonds was \$9,580,000.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

12. LEASES

A. Operating Leases

The College leases copiers and trailers. Total costs for these operating leases were \$132,540 and \$143,738 for years ended June 30, 2009 and 2008.

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, 2009 and 2008 was \$26,966 and \$44,120, respectively.

The following assets were acquired through capital leases:

	<u>2009</u>	<u>2008</u>
Equipment	\$81,015	\$81,015
Accumulated Depreciation	<u>(60,086)</u>	<u>(43,883)</u>
	<u>\$20,929</u>	<u>\$37,132</u>

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

<u>Year Ended June 30, 2009</u>	<u>Amount</u>
2010	\$ 18,672
2011	9,333
Total Payments	28,005
Less amounts representing interest	<u>(1,039)</u>
Total	<u>\$ 26,966</u>

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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, 2009, 2008 and 2007 were \$704,103, \$618,216 and \$511,236 respectively.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

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 \$1,047,095, \$1,005,742 and \$959,372 for the years ended June 30, 2009, 2008 and 2007 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 \$72,290 and \$139,923 for the year ended June 30, 2009 and 2008 respectively.

E. Post Retirement Benefits

Former College employees who are receiving retirement benefits may participate in the State health care insurance plans. These plans, which provide insurance coverage for medical, dental and hospital costs are funded currently by the payment of premiums to the carriers and, under State policy, are contributory. Substantially all employees become eligible for these benefits when they retire with pension benefits. The cost of retirees' health care benefits is expensed when paid; and totaled \$414,362, \$27,215 and \$618,032 for the years ended June 30, 2009, 2008 and 2007 respectively.

F. 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 is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to retiree and their dependents. 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

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

13. RETIREMENT PLANS (Continued)

F. Other Post Employment Benefits (Continued)

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. The amount of the Colleges' contribution to the OPEB Trust was \$84,347 for the year ended June 30, 2009 and \$0 for the year ended June 30, 2008.

14. 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.

ST. MARY'S COLLEGE OF MARYLAND
Notes to Financial Statements
June 30, 2009 and 2008

15. FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS (Continued)

Functional Classification Year Ended June 30, 2008										
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships & Fellowships	Auxiliary Enterprises	Total
Salaries & wages	\$11,915,840	\$155,590	\$59,264	\$942,004	\$2,882,582	\$6,218,323	\$1,588,558	\$ -	\$ -	\$23,762,161
Benefits	2,883,202	13,743	21,053	257,228	767,278	1,501,242	488,447	-	-	5,932,193
Supplies and others services	2,324,763	73,583	96,528	940,556	914,957	1,696,060	685,170	-	-	6,731,617
Utilities	-	-	-	-	64	(271)	1,489,088	-	-	1,488,881
Scholarships & Grants	4,400	-	-	-	64,371	500	-	1,675,778	-	1,745,049
Auxiliary enterprises	-	-	-	-	-	-	-	-	11,595,864	11,595,864
Other Operating Expenses	1,265,370	16,268	12,593	(67,230)	333,576	558,368	306,394	505	-	2,425,844
Depreciation	-	-	-	-	-	-	2,867,140	-	1,728,809	4,595,949
Total Expenses	\$18,393,575	\$259,184	\$189,438	\$2,072,558	\$4,962,828	\$9,974,223	\$7,424,797	\$1,676,283	\$13,324,672	\$58,277,558

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



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and Maryland Association of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
St. Mary's College of Maryland

We have audited the financial statements of St. Mary's College of Maryland (College) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

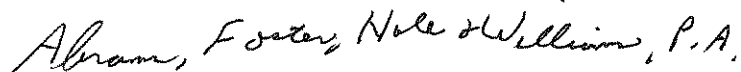
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters that we reported to management in a separate letter dated October 13, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

October 13, 2009