

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**



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**ST. MARY'S COLLEGE OF MARYLAND  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
St. Mary's College of Maryland  
St. Mary's City, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of St. Mary's College of Maryland (the College), a component unit of the state of Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2020, and the respective changes in their financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions for the Pension and Schedule of Contributions for the Other Postemployment Benefits (OPEB) as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Prior-Year Comparative Information***

The financial statements of the College's business-type activities and the discretely presented component unit as of and for the year ended June 30, 2019, were audited by other auditors whose report dated December 12, 2019, expressed unmodified opinions on those statements.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 14, 2020

**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Overview of the Financial Statements and Financial Analysis**

St. Mary's College of Maryland (the College) is pleased to present its financial statements for fiscal years 2020 and 2019, and 2018 prior-year data for comparative purposes. There are three financial statements presented for each fiscal year: the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows.

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

**Statements of Net Position**

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

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

	As of		
	June 30, 2020	June 30, 2019	June 30, 2018
<b>Assets:</b>			
Current Assets	\$ 31,674	\$ 25,877	\$ 27,156
Noncurrent Assets, Net	191,302	181,091	171,789
Total Assets	<u>222,976</u>	<u>206,968</u>	<u>198,945</u>
<b>Deferred Outflow of Resources:</b>			
Deferred Outflows Related to Pensions	4,127	4,539	3,475
Deferred Charge on Refunding	1,618	1,722	1,508
Total Assets and Deferred Outflows	<u>228,721</u>	<u>213,229</u>	<u>203,928</u>
<b>Liabilities:</b>			
Current Liabilities	13,846	8,946	9,908
Noncurrent Liabilities	43,864	41,453	41,142
Total Liabilities	<u>57,710</u>	<u>50,399</u>	<u>51,050</u>
<b>Deferred Inflow of Resources:</b>			
Deferred Inflows Related to Pensions	2,911	1,232	1,943
<b>Net Position:</b>			
Net Investment in Capital Assets	158,576	155,777	146,041
Restricted - Nonexpendable	1,000	1,000	1,000
Restricted - Expendable	108	110	355
Unrestricted	8,416	4,711	3,539
Total Net Position	<u>\$ 168,100</u>	<u>\$ 161,598</u>	<u>\$ 150,935</u>

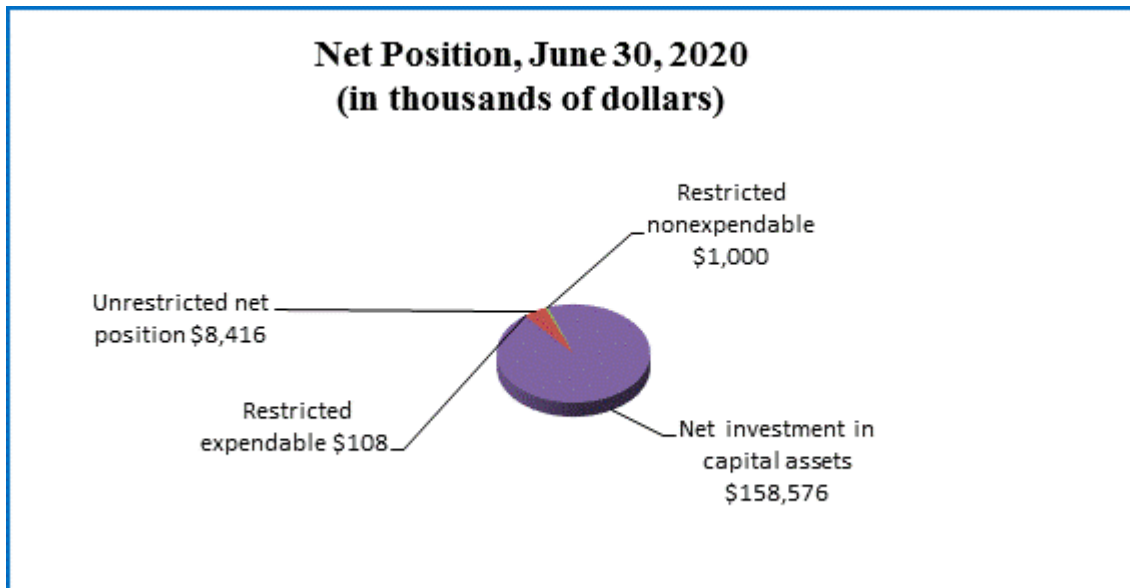
**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Statements of Net Position** (continued)

The total assets and deferred outflows of the College increased by \$15.5 million in 2020 from 2019. This increase was primarily due to an increase of \$5.8 million in current assets and an increase of \$10.2 million in non-current assets and a decrease of \$.5 million in deferred outflows of resources, primarily related to proceeds received from a note issuance and pensions. The total liabilities and deferred inflows for the year increased by \$9 million. This combination of an increase in total assets and deferred outflows of \$15.5 million and an increase in total liabilities and deferred inflows of \$9 million resulted in an increase in total net position of \$6.5 million.

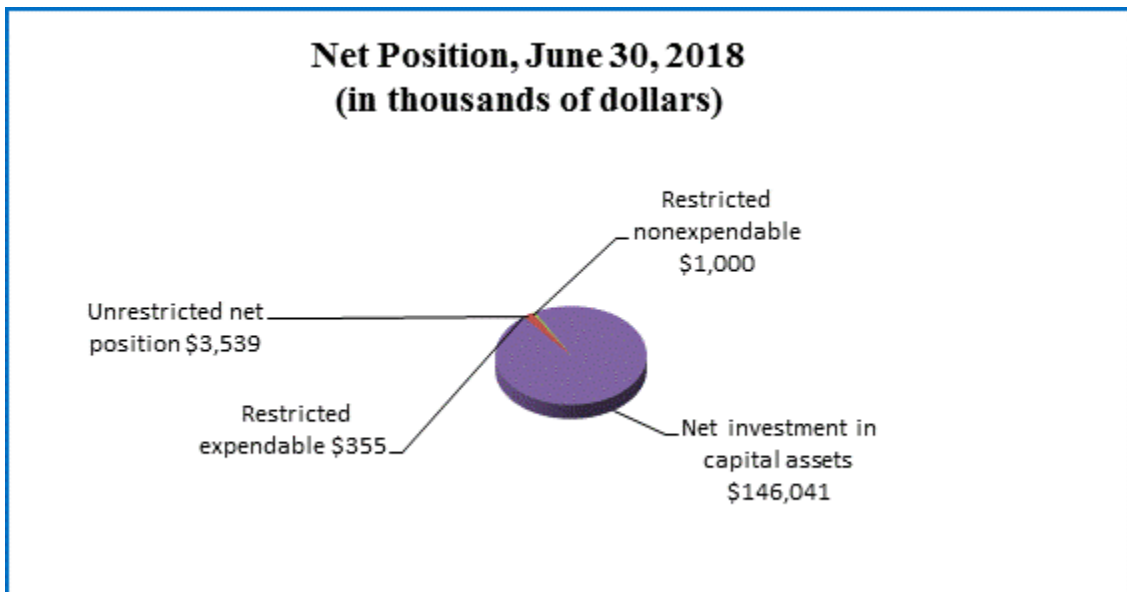
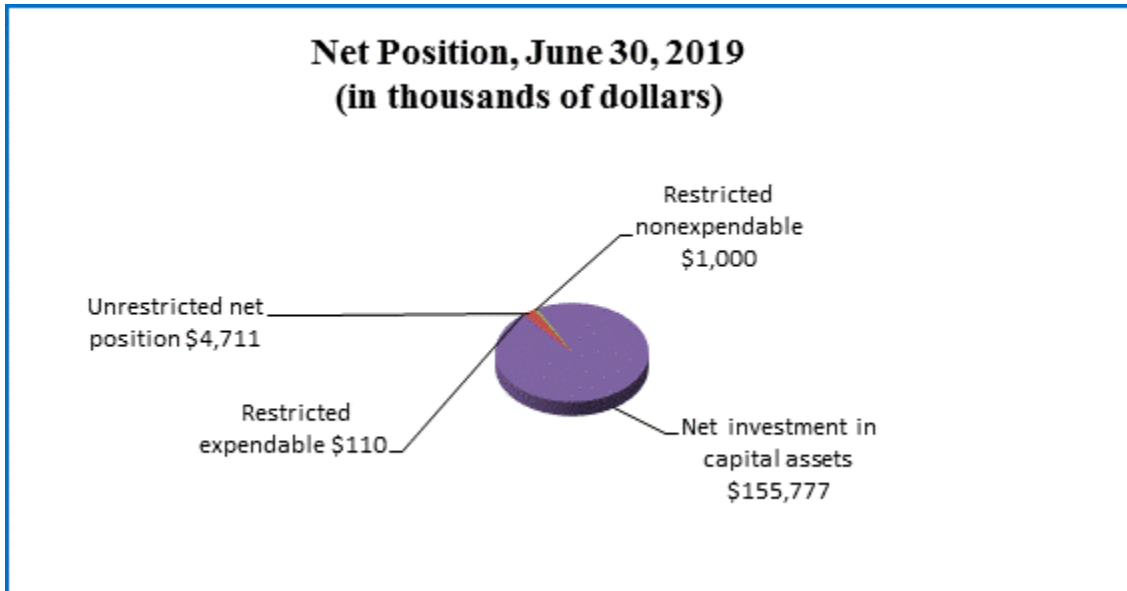
The total assets and deferred outflows of the College increased by \$9.3 million in 2019 from 2018. This increase was primarily due to a decrease of \$1.3 million in current assets and an increase of \$9.3 million in non-current assets and an increase of \$1.3 million in deferred outflow of resources, primarily related to pensions. The total liabilities and deferred inflows for the year decreased by \$1.3 million. This combination of an increase in total assets of \$9.3 million and a decrease in total liabilities of \$1.3 million resulted in an increase in total net position of \$10.6 million.

Net position is divided into three major categories. The first category, net investment in capital assets, includes the College's equity in property, plant and equipment owned by the College. The next category is restricted, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for use by the College but must be spent only for purposes specified by donors. The final category is unrestricted net position, which is available to be expended for any lawful purpose of the College. The following graphs detail net position by category held by the College as of June 30, 2020, 2019 and 2018, respectively.



**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Statements of Net Position (continued)**



**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Statements of Net Position** (continued)

The breakdown of unrestricted net position with comparisons to the last two previous years is shown below:

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

	As of June 30:		
	2020	2019	2018
Encumbrances and Carryovers for General Operating Purposes	\$ 1,884	\$ 2,983	\$ 5,460
Encumbrances for Capital Projects	888	2,444	3,276
Funds Designated for Current Plant Projects	2,362	1,300	(2,538)
Funds Designated for Future Plant Projects	1,318	1,396	1,067
Funds Functioning as Endowments	3,316	3,140	2,898
Unrestricted Funds for General Operating Purposes	12,164	8,812	6,237
Net Pension Liability and Related Deferred Outflows/Inflows	(13,516)	(15,364)	(12,861)
Total Unrestricted Net Position	<u>\$ 8,416</u>	<u>\$ 4,711</u>	<u>\$ 3,539</u>

**Statements of Revenues, Expenses and Changes in Net Position**

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

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



**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

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

	<b>For the Years Ended</b>		
	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Operating Revenues:			
Tuition and fees, less scholarships and waivers	\$ 17,128	\$ 17,843	\$ 17,356
Grants and contracts	794	695	4,332
Sales and services of educational departments	650	1,115	1,335
Auxiliary enterprises	12,629	17,248	17,115
Other operating revenues	94	89	93
Total Operating Revenues	<u>31,295</u>	<u>36,990</u>	<u>40,231</u>
Operating Expenses	<u>67,951</u>	<u>70,738</u>	<u>66,054</u>
Operating loss	<u>(36,656)</u>	<u>(33,748)</u>	<u>(25,823)</u>
Non-operating revenues:			
State appropriations	27,158	25,807	24,827
Other nonoperating revenues (expenses)	6,311	7,005	(999)
Net non-operating revenues	<u>33,469</u>	<u>32,812</u>	<u>23,828</u>
Operating (deficit) surplus	<u>(3,187)</u>	<u>(936)</u>	<u>(1,995)</u>
Capital appropriations	<u>9,689</u>	<u>11,599</u>	<u>4,009</u>
Increase in Net Position	<u>6,502</u>	<u>10,663</u>	<u>2,014</u>
Net position at beginning of year	<u>161,598</u>	<u>150,935</u>	<u>148,921</u>
<b>Net Position at End of Year</b>	<b><u>\$ 168,100</u></b>	<b><u>\$ 161,598</u></b>	<b><u>\$ 150,935</u></b>

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

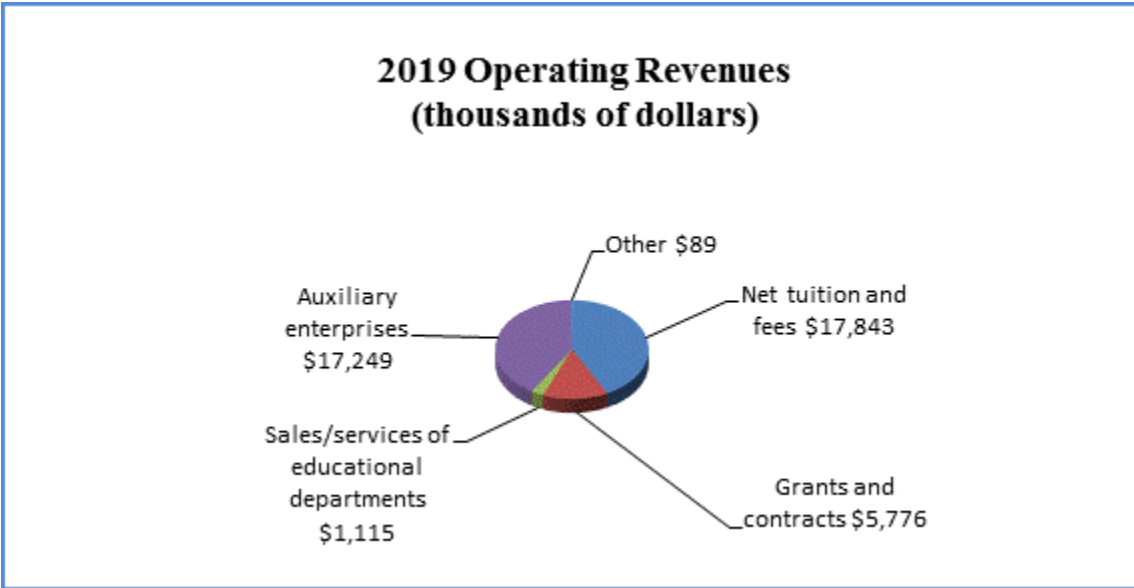
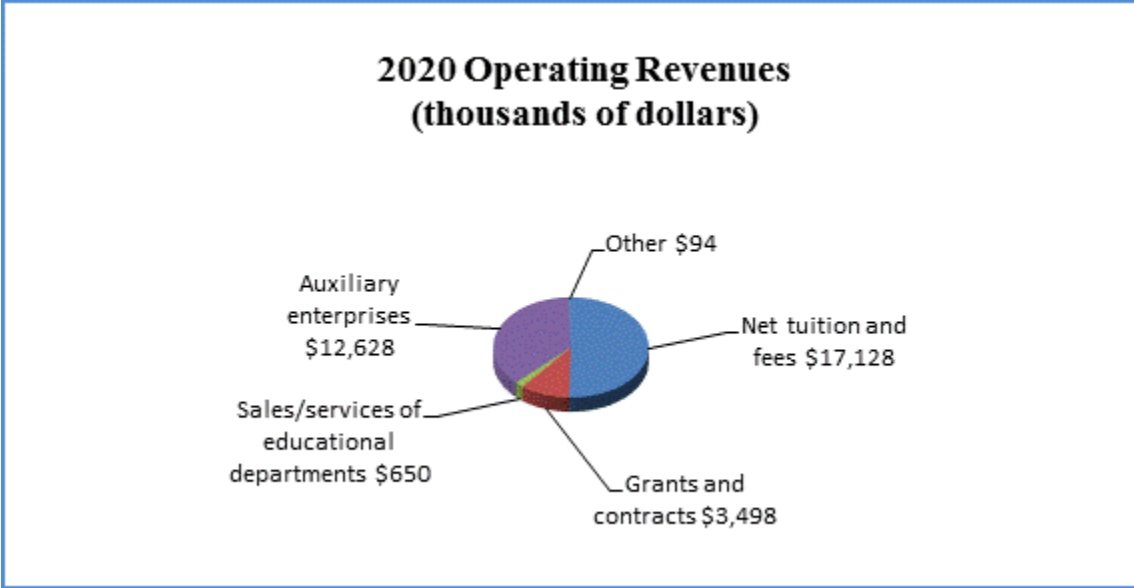
Net position increased by \$6.5 million, or 4%, for 2020. The increase resulted primarily from decreased operating expenses and increased state appropriations. Operating expenses decreased by \$2.8 million. Additionally, \$2.7 million in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments has been included in non-operating revenue in 2020.

Net position increased by \$10.7 million, or 7%, for 2019. The increase resulted primarily from increased state operating and capital appropriations. Operating expenses increased by \$4.7 million. Additionally, \$5.3 million in direct assistance provided by the St. Mary's College of Maryland Foundation to College departments have been included in non-operating revenue in 2019.

**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

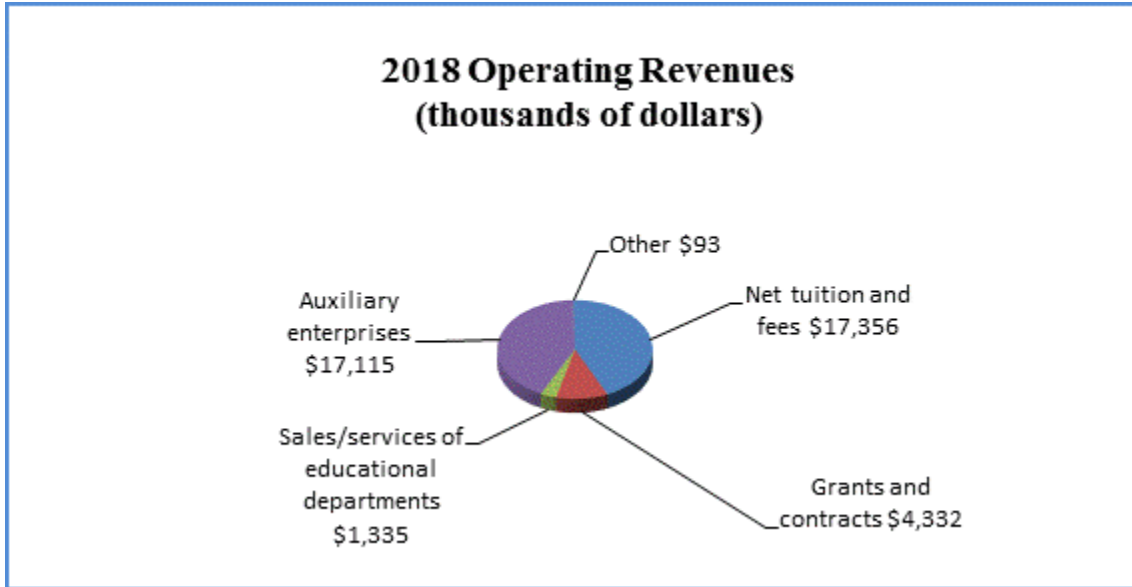
**Operating Revenues**

Total operating revenues for fiscal year 2020, were \$34 million. The graphs below show comparisons of operating revenues for fiscal years 2020, 2019 and 2018:



**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Operating Revenues (continued)**



**Tuition and Fees**

Tuition and fees, less scholarships and waivers, of \$17.1 million, accounted for 48% of total operating revenue and decreased 4% from 2019 to 2020, primarily due to a decrease in the number of students and decreased scholarship discount. Scholarships provided to students with College funds are often referred to as a tuition discount, or simply as discounting.

Tuition and fees, less scholarships and waivers, of \$17.8 million, accounted for 41% of total operating revenue and increased 3% from the 2018 to 2019, primarily due to an increase in the number of students and increased scholarship discounts.

**Grants and Contracts**

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

**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Auxiliary Enterprises**

Auxiliary enterprises consist of various departments that exist primarily to furnish goods or services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting. The College's largest auxiliary enterprises include residence halls, dining services, and the campus store. The operating expenses for auxiliary enterprises include depreciation and utilities. Auxiliary Enterprise revenues for 2020 were impacted by the COVID-19 pandemic. The College like many others across the country largely closed for on campus occupancy in late March. Students were issued approximately \$3.6 million in refunds related to residence hall rents and unused meal plan balances.

**Sales and Services of Educational Activities**

Other operating revenues consist of sales and services of educational activities totaling \$0.65 million and \$1.1 million in 2020 and 2019, respectively. Examples of educational activity include conferences and study abroad fees.

**Operating Expenses**

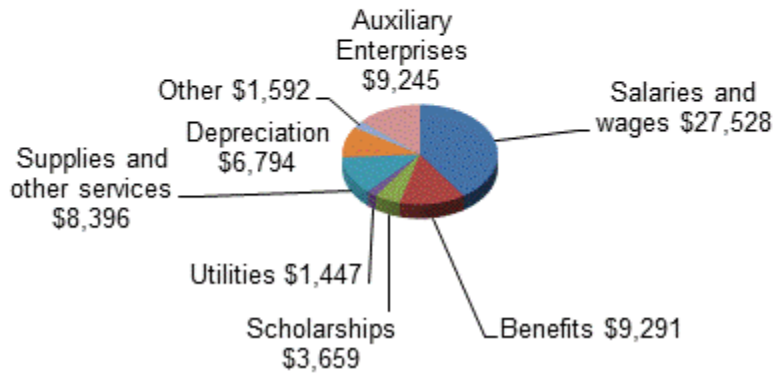
Operating expenses for 2020, totaled \$67.9 million, of which \$19.3 million or 28% was for instruction. Operating expenses include salaries and benefits of \$36.8 million, scholarships and grants of \$3.7 million, non-auxiliary utilities of \$1.4 million, supplies and other services of \$8.4 million, and depreciation of \$6.8 million. Depreciation of capital goods is carried as an accounting item; however, it does not require any cash outlay on behalf of the College. Depreciation does indicate how much of the College's physical plant is being "consumed" each year.

Operating expenses for 2019, totaled \$70.7 million, of which \$20.4 million or 29% was for instruction. Operating expenses include salaries and benefits of \$37.4 million, scholarships and grants of \$2.9 million, non-auxiliary utilities of \$1.6 million, supplies and other services of \$9.2 million, and depreciation of \$6.7 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. The 2018 Series A Bonds were issued on July 28, 2018 to refinance 2005A, 2006A, 2014A and partial refunding of 2012A bonds. The refunding resulted in a decrease of \$0.6 million of interest expense in fiscal year 2019.

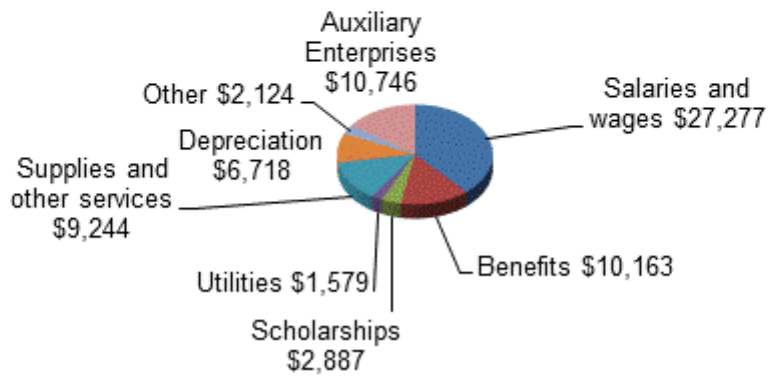
**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Operating Expenses (continued)**

**2020 Operating Expenses by Natural Classification  
(thousands of dollars)**

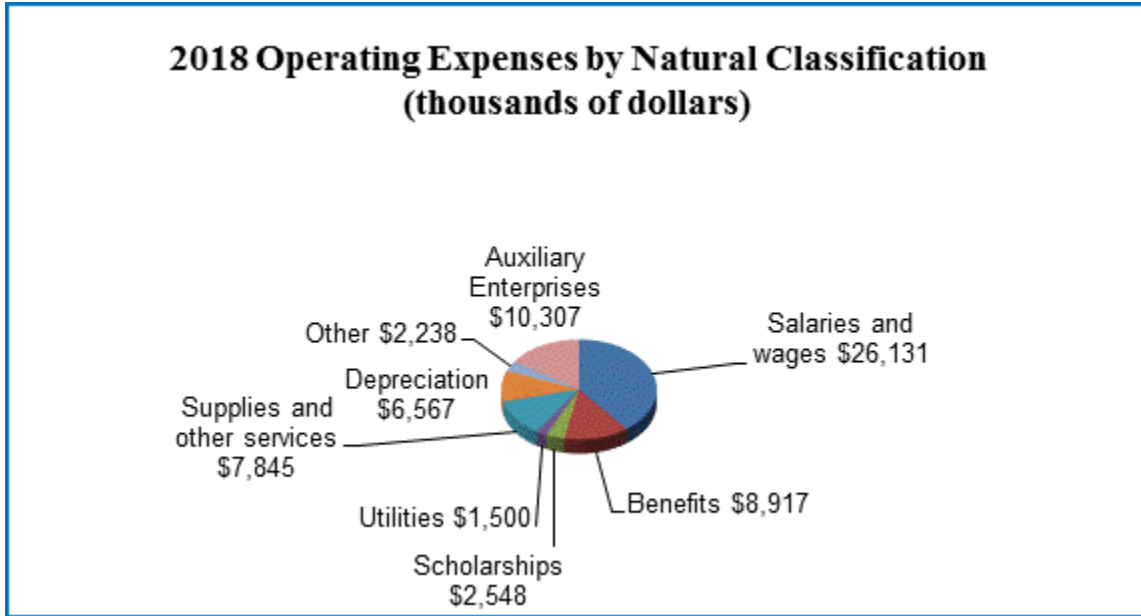


**2019 Operating Expenses by Natural Classification  
(thousands of dollars)**



**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Operating Expenses (continued)**



**State Appropriation**

The largest inflow in the non-capital financing activities group is the State appropriation of \$27.2 million and \$25.8 million in 2020 and 2019, respectively. The legislation governing the provision of State support to St. Mary's College of Maryland, Annotated Code of Maryland 14-405 (b)(2)(ii), requires the Governor of Maryland to submit an appropriation request to the legislature equal to the prior year's budgeted amount plus an amount equal to the implicit price deflator for state and local government. In recent years, the implicit price deflator has provided an increase to the College's appropriation that has ranged between one- and two-point five percent. Additionally, adjustments for health insurance cost changes for State supported positions as well as 50% of COLA related wage changes are provided. The State appropriation provides approximately 40% of the operating budget for the College. The College has received additional state funding from time to time. Such funding was provided in 2017 and 2016 for two strategic IT investment projects to enhance wireless networking on campus and to replace an obsolete Enterprise Resource System.

**Investment Income, Net**

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

**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Statements of Cash Flows**

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

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and Cash Equivalents From:			
Operating Activities	\$ (22,098)	\$ (19,952)	\$ (18,004)
Non-Capital Financing Activities	29,902	25,819	24,843
Capital and Related Financing Activities	(2,918)	(7,857)	(6,604)
Investing Activities	638	750	(473)
Net Change in Cash and Cash Equivalents	<u>5,524</u>	<u>(1,240)</u>	<u>(238)</u>
Cash and Cash Equivalents, Beginning of Year	<u>24,916</u>	<u>26,156</u>	<u>26,735</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,440</u>	<u>\$ 24,916</u>	<u>\$ 26,497</u>

**Campus Enrollment**

Declining demographics with fewer graduating high school students over the past decade and market preferences continue to challenge College enrollment levels over the past few years. The number of graduating high school seniors is expected to increase through 2025. The College is engaged in a variety of proactive initiatives to increase enrollment that include changes in personnel, changes in marketing and recruitment activities, and revising our educational programs to become more attractive to the market.

**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**Capital Assets and Debt Administration**

Capital additions totaled \$16.3 million in fiscal year 2020. Capital additions were primarily comprised of the purchase of equipment and construction in progress. Current year capital additions were funded primarily with State capital appropriations of \$9.7 million, student paid facility fee revenues, and unrestricted net position which are designated for capital purposes. The principal balance of revenue bond and notes payable increased by \$5.0 million, for the year ended June 30, 2020, from issuance of debt.

Capital additions totaled \$15.8 million in fiscal year 2019. Capital additions were primarily comprised of the purchase of equipment and construction in progress. Capital additions were funded primarily with State capital appropriations of \$11.6 million, student paid facility fee revenues, and unrestricted net position which are designated for capital purposes. The principal balance of revenue bond and notes payable declined by \$2.3 million, for the year ended June 30, 2019.

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 on-going COVID-19 pandemic can be expected to continue impacting the college's operations, minimally for the Spring 2021 semester, but possibly longer. Over the past summer the college engaged in numerous planning activities and expended funds to mitigate the impact of COVID-19 and safely reopen the campus for residential Fall instruction. The Fall semester start date was moved up by two weeks, residential dorm move-in was staggered over several weeks, and students were given the option to participate in instruction via a hybrid model, combining some in class instruction with additional on-line (remote) participation. The on-campus residence period ended early at the Thanksgiving break with examinations occurring on-line after the holiday. For the Spring semester we intend to again offer a synchronous instructional methodology, giving the faculty and students the option of in class instruction or remote status.

The level of state support, employee and retiree benefits, student tuition and fee increases, enrollment trends and unstable energy costs impact the College's ability to expand programs, undertake new initiatives, and meet its ongoing operational needs. Enrollment and recruiting new students is increasingly competitive in our market segment. The number of students admitted for Fall 2020 is higher than Fall 2019 reflecting increased success in recruitment efforts.

A crucial element to the College's future will continue to be our relationship with the State of Maryland, as we work to manage tuition to make it competitive while providing an outstanding honors college education for our students.

There is also a direct relationship between the growth of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. The Maryland State appropriation contributed \$27.2 million in 2020 in non-operating revenues. The level of support is therefore one of the key factors influencing the College's financial condition. During the 2018 Legislative session, the College was able to reset its funding formula to include funds for health insurance costs and 50% of cost of living adjustments (COLA) for state supported employees through the passage of House Bill 556. House Bill 556 also expresses legislative intent to provide funds to the College to moderate undergraduate resident tuition increases if the State provides such funds to other public four-year institutions.



**ST. MARY'S COLLEGE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

During fiscal year 2016, we received a onetime deficiency appropriation in the amount of \$1.6 million as part of a \$3.8 million technology initiative to address critical needs in the areas of WI-FI access and the replacement of a fourteen-year old Enterprise Resource System. The State provided an additional \$1.1 million in 2017 to match \$1.1 million of College funds. The WIFI piece of this initiative is complete, the ERP vendor selection was approved by the Board of Public Works (BPW) on October 31, 2018. Campus Management is the vendor and implementation of the project is expected to take approximately 2 years starting in January of 2019.

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

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 23,778,572	\$ 24,915,836
Restricted Cash and Cash Equivalents	6,661,697	-
Accounts Receivable, Net	893,097	578,626
Inventories	313,993	323,637
Prepaid Expenses and Other Assets	26,610	58,881
Total Current Assets	31,673,969	25,876,980
<b>NONCURRENT ASSETS</b>		
Endowment Investments	4,082,807	3,757,265
Other Restricted Investments	1,595	105,609
Other Investments		
Notes Receivable, Net	115,227	138,677
Capital Assets, Net	187,102,395	177,089,041
Total Noncurrent Assets	191,302,024	181,090,592
Total Assets	222,975,993	206,967,572
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred Charge on Refunding	1,617,704	1,721,651
Deferred Outflows Related to Pensions	4,127,211	4,539,934
Total Assets and Deferred Outflow of Resources	228,720,908	213,229,157
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	8,846,518	5,279,417
Accrued Vacation	1,190,194	989,155
Accrued Workers' Compensation, Current Portion	72,300	97,950
Bonds and Notes Payable, Current	2,298,196	1,712,844
Capital Lease, Current	58,254	64,299
Unearned Revenue	1,381,059	802,692
Total Current Liabilities	13,846,521	8,946,357
<b>NONCURRENT LIABILITIES</b>		
Bonds and Notes Payable	29,675,158	25,311,657
Accrued Workers' Compensation	409,700	555,050
Capital Lease	220,077	179,247
Federal Perkins Funds	42,758	42,758
Net Pension Liability	13,515,853	15,363,945
Total Noncurrent Liabilities	43,863,546	41,452,657
Total Liabilities	57,710,067	50,399,014
<b>DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS</b>		
	2,910,579	1,232,367
Total Liabilities and Deferred Inflows	60,620,646	51,631,381
<b>NET POSITION</b>		
Net Investment in Capital Assets	158,576,421	155,776,972
Restricted Nonexpendable:		
Scholarships and Fellowships	1,000,117	1,000,117
Restricted Expendable:		
Loans	87,922	88,860
Scholarships and Fellowships	19,894	19,894
Unrestricted	8,415,908	4,711,933
Total Net Position	\$ 168,100,262	\$ 161,597,776

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND  
STATEMENTS OF FINANCIAL POSITION  
ST. MARY'S FOUNDATION – COMPONENT UNIT  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 1,737,973	\$ 1,329,159
Investments	37,750,597	37,800,393
Investments - Gift Annuity	998,782	1,016,596
Accrued Interest Receivable	56,308	11,223
Other Assets	447,224	179,058
Promises to Give, Net	1,061,598	1,210,896
Property and Equipment, Net	1,201	1,201
Total Assets	\$ 42,053,683	\$ 41,548,526
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 48,784	\$ 37,758
Deferred Revenue	-	7,500
Gift Annuity	698,886	696,548
Total Liabilities	747,670	741,806
<b>NET ASSETS</b>		
Without Donor Restriction	1,898,992	1,754,304
With Donor Restriction	39,407,021	39,052,416
Total Net Assets	41,306,013	40,806,720
Total Liabilities and Net Assets	\$ 42,053,683	\$ 41,548,526

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>REVENUE</b>		
Student Tuition and Fees (Less Scholarships and Waivers of: \$6,788,646 in 2020 and \$7,141,690 in 2019)	\$ 17,127,996	\$ 17,842,544
Grants and Contracts:		
Federal	338,390	397,405
State	193,910	155,291
Other	262,822	142,327
Sales and Services	649,961	1,114,603
Auxiliary Enterprises:		
Residence Facilities, Net of Waivers of \$119,444 and \$116,890	6,255,081	10,301,603
Dining Services, Net of Waivers of \$40,208 and \$42,245	5,428,688	5,736,477
Bookstore	926,795	1,193,799
Other Auxiliary Enterprises Revenue	17,355	17,056
Other Operating Revenues	94,397	88,620
Total Operating Revenues	31,295,395	36,989,725
<b>EXPENSES</b>		
Instruction	19,336,767	20,378,924
Research	370,612	376,476
Public Service	67,078	100,112
Academic Support	2,087,834	2,258,020
Student Services	8,253,242	8,038,447
Institutional Support	14,315,216	14,739,279
Operations of Plant	8,571,942	9,206,833
Scholarships and Fellowships	3,527,814	2,713,811
Auxiliary Enterprises	11,421,283	12,926,240
Total Operating Expenses	67,951,788	70,738,142
<b>OPERATING LOSS</b>	(36,656,393)	(33,748,417)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	27,157,749	25,806,957
Gifts and Grants	2,724,144	5,093,486
Pell and Cares Act Grant	3,504,125	1,592,296
Investment Gains and Losses	457,388	356,218
Interest Income	409,415	599,187
Interest on Indebtedness	(783,343)	(636,369)
Net Nonoperating Revenues	33,469,478	32,811,775
<b>LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	(3,186,915)	(936,642)
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>		
Capital State Appropriation	9,689,401	11,599,214
Total Other Revenues	9,689,401	11,599,214
<b>INCREASE IN NET ASSETS</b>	6,502,486	10,662,572
Net Position - Beginning of Year	161,597,776	150,935,204
<b>NET POSITION - END OF YEAR</b>	\$ 168,100,262	\$ 161,597,776

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND  
STATEMENT OF ACTIVITIES  
ST. MARY'S FOUNDATION – COMPONENT UNIT  
YEAR ENDED JUNE 30, 2020**

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 245,386	\$ 2,861,821	\$ 3,107,207
Donated Services	1,564,704	-	1,564,704
Event Revenue	85,685	-	85,685
Investment Income, Net	246,622	527,372	773,994
Other Revenue	-	10,391	10,391
Net Assets Released from Restrictions	3,044,979	(3,044,979)	-
Total Support and Revenue	<u>5,187,376</u>	<u>354,605</u>	<u>5,541,981</u>
<b>EXPENSES</b>			
Program Services:			
Scholarships	964,475	-	964,475
Academic Chair	220,197	-	220,197
Alumni Activities	70,270	-	70,270
College Department/Division Support	1,426,895	-	1,426,895
Center for Study of Democracy	75,495	-	75,495
Total Program Services	<u>2,757,332</u>	<u>-</u>	<u>2,757,332</u>
Supporting Services:			
Management and General	1,265,591	-	1,265,591
Fundraising	1,019,765	-	1,019,765
Total Supporting Services	<u>2,285,356</u>	<u>-</u>	<u>2,285,356</u>
Total Expenses	<u>5,042,688</u>	<u>-</u>	<u>5,042,688</u>
<b>CHANGE IN NET ASSETS</b>	144,688	354,605	499,293
Net Assets - Beginning of Year	<u>1,754,304</u>	<u>39,052,416</u>	<u>40,806,720</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,898,992</u>	<u>\$ 39,407,021</u>	<u>\$ 41,306,013</u>

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND  
STATEMENT OF ACTIVITIES  
ST. MARY'S FOUNDATION – COMPONENT UNIT  
YEAR ENDED JUNE 30, 2019**

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 282,331	\$ 1,866,235	\$ 2,148,566
Donated Services	1,412,341	-	1,412,341
Event Revenue	167,383	-	167,383
Investment Income (Loss), Net	244,617	1,511,771	1,756,388
Other Revenue	-	38,949	38,949
Net Assets Released from Restrictions	5,392,097	(5,392,097)	-
Total Support and Revenue	<u>7,498,769</u>	<u>(1,975,142)</u>	<u>5,523,627</u>
<b>EXPENSES</b>			
Program Services:			
Scholarships	831,031	-	831,031
Academic Chair	234,704	-	234,704
Alumni Activities	125,353	-	125,353
College Department/Division Support	3,882,918	-	3,882,918
Center for Study of Democracy	23,065	-	23,065
Total Program Services	<u>5,097,071</u>	<u>-</u>	<u>5,097,071</u>
Supporting Services:			
Management and General	1,101,251	-	1,101,251
Fundraising	936,838	-	936,838
Total Supporting Services	<u>2,038,089</u>	<u>-</u>	<u>2,038,089</u>
Total Expenses	<u>7,135,160</u>	<u>-</u>	<u>7,135,160</u>
<b>CHANGE IN NET ASSETS</b>	363,609	(1,975,142)	(1,611,533)
Net Assets - Beginning of Year	<u>1,390,695</u>	<u>41,027,558</u>	<u>42,418,253</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,754,304</u>	<u>\$ 39,052,416</u>	<u>\$ 40,806,720</u>

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees (Net of All Scholarships and Grants)	\$ 13,154,094	\$ 15,053,275
Grants and Contracts	795,122	695,023
Salaries and Benefits	(36,657,061)	(36,331,448)
Payments to Suppliers	(7,602,535)	(13,549,836)
Collection of Student Loans	23,657	23,552
Sales - Auxiliary Enterprises	14,072,617	17,248,935
Expenses - Auxiliary Enterprises	(9,245,597)	(10,745,732)
Other Receipts	659,047	980,596
Net Cash Used by Operating Activities	(24,800,656)	(26,625,635)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	27,157,749	25,806,957
Noncapital Gifts and Grants	5,447,249	6,685,782
Net Cash Provided by Noncapital Financing Activities	32,604,998	32,492,739
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital State Appropriation	9,689,401	11,599,214
Purchases of Capital Assets	(16,801,382)	(15,864,043)
Proceeds from Debt Issuance	6,661,697	19,489,320
Principal Paid on Long-Term Debt	(1,683,947)	(22,444,750)
Interest Paid on Long-Term Debt	(783,343)	(636,369)
Net Cash Used by Capital and Related Financing Activities	(2,917,574)	(7,856,628)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	401,804	606,987
Purchases of Investments	(325,541)	-
Proceeds from Sales of Investments	561,402	142,525
Net Cash Provided by Investing Activities	637,665	749,512
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	5,524,433	(1,240,012)
Cash and Cash Equivalents - Beginning of Year	24,915,836	26,155,848
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 30,440,269	\$ 24,915,836
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Expense Paid During the Year	\$ 783,343	\$ 636,369
Assets Purchased with Capital Lease	\$ 99,084	\$ -
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 23,778,572	\$ 24,915,836
Restricted Cash and Cash Equivalents	6,661,697	-
Total Cash and Cash Equivalents	\$ 30,440,269	\$ 24,915,836

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (36,656,393)	\$ (33,748,417)
Adjustments to Reconcile Operating Loss to		
Net Cash Used by Operating Activities:		
Noncash Expenses:		
Depreciation	6,793,915	6,718,300
Effect of Changes of Noncash Operating Assets and Liabilities:		
Receivables, Net	(314,471)	97,779
Notes Receivable, Net	23,450	23,105
Inventories	9,645	(18,383)
Prepaid Expenses and Other Assets	32,271	(40,514)
Accounts Payable and Accrued Expenses	3,507,658	(221,311)
Accrued Vacation	201,039	58,410
Unearned Revenue	1,359,387	(222,627)
Net Pension Liability and Related Deferred Inflows/Outflows	242,843	728,023
Net Cash Used by Operating Activities	\$ (24,800,656)	\$ (26,625,635)

See accompanying Notes to Financial Statements.



**ST. MARY'S COLLEGE OF MARYLAND  
STATEMENTS OF CASH FLOWS  
ST. MARY'S FOUNDATION – COMPONENT UNIT  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 499,293	\$ (1,611,533)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Contributions Received for Endowment	(561,000)	(755,059)
Realized and Unrealized (Gains) Losses on Investments	(209,847)	(1,223,316)
Discounts and Allowance on Promises to Give	9,575	(3,972)
Bad Debt Expense	6,000	15,862
Effect of Changes in Noncash Operations, Assets, and Liabilities		
Receivables, Net	(45,085)	(6,469)
Promises to Give	133,723	222,115
Other Assets	(268,166)	(37,290)
Accounts Payable and Accrued Expenses	11,026	(194,234)
Deferred Revenue	(7,500)	7,500
Gift Annuity	2,338	(1,605)
Net Cash Used by Operating Activities	(429,643)	(3,588,001)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(21,368,838)	(9,834,046)
Proceeds from Sale of Investments	21,672,898	10,321,706
Net Cash Provided by Investing Activities	304,060	487,660
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Received for Endowment	561,000	755,059
Contributions Subject to Annuity Agreements	50,000	60,000
Payments on Annuity Contracts	(76,603)	(74,484)
Net Cash Provided by Financing Activities	534,397	740,575
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	408,814	(2,359,766)
Cash and Cash Equivalents - Beginning of Year	1,329,159	3,688,925
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,737,973	\$ 1,329,159
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Donated Securities	\$ 19,900	\$ 18,800

See accompanying Notes to Financial Statements.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND PURPOSE**

**Organization**

St. Mary's College of Maryland (the College) is an undergraduate liberal arts institution located in St. Mary's City in southern Maryland. The College was authorized in 1964 by the State Legislature as a four-year liberal arts college. The campus has been an educational site since 1840. The College is governed by its Board of Trustees (Board), a 26 member board, which consists of 23 voting trustees who are appointed by the Governor of Maryland, a student trustee, and two ex-officio. The College is considered a component unit of the state of Maryland for financial reporting purposes and is included in the financial statements of the state of Maryland.

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

**Discretely Presented Component Unit of the College**

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

During the years ended June 30, 2020 and 2019, the Foundation distributed \$2,707,196 and \$5,301,135, 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, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Measurement Focus and Basis of Accounting**

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

**Current and Noncurrent**

Current assets are defined as cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with the normal business operation. They can consist of cash, inventories, accounts receivable, notes receivable, marketable securities, and prepaid expenses which meet the conditions stated above. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Other assets and liabilities which extend past the one year period are classified as noncurrent.

**Cash Equivalents**

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

**Investments**

Investments are stated at fair value, which is determined using selected bases, in accordance with the fair value hierarchy. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

**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.

**Notes Receivable**

Notes receivable consist of notes initiated through the Federal Perkins loan program. Based on the criteria of the Perkins loan program, individuals are not required to initiate their repayments until leaving the College. The Federal Perkins loan program has ended, and no new loans are being initiated.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

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

**Capital Assets**

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

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

**Deferred Outflows/Inflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The College recognizes deferred outflows and inflows for changes in actuarial assumptions that are being amortized over a five-year period, the difference between projected and actual experience and earnings on pension plan investments, proportionate share of contributions, and contributions made subsequent to the measurement date related to pensions. The college also recognizes deferred outflows related to deferred amounts on bond refundings.

**Unearned Revenue**

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net position, and as a component of expense in the statement of revenues, expenses, and changes in net position. 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, as such all costs were considered current liabilities.

**Income Taxes**

The College as a political subdivision of the state of Maryland, is exempt from federal income taxes under Section 1 of the Internal Revenue Code (IRC), as amended.

**Pensions**

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

**Net Position**

The College's net position is classified as follows:

*Net Investment in Capital Assets:* This represents the College's net investment in capital assets net of accumulated depreciation and outstanding debt obligations related to those capital assets.

*Restricted Net Position – expendable:* Restricted expendable net position represents resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition and Classification of Revenues and Expenses**

Revenue is recognized when earned, and on an accrual basis with the establishment of corresponding accounts receivable. Tuition receivables are uncollateralized obligations of students resulting from course registration. The allowance method for accounts receivable is used to measure bad debts, which include account charge-offs. The allowance for doubtful accounts is determined based upon aging analysis and management's estimation of collectability of such accounts.

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

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

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

**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 position. 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.

**Basis of Presentation – Foundation**

The financial statement presentation for the Foundation follows generally accepted accounting principles for non-profit organizations. Complete financial statements of the Foundation may be requested from Jackie Wright, Development Office – Calvert Hall Room 102, St. Mary's College of Maryland, 18952 E. Fisher Road, St. Mary's City, MD. 20686.

**Unconditional Promises to Give – Foundation**

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets – Foundation**

The Foundation's net assets are classified as follows:

Contributions received are recorded as net assets with or without donor restrictions, 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 support with donor restrictions.

**Income Taxes – Foundation**

The Foundation is exempt from income taxes, except for taxes on unrelated business income, under Section 501(c)(3) of the IRC and related state statutes. The Foundation did not have any unrelated business income for the years ended June 30, 2020 and 2019.

**Revenue and Revenue Recognition – Foundation**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-Kind Contributions – Foundation**

Volunteers contribute significant amounts of time to Foundation program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. The University has allowed the Foundation to utilize office space on its campus. The utilities, water, and the space provided at no cost to the Foundation are not deemed significant. There are no amounts for utilities, water and the space reflected in the financial statements. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received.

**Reclassification**

Certain amounts have been reclassified from the 2019 presentation to agree to the 2020 presentation.

**ST. MARY'S COLLEGE OF MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 CASH AND CASH EQUIVALENTS**

As of June 30, 2020 and 2019, cash and cash equivalents consisted of the following:

	<u>2020</u>	<u>2019</u>
Deposits in State of Maryland Cash Pool	\$ 22,864,753	\$ 24,285,554
Petty Cash	2,700	2,700
Cash Deposits	<u>7,572,816</u>	<u>627,582</u>
Total Cash and Cash Equivalents	<u>\$ 30,440,269</u>	<u>\$ 24,915,836</u>

**Deposits in State of Maryland Cash Pool**

As of June 30, 2020 and 2019, the College had cash on deposit in an internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$22,864,753 and \$24,915,836, 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.

**Cash Deposits**

As of June 30, 2020 and 2019, the College has cash on deposit with other local banks in the amount of \$7,827,885 and \$626,331, respectively. The College has statutory responsibility for the management of these funds. As of June 30, 2020, \$7,757,875 of the College's cash deposits was exposed to custodial risk as they were uncollateralized. \$6,661,697 of the cash deposits were proceeds from the note issued under the Paycheck Protection Program (PPP).

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by pledging financial institutions' trust department or agent but not in the College's name.

The College does not have a formal deposit policy for custodial credit risk, but follows the State Treasurer's policy which states that the State Treasurer may deposit in a financial institution in the state, any unexpended or surplus money in which the State Treasurer has custody.



**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 INVESTMENTS**

Endowment and other investments held by the College as of June 30, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 155,161	\$ 445,258
Debt Securities:		
U.S. Treasury	506,114	677,922
U.S. Agencies	173,454	176,277
Mortgage-Backed Securities	190,401	152,121
Corporate Bonds	1,626,534	1,405,951
Total Debt Securities	<u>2,496,503</u>	<u>2,412,271</u>
Equity Securities:		
Other	1,432,738	1,005,345
Total	<u>\$ 4,084,402</u>	<u>\$ 3,862,874</u>
Endowment Investments	\$ 4,082,807	\$ 3,757,265
Restricted Investments	1,595	105,609
Total	<u>\$ 4,084,402</u>	<u>\$ 3,862,874</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. Unexpended bond funds are invested in short-term S&P AAA rated, Wells Fargo Advantage Government Money Market Fund, Fannie Mae Guaranteed Securities, Notes and Federal Home Loan Bank Notes.

The College categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 INVESTMENTS (CONTINUED)**

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses, and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

The College had the following recurring fair value measurements as of June 30:

As of 2020				
	Level 1	Level 2	Level 3	Total
U.S. Treasury	\$ -	\$ 506,114	\$ -	\$ 506,114
U.S. Agencies	-	173,454	-	173,454
Mortgage-Backed Securities	-	190,401	-	190,401
Corporate Bonds	1,626,534	-	-	1,626,534
Equity Securities	1,432,738	-	-	1,432,738
Total	<u>\$ 3,059,272</u>	<u>\$ 869,969</u>	<u>\$ -</u>	<u>\$ 3,929,241</u>

As of 2019				
	Level 1	Level 2	Level 3	Total
U.S. Treasury	\$ -	\$ 677,922	\$ -	\$ 677,922
U.S. Agencies	-	176,277	-	176,277
Mortgage-Backed Securities	-	152,121	-	152,121
Corporate Bonds	1,405,951	-	-	1,405,951
Equity Securities	1,005,345	-	-	1,005,345
Total	<u>\$ 2,411,296</u>	<u>\$ 1,006,320</u>	<u>\$ -</u>	<u>\$ 3,417,616</u>

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

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

As of June 30, 2020 and 2019, the College had the following ratings and maturities of underlying fixed income investments:

As of June 30, 2020							
Investment Type	Ratings (S and P)	Total	Investment Maturities (in Years)				
			<1	1 to 5	6 to 10	11 to 15	>15
U.S. Government Securities	AAA	\$ 506,114	\$ 5,128	\$ 257,575	\$ 70,998	\$ -	\$ 172,413
U.S. Agency and Other Asset-Backed Securities	AAA	173,454	38	7,259	63,486	26,069	76,602
U.S. Agency and Other Asset-Backed Securities	AA+	190,401	-	131,022	43,747	-	15,632
U.S. Agency and Other Asset-Backed Securities	AAA	45,554	-	-	-	-	45,554
Corporate Bonds	AA-	40,119	40,119	-	-	-	-
Corporate Bonds	AA+	-	-	-	-	-	-
Corporate Bonds	A+	150,506	30,025	51,750	27,790	-	40,941
Corporate Bonds	A	246,243	-	53,738	136,096	23,603	32,806
Corporate Bonds	A-	416,779	75,730	161,900	139,283	39,866	-
Corporate Bonds	BBB+	382,323	-	-	206,879	37,370	138,074
Corporate Bonds	BBB	345,010	25,302	149,174	125,758	13,711	31,065
Corporate Equity		1,431,760	1,431,760	-	-	-	-
Corporate Equity		978	-	-	-	-	978
<b>Total</b>		<b>\$ 3,929,239</b>	<b>\$ 1,608,102</b>	<b>\$ 812,418</b>	<b>\$ 814,037</b>	<b>\$ 140,619</b>	<b>\$ 554,065</b>

As of June 30, 2019							
Investment Type	Ratings (S and P)	Fair Value	Investment Maturities (in Years)				
			<1	1 to 5	6 to 10	11 to 15	>15
U.S. Government Securities	AAA	\$ 677,922	\$ 70,657	\$ 393,356	\$ 68,048	\$ -	\$ 145,861
U.S. Agency and Other Asset-Backed Securities	AAA	152,121	-	23,525	1,275	33,099	94,222
U.S. Agency and Other Asset-Backed Securities	AA+	176,277	-	107,985	54,334	-	13,958
U.S. Agency and Other Asset-Backed Securities	AAA	98,890	-	-	58,755	-	40,135
Corporate Bonds	AA-	110,077	70,194	39,883	-	-	-
Corporate Bonds	AA+	-	-	-	-	-	-
Corporate Bonds	A+	56,905	-	25,774	31,131	-	-
Corporate Bonds	A	247,755	-	129,356	68,427	21,832	28,140
Corporate Bonds	A-	374,875	59,959	265,391	33,307	16,218	-
Corporate Bonds	BBB+	240,286	-	-	100,196	33,797	106,293
Corporate Bonds	BBB	276,803	-	177,345	60,458	12,921	26,079
Corporate Equity		1,004,367	1,004,367	-	-	-	-
Corporate Equity		978	-	-	-	-	978
<b>Total</b>		<b>\$ 3,417,256</b>	<b>\$ 1,205,177</b>	<b>\$ 1,162,615</b>	<b>\$ 475,931</b>	<b>\$ 117,867</b>	<b>\$ 455,666</b>

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy implies that the investments in the debt securities of any one company may not exceed 10% of the portfolio. As of June 30, 2020, and 2019, there were no investments in excess of 5%.

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

*Foreign currency risk* is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The College was not exposed to Foreign Currency risk as of June 30, 2020 and 2019 as the College did not have any investments denominated in foreign currencies.

The Foundation's investments consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Equities	\$ 17,572,875	\$ 15,970,591
Fixed Income	12,797,777	11,544,334
Cash Equivalents	940,183	1,227,399
Interest in Trust	1,440,088	1,514,236
Alternative Investment	5,998,456	8,560,429
Total Investments	\$ 38,749,379	\$ 38,816,989

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 \$1,440,088 and \$1,514,236 as of June 30, 2020 and 2019, respectively. The Foundation received a distribution of \$70,000 from the Trust for each of the years ended June 30, 2020 and 2019, respectively.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

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

As of 2020				
	Level 1	Level 2	Level 3	Total
Equities	\$ 17,572,875	\$ -	\$ -	\$ 17,572,875
Cash and Money Market Funds	940,183	-	-	940,183
Fixed Income Securities:				
U.S. Corporate Bonds	12,415,530	-	-	12,415,530
Fixed Income	382,247	-	-	382,247
Total Fixed Income Securities	<u>12,797,777</u>	-	-	<u>12,797,777</u>
Alternative Instruments:				
Hedge Funds	74,578	-	-	74,578
Real Estate	19,172	-	-	19,172
Hard Assets	1,206,415	-	-	1,206,415
Total Alternative Instruments	<u>1,300,165</u>	-	-	<u>1,300,165</u>
Interest Held in Perpetual Trust	-	-	1,440,088	1,440,088
Total Assets	<u>\$ 32,611,000</u>	<u>\$ -</u>	<u>\$ 1,440,088</u>	<u>\$ 34,051,088</u>
Investments Measured at Fair Value Using Net Asset Value per Share				<u>4,698,291</u>
Total Investments				<u>\$ 38,749,379</u>
Gift Annuity Liability				<u>\$ 698,886</u>
As of 2019				
	Level 1	Level 2	Level 3	Total
Equities	\$ 15,970,591	\$ -	\$ -	\$ 15,970,591
Cash and Money Market Funds	1,227,399	-	-	1,227,399
Fixed Income Securities:				
U.S. Corporate Bonds	11,188,384	-	-	11,188,384
Global Corporate Bonds	52,086	-	-	52,086
Foreign Exchange and Non-USD Fixed Income	303,864	-	-	303,864
Total Fixed Income Securities	<u>11,544,334</u>	-	-	<u>11,544,334</u>
Alternative Instruments:				
Hedge Funds	122,841	-	-	122,841
Real Estate	1,612,071	-	-	1,612,071
Hard Assets	658,436	-	-	658,436
Total Alternative Instruments	<u>2,393,348</u>	-	-	<u>2,393,348</u>
Interest Held in Perpetual Trust	-	-	1,514,236	1,514,236
Total Assets	<u>\$ 31,135,672</u>	<u>\$ -</u>	<u>\$ 1,514,236</u>	<u>\$ 32,649,908</u>
Investments Measured at Fair Value Using Net Asset Value per Share				<u>6,167,081</u>
Total Investments				<u>\$ 38,816,989</u>
Gift Annuity Liability				<u>\$ 696,548</u>

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 INVESTMENTS (CONTINUED)**

The following table provides a summary of changes in fair value of the Foundation's level 3 financial liabilities for the years ended June 30:

	2020	2019
Beginning Balance	\$ 696,548	\$ 698,153
Additions to Gift Annuity Liabilities	24,741	30,789
Reduction to Gift Annuity Liabilities	-	(5,217)
Change in Value of Gift Annuity Liabilities	(22,403)	(27,177)
Ending Balance	<u>\$ 698,886</u>	<u>\$ 696,548</u>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) for the years ended June 30 are as follows:

	Net Asset Value 2020	Net Asset Value 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Bridgewater Private Investors Offshore Ltd.	\$ -	\$ 294,565	N/A	Quarterly	45 Days Due by Last Day of a Fiscal Month
Coatue Offshore Fund, Ltd., Class B	16,525	547,315	N/A	Monthly	
Eton Park Overseas Fund, Ltd., Class E	364	514	N/A	Quarterly	65 Days
Grosvenor Alternative Investments	1,630,593	-	N/A	Quarterly	70 Days
Lakewood Capital Offshore Fund	-	284,371	N/A	Quarterly	60 Days
Ridge Select: Private Investors Offshore, Ltd. Class A	-	277,085	N/A	Monthly	75 Days
Rose Grove Offshore Fund 1, LTD	-	371,175	N/A	Quarterly	45 Days
The Winton Fund Limited Tranche B	-	269,598	N/A	Monthly	30 Days
Third Point Offshore Fund LTD	-	617,464	N/A	Quarterly	60 Days
Varde Credit Partners (Offshore)	-	328,534	N/A	Semi-annually	90 Days
GSO Private Investors Offshore II	46,623	125,540	219,422	Illiquid	5 Year Investment Horizon
KKR Asian Fund II Private Investors	453,086	545,797	68	Illiquid	5 Year Investment Horizon
PEG Global Private Equity Institutional Investors VIII Offshore Special L.P.	133,447	69,610	867,940	Illiquid	7-10 Year Investment Horizon
PEG Global Private Equity Institutional Investors VI Offshore Special L.P.	651,169	458,548	348,728	Illiquid	7-10 Year Investment Horizon
PEG Global Private Equity Institutional Investors V Offshore Special L.P.	1,438,068	1,654,427	110,354	Illiquid	7-10 Year Investment Horizon
Clarion Private Investors, LLC	328,416	322,538	N/A	Quarterly	95 Days
	<u>\$ 4,698,291</u>	<u>\$ 6,167,081</u>			

Hedge funds, real estate, and private investments use a variety of strategies, including hedged equity, global trading, market neutral, long and short biased, event driven, and global asset allocation. Hedge funds, real estate, and private investments can invest in a wide variety of both public and private securities including equities, fixed income, commodities, private placements, currencies, real estate, derivatives, and special situation investments.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 ENDOWMENTS**

The College records 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 nonmandatory 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 1% real growth.

The endowment net assets are reported as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted Spendable and Nonspendable - Scholarship and Fellowships	\$ 1,020,011	\$ 1,020,011
Unrestricted Net Assets	<u>3,064,391</u>	<u>2,737,254</u>
Total Endowment Net Assets	<u>\$ 4,084,402</u>	<u>\$ 3,757,265</u>

**NOTE 6 ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Student Tuition and Fees	\$ 362,940	\$ 266,438
Campus Store	23,580	33,234
Travel Advances	1,830	4,074
Federal, State and Private Grants and Contracts	<u>522,278</u>	<u>341,310</u>
Total	910,628	645,056
Less: Allowance for Doubtful Accounts	<u>17,531</u>	<u>66,430</u>
Net Accounts Receivable	<u>\$ 893,097</u>	<u>\$ 578,626</u>

**NOTE 7 INVENTORIES**

Inventories consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Health Center	\$ 9,482	\$ 9,482
Housekeeping	19,271	10,956
Central Stores	9,025	5,150
Campus Stores	<u>276,215</u>	<u>298,049</u>
Total Inventories	<u>\$ 313,993</u>	<u>\$ 323,637</u>

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 8 CAPITAL ASSETS**

Following are the changes in capital assets for the years ended June 30, 2020 and 2019:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction In-Progress	21,837,056	11,709,658	(8,487,903)	25,058,810
Total Capital Assets Not Being Depreciated	27,784,493	11,709,658	(8,487,903)	31,006,247
Capital Assets, Being Depreciated:				
Infrastructure	10,517,873	4,306,952	-	14,824,825
Building and Building Improvements	218,263,361	8,487,903	-	226,751,264
Furniture, Fixtures and Equipment	13,774,887	374,398	-	14,149,285
Assets Purchased with Capital Lease	205,710	99,084	(70,215)	234,579
Library Collections	13,125,595	281,792	-	13,407,387
Total Assets Being Depreciated	255,887,426	13,550,129	(70,215)	269,367,340
Less: Accumulated Depreciation:				
Infrastructure	6,105,806	611,187	-	6,716,993
Building and Building Improvements	76,360,023	5,440,067	-	81,800,090
Furniture, Fixtures, and Equipment	12,670,043	321,388	(105,601)	12,885,830
Capital Leases	21,255	-	-	21,255
Library Collections	11,425,751	421,273	-	11,847,024
Total Accumulated Depreciation	106,582,878	6,793,915	(105,601)	113,271,192
Total Capital Assets, Being Depreciated, Net	149,304,548	6,756,214	35,386	156,096,148
Capital Assets, Net	<u>\$ 177,089,041</u>	<u>\$ 18,465,872</u>	<u>\$ (8,452,517)</u>	<u>\$ 187,102,395</u>
	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 5,947,437	\$ -	\$ -	\$ 5,947,437
Construction In-Progress	7,853,411	13,983,645	-	21,837,056
Total Capital Assets Not Being Depreciated	13,800,848	13,983,645	-	27,784,493
Capital Assets, Being Depreciated:				
Infrastructure	9,357,170	1,160,703	-	10,517,873
Building and Building Improvements	218,263,361	-	-	218,263,361
Furniture, Fixtures and Equipment	13,355,477	419,410	-	13,774,887
Assets Purchased with Capital Lease	255,346	-	(49,636)	205,710
Library Collections	12,825,310	300,285	-	13,125,595
Total Assets Being Depreciated	254,056,664	1,880,398	(49,636)	255,887,426
Less: Accumulated Depreciation:				
Infrastructure	5,548,010	557,796	-	6,105,806
Building and Building Improvements	70,905,094	5,454,929	-	76,360,023
Furniture, Fixtures, and Equipment	12,366,554	303,489	-	12,670,043
Capital Leases	21,255	-	-	21,255
Library Collections	11,023,665	402,086	-	11,425,751
Total Accumulated Depreciation	99,864,578	6,718,300	-	106,582,878
Total Capital Assets, Being Depreciated, Net	154,192,086	(4,837,902)	(49,636)	149,304,548
Capital Assets, Net	<u>\$ 167,992,934</u>	<u>\$ 9,145,743</u>	<u>\$ (49,636)</u>	<u>\$ 177,089,041</u>

Depreciation expense was \$6,793,915 and \$6,718,300 for the years ended June 30, 2020 and 2019, respectively.



**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 LONG-TERM LIABILITIES**

Long-term liability activity for the years ended June 30, 2020 and 2019, were as follows:

	Year Ended June 30, 2020				
	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
<b>Bonds:</b>					
Revenue Bonds Payable	\$ 25,760,000	\$ -	\$ (1,420,000)	\$ 24,340,000	\$ 2,205,000
Unamortized Premium/Discount	1,064,853	-	(93,196)	971,657	93,196
Total Bonds	<u>26,824,853</u>	<u>-</u>	<u>(1,513,196)</u>	<u>25,311,657</u>	<u>2,298,196</u>
<b>Other Liabilities:</b>					
Workers' Compensation	653,000	-	(171,000)	482,000	72,300
Accrued Vacation Costs	989,154	1,372,337	(1,171,297)	1,190,194	1,190,194
Notes Payable	199,648	6,661,697	(199,648)	6,661,697	-
Capital Lease	243,546	99,084	(64,299)	278,331	58,254
Federal Loan Program Refundable	42,758	-	-	42,758	-
Net Pension Liability	15,363,945	-	(1,848,092)	13,515,853	-
Total Other Liabilities	<u>17,492,051</u>	<u>8,133,118</u>	<u>(3,454,336)</u>	<u>22,170,833</u>	<u>1,320,748</u>
Total Long Term Obligations	<u>\$ 44,316,904</u>	<u>\$ 8,133,118</u>	<u>\$ (4,967,532)</u>	<u>\$ 47,482,490</u>	<u>\$ 3,618,944</u>

	Year Ended June 30, 2019				
	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
<b>Bonds:</b>					
Revenue Bonds Payable	\$ 29,254,703	\$ 18,715,000	\$ (22,209,703)	\$ 25,760,000	\$ 1,420,000
Unamortized Premium/Discount	331,536	774,320	(41,003)	1,064,853	93,196
Total Bonds	<u>29,586,239</u>	<u>19,489,320</u>	<u>(22,250,706)</u>	<u>26,824,853</u>	<u>1,513,196</u>
<b>Other Liabilities:</b>					
Workers' Compensation	425,000	339,233	(111,233)	653,000	97,950
Accrued Vacation Costs	930,745	1,314,011	(1,255,601)	989,155	989,155
Notes Payable	391,995	-	(192,347)	199,648	199,648
Capital Lease	286,246	-	(42,700)	243,546	64,299
Federal Loan Program Refundable	42,758	-	-	42,758	-
Net Pension Liability	12,860,838	2,503,107	-	15,363,945	-
Total Other Liabilities	<u>14,937,582</u>	<u>4,156,351</u>	<u>(1,601,881)</u>	<u>17,492,052</u>	<u>1,351,052</u>
Total Long Term Obligations	<u>\$ 44,523,821</u>	<u>\$ 23,645,671</u>	<u>\$ (23,852,587)</u>	<u>\$ 44,316,905</u>	<u>\$ 2,864,248</u>

**Academic Fees and Auxiliary Facilities Fees Revenue Bonds**

Revenue bonds consisted of the following (at par) as of June 30, 2020 and 2019:

	2020	2019
2012 Subordinate Revenue Bonds, Series A	\$ 9,130,000	\$ 9,130,000
2018 Subordinate Revenue Bonds, Series A	15,210,000	16,630,000
Total Revenue Bonds	<u>24,340,000</u>	<u>25,760,000</u>
Unamortized Premium/Discount	971,657	1,064,853
Total	<u>\$ 25,311,657</u>	<u>\$ 26,824,853</u>

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

**ST. MARY'S COLLEGE OF MARYLAND**  
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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

**Academic Fees and Auxiliary Facilities Fees Revenue Bonds (Continued)**

The 2018 Series A Bonds were issued on July 28, 2018 for to refinance the Series 2005A, 2006A, 2014A and partial refunding of Series 2012A bonds under a current refunding. The difference between the cash flows required to service the old debt and the cash flow required to service the new debt and complete the refunding was \$2,103,031. The reacquisition price exceeded the net carrying value of the old debt by \$1,076,289 on July 28, 2018. This amount is deferred and being amortized to interest expense over 20 years, which is the remaining life of the debt. The unamortized balance of \$971,902 and \$1,025,897 as of June 30, 2020 and 2019, respectively, and is reported as a deferred financing outflows.

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

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

Investments totaling \$1,595 and \$105,609, for 2020 and 2019, respectively, were recorded as Other Restricted Investments under non-current assets and are comprised of certain funds to be held and invested by the Trustee. As such, the use of these funds is limited to the bond project issue cost, capitalized interest, or reserve fund purposes.

**In-Substance Defeasance**

The 2005 Series A bonds were issued on April 20, 2005, to refinance the 1997 Series A, and the 2000 Series A bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was \$1,208,350. The reacquisition price exceeded the net carrying value of the old debt by \$1,360,466, on April 20, 2005. This amount was deferred and was being amortized to interest expense over 30 years, which was the remaining life of the debt. The unamortized balance was \$762,113 as of June 30, 2018 and reported as a deferred financing outflow. This deferred financing outflow was written off in fiscal year 2019, after the 2005 Series A bonds were refunded with the 2018 Series A bonds.

The 2012 Series A bonds were issued on June 6, 2012, to refinance the Series A 2002 and 2003 bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding was \$2,618,781. The reacquisition price exceeded the net carrying value of the old debt by \$1,048,983, on June 6, 2012. This amount was deferred and being amortized to interest expense over 22 years, which is the remaining life of the debt. The unamortized balance was \$645,802 and \$695,754 as of June 30, 2020 and 2019, respectively, and is reported as a deferred financing outflow.

**ST. MARY'S COLLEGE OF MARYLAND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

**Principal and Interest Payments**

Future principal and interest payments of outstanding revenue bonds as of June 30, 2020, are as follows:

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,205,000	\$ 829,716	\$ 3,034,716
2022	2,270,000	754,591	3,024,591
2023	2,330,000	669,841	2,999,841
2024	2,420,000	574,841	2,994,841
2025	2,150,000	487,035	2,637,035
2026 to 2030	8,620,000	1,390,799	10,010,799
2031 to 2035	3,680,000	302,826	3,982,826
2036 to 2038	665,000	33,194	698,194
Total	<u>\$ 24,340,000</u>	<u>\$ 5,042,843</u>	<u>\$ 29,382,843</u>

**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 was paid off January 1, 2020, and the Maryland Energy Administration Conservation Loan was paid off in July 2016.

On May 1, 2020, College received a loan in the amount of \$6,661,697 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the College fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the College will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and principal and interest payments will be required through the maturity date in June 1, 2022.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

**Notes Payable (Continued)**

The College has not yet received forgiveness. Management anticipates that these amounts will be forgiven, and the College will not be required to repay this obligation.

The Loan matures on November 1, 2022 and bears interest at a rate of 1% per annum, payable in monthly installments of \$280,500 commencing on January 1, 2021. The Loan may be prepaid by the College at any time prior to maturity with no prepayment penalties.

Future principal and interest payments of the note as of June 30, 2020, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,206,009	\$ 37,985	\$ 2,243,994
2022	3,336,700	29,291	3,365,991
2023	1,118,988	2,331	1,121,319
Total	<u>\$ 6,661,697</u>	<u>\$ 69,607</u>	<u>\$ 6,731,304</u>

**NOTE 10 LEASES**

**Operating Leases**

The College leases copiers and trailers under cancellable leases. Total costs for these operating leases were \$53,186 and \$100,988, for the years ended June 30, 2020 and 2019, respectively.

**Capital Lease**

In June 2014, the College entered into a lease agreement through the State of Maryland's Equipment Lease Purchase Agreement for a piece of Science Equipment in the amount of \$65,581, with an interest rate of 1.39% per year. This lease was paid off in November 2019. In January 2018, the College entered into another lease agreement through the State of Maryland's Lease Equipment Purchase Agreement for Science Equipment in the amount of \$263,930 with an interest rate of 2.53% per year. In May 2020, the College entered into another Lease agreement through the State of Maryland's Equipment Lease Purchase Agreement in the amount of \$99,084 with an interest rate of 1.53% per year. Payments on this lease will start in January 2021. The capital assets acquired through capital leases are as follows:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 363,014	\$ 263,930
Less: Accumulated Depreciation	(58,651)	(29,326)
Total	<u>\$ 304,363</u>	<u>\$ 234,604</u>

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 LEASES (CONTINUED)**

Future principal and interest lease payments for the capital leases were as follows as of June 30, 2020:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fees</u>	<u>Total</u>
2021	\$ 58,254	\$ 5,158	\$ 257	\$ 63,669
2022	81,170	4,121	119	85,410
2023	83,020	2,272	51	85,343
2024	22,099	773	56	22,928
2025	22,439	432	32	22,903
2026	11,349	87	6	11,442
Total	<u>\$ 278,331</u>	<u>\$ 12,843</u>	<u>\$ 521</u>	<u>\$ 291,695</u>

**NOTE 11 RETIREMENT PLANS**

**Maryland State Retirement and Pension System**

Employees of the College participate in the Maryland State Retirement and Pension System (the System), established by the State to provide pension benefits for State employees and employees of 123 participating entities within the State. The System is a cost sharing, multiple employer public employee retirement system and no separate valuation is performed for the College and the College's only obligation to the plan is its required annual contributions.

*Plan Description.* The System, which is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland (the Article), consists of the several plans that are managed by the Board of Trustees for the System. All state employees hired into positions that are permanently funded and employees of the participating entities are eligible for coverage by the plans. Teachers employed by the College are provided with pensions through the Teachers' Pension System of the State of Maryland (TPS)—a cost-sharing multiple-employer defined benefit pension plan administered by the System. Certain employees of the College are provided with pensions through the Employees Retirement System of the State of Maryland (ERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the System.

The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 RETIREMENT PLANS (CONTINUED)**

**Maryland State Retirement and Pension System (Continued)**

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

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998.

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

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

*Early Service Retirement.* A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 11 RETIREMENT PLANS (CONTINUED)**

**Maryland State Retirement and Pension System (Continued)**

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

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

*Contributions.* The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% - 7% of their annual pay, depending on which system the employee belongs. The state of Maryland is responsible for the net pension liability of TPS. The College's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the state of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies as a special funding situation. The state of Maryland did not make contributions on behalf of the College for the years ended June 30, 2020 and 2019.

The College's contractually required contribution for the years ended June 30, 2020 and 2019 was \$1,437,173 and \$1,351,566, respectively, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (state only).

**ST. MARY'S COLLEGE OF MARYLAND**  
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**NOTE 11 RETIREMENT PLANS (CONTINUED)**

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

As of June 30, 2020 and 2019, the College reported a liability of \$13,515,853 and \$15,363,945, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and June 30, 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2020 and 2019, the College's proportion was 0.066% and 0.071%, respectively, which was a decrease of 0.005%.

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$242,843 and \$728,023, respectively. As of June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources from the following sources:

As of June 30, 2020		
	Deferred Outflow of Resources	Deferred Inflow of Resources
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 624,886	\$ -
Change in Actuarial Assumptions	96,372	740,898
Change in Proportionate Share	1,968,780	1,422,014
Change in Experience	-	747,667
Contributions Made Subsequent to the Measurement Date	1,437,173	-
Total	\$ 4,127,211	\$ 2,910,579

The \$1,437,173 as of June 30, 2020 reported as deferred outflows of resources resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

For the Years Ending June 30,	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Net Difference Between Projected and Actual Earnings	Change in Actuarial Assumptions	Change in Proportionate Share	Change in Actuarial Assumptions	Change in Experience	Change in Proportionate Share
2021	\$ 416,484	\$ 39,321	\$ 492,246	\$ (245,737)	\$ (324,521)	\$ (425,750)
2022	69,467	39,321	492,246	(245,737)	(286,190)	(425,750)
2023	69,467	17,730	492,246	(117,280)	(88,153)	(339,188)
2024	69,468	-	492,042	(78,565)	(29,015)	(231,326)
2025				(53,579)	(19,788)	
Total	\$ 624,886	\$ 96,372	\$ 1,968,780	\$ (740,898)	\$ (747,667)	\$ (1,422,014)



**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 RETIREMENT PLANS (CONTINUED)**

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

As of June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources from the following sources:

As of June 30, 2019		
	Deferred Outflow of Resources	Deferred Inflow of Resources
Net Difference Between Projected and Actual		
Earnings on Plan Investments	\$ 434,896	\$ -
Change in Actuarial Assumptions	295,446	-
Change in Proportionate Share	2,458,026	259,685
Change in Experience	-	972,682
Contributions Made Subsequent to the Measurement Date	1,351,566	-
Total	\$ 4,539,934	\$ 1,232,367

	Deferred Outflows of Resources			Deferred Inflows of Resources	
	Net difference between projected and actual earnings	Change in actuarial assumptions	Change in proportionate share	Change in experience	Change in proportionate share
For the Years Ending June 30,					
2020	\$ 460,938	\$ 199,074	\$ 491,605	\$ (360,863)	\$ (86,562)
2021	179,845	39,321	491,605	(295,506)	(86,562)
2022	(167,172)	39,321	491,605	(257,175)	(86,561)
2023	(38,715)	17,730	491,605	(59,138)	-
2024	-	-	491,606	-	-
Total	\$ 434,896	\$ 295,446	\$ 2,458,026	\$ (972,682)	\$ (259,685)

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 RETIREMENT PLANS (CONTINUED)**

*Actuarial Assumptions.* The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Valuation Date	June 30, 2019	June 30, 2018
Inflation - General	2.6%	2.6%
Inflation - Wage	3.1%	3.1%
Salary Increases	3.1% to 11.6%, Including Inflation	3.1% to 9.1%, Including Inflation
Investment Rate of Return	7.40%	7.45%
Mortality Rates	Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale	RP-2014 Mortality Tables with Projected Generational Mortality Improvements Based on the MP-2014 2-Dimensional Mortality Improvement Scale

The economic and demographic actuarial assumptions used in the June 30, 2019 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 7.40% and an inflation assumption of 2.60% were used in the June 30, 2019 valuation.

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	2020		2019	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.0 %	6.30 %	37.0 %	5.80 %
Private Equity	13.0	7.50	13.0	67.00
Rate Sensitive	19.0	1.30	19.0	1.10
Credit Opportunity	9.0	3.90	9.0	3.60
Real Assets	14.0	4.50	14.0	4.80
Absolute Return	8.0	3.00	8.0	3.20
Total	<u>100.0 %</u>		<u>100.0 %</u>	

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 RETIREMENT PLANS (CONTINUED)**

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2019.

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.46% and 8.08%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount Rate.* The single discount rate used to measure the total pension liability was 7.40% and 7.45% as of June 30, 2019 and 2018, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 7.40% and 7.45% as of June 30, 2019 and 2018, respectively. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* The College's proportionate share of the net pension liability calculated using a single discount rate that is 1-percentage-point lower and 1- percentage-point higher as of June 30, 2020 and 2019 was as following:

	2020		
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
College's Proportionate Share	\$ 19,648,894	\$ 13,515,853	\$ 8,516,769
	2019		
	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's Proportionate Share	\$ 23,602,370	\$ 15,363,945	\$ 10,398,084

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 11 RETIREMENT PLANS (CONTINUED)**

**Optional Retirement Programs**

In addition to the Retirement and Pension System, the College also offers defined contribution retirement programs for faculty and professional staff. 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 \$1,330,785 and \$1,358,391, for the years ended June 30, 2020 and 2019, respectively.

Beginning in fiscal year 2006, a supplemental plan was introduced for certain employees whereby the College matched 100% (up to \$600) of all contributions made into the plan. There were no amounts matched for the years ended June 30, 2020 or 2019.

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS**

**State Employee and Retiree Health and Welfare Benefits Program of Maryland**

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (the Plan), which is administered by the Department of Budget and Management. The Plan is a single-employer defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. The Secretary of the Department of Budget and Management has the authority to establish/amend benefit terms. The State does not distinguish employees by employer/ State agency. Instead, the State allocates the postemployment healthcare costs to all participating employers. As such, the State has elected to maintain the entire net postemployment benefit liability as a liability of the general fund of the State and has not allocated any liability to State entities, including the University.

*Plan Description.* Eligibility for the Plan is determined by various factors, including date of hire. Generally, employees hired before July 1, 2011 may enroll and participate in the Plan if the employee left state service with at least 16 years of creditable service, retired directly from state service with at least five years of creditable service, left state service with at least 10 years of creditable service and within five years of normal retirement age, or retired directly from state service with a disability retirement. Employees hired on or after July 1, 2011, may enroll and participate in the Plan if the employee left state service with at least 25 years of creditable service, retired directly from state service with at least 10 years of creditable service, left state service with at least 10 years of creditable service and within five years of normal retirement age, or retired directly from state service with a disability retirement.

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**State Employee and Retiree Health and Welfare Benefits Program of Maryland (Continued)**

*Funding Policy.* The state subsidizes a portion of the covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. Costs for postretirement benefits are for state retirees and primarily funded by the state. The percentage amount of contributions recognized by the College as related to the statutorily required employer contribution of covered-employee payroll is 4.91%, 5.49%, and 4.45%, respectively. The cost of retiree's health care benefits is expensed when paid and totaled \$1,262,795, \$1,314,194 and \$1,189,176 for the years ended June 30, 2020, 2019, and 2018, respectively.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

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

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

As of June 30, 2020 and 2019, there was \$1,884,206 and \$2,983,242, respectively, of encumbrances and funds designated for future use reported in unrestricted net position. The College does not separately identify the reserve for encumbrances in unrestricted net position.

**NOTE 14 RISK MANAGEMENT**

The College is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The College participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities, and certain employee health benefits.

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

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 14 RISK MANAGEMENT (CONTINUED)**

The College records a liability when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities recorded include a provision for claims incurred but not reported. Because actual claims liabilities depend on such complex factors such as inflation, changes in legal doctrines, and damage awards, actual claims could differ from estimates. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The provision for workers' compensation is based upon a separately determined actuarial valuation for the fiscal years ended June 30, 2020, 2019, and 2018.

As of June 30, 2020 and 2019, the College has recorded \$482,000 and \$653,000, respectively, in liability associated with workers' compensation. The recorded amounts represent the actuary's allocation of the College's share of the State's overall liability under the workers' compensation program to the College. The workers' compensation liability activity for the years ended June 30, 2020 and 2019, were as follows:

	Beginning of Fiscal Year <u>Liability</u>	Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year-End</u>	Amounts Due Within <u>One Year</u>
Year Ended, June 30, 2020	\$ 653,000	\$ (132,013)	\$ (38,987)	\$ 482,000	\$ 72,300
Year Ended, June 30, 2019	425,000	339,233	(111,233)	653,000	97,950

**ST. MARY'S COLLEGE OF MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 15 FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS**

The financial statements show expenses by functional expense classification for the College. The following table reflects expenses for the years ended June 30, 2020 and 2019 by natural classification:

Functional Classification Year Ended June 30, 2020										
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Total
Salaries and Wages	\$ 12,863,430	\$ 202,217	\$ 18,715	\$ 940,356	\$ 4,394,339	\$ 7,774,864	\$ 1,334,058	\$ -	\$ -	\$ 27,527,979
Benefits	4,255,679	23,853		265,507	1,477,467	2,768,096	500,495	-	-	9,291,097
Supplies and Others Services	1,442,219	130,180	47,933	874,851	1,770,018	3,603,073	527,288	-	-	8,395,562
Utilities	-	-	-	-	164		1,446,416	-	-	1,446,580
Scholarships and Grants	4,232	11,256	-	250	115,172	500	-	3,527,814	-	3,659,224
Auxiliary Enterprises	-	-	-	-	-	-	-	-	9,245,597	9,245,597
Other Operating Expenses	771,207	3,106	430	6,870	496,082	168,683	145,457	-	-	1,591,835
Depreciation	-	-	-	-	-	-	4,618,228	-	2,175,686	6,793,914
Total Expenses	<u>\$ 19,336,767</u>	<u>\$ 370,612</u>	<u>\$ 67,078</u>	<u>\$ 2,087,834</u>	<u>\$ 8,253,242</u>	<u>\$ 14,315,216</u>	<u>\$ 8,571,942</u>	<u>\$ 3,527,814</u>	<u>\$ 11,421,283</u>	<u>\$ 67,951,788</u>

Functional Classification Year Ended June 30, 2019										
Natural Classification	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Total
Salaries and Wages	\$ 13,405,445	\$ 278,804	\$ 12,790	\$ 990,328	\$ 4,086,162	\$ 7,119,692	\$ 1,383,530	\$ -	\$ -	\$ 27,276,751
Benefits	4,475,405	30,991	206	270,274	1,482,640	2,845,449	1,058,090	-	-	10,163,055
Supplies and Others Services	1,523,113	52,994	85,932	969,889	1,761,219	4,293,312	557,806	-	-	9,244,265
Utilities	-	56	-	-	839	268	1,577,638	-	-	1,578,801
Scholarships and Grants	69,750	7,472	-	-	95,069	500	-	2,713,811	-	2,886,602
Auxiliary Enterprises	-	-	-	-	-	-	-	-	10,745,732	10,745,732
Other Operating Expenses	905,211	6,159	1,184	27,529	612,518	480,058	91,977	-	-	2,124,636
Depreciation	-	-	-	-	-	-	4,537,792	-	2,180,508	6,718,300
Total Expenses	<u>\$ 20,378,924</u>	<u>\$ 376,476</u>	<u>\$ 100,112</u>	<u>\$ 2,258,020</u>	<u>\$ 8,038,447</u>	<u>\$ 14,739,279</u>	<u>\$ 9,206,833</u>	<u>\$ 2,713,811</u>	<u>\$ 12,926,240</u>	<u>\$ 70,738,142</u>

**ST. MARY'S COLLEGE OF MARYLAND**  
**SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**FOR THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM**  
**JUNE 30, 2020**  
**LAST 10 FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The College's Proportion Share of the Net Pension Liability	0.0658%	0.0711%	0.0631%	0.0630%	0.0653%
The College's Proportionate Share of the Net Pension Liability	\$ 13,515,853	\$ 15,363,945	\$ 12,860,838	\$ 13,993,622	\$ 12,765,491
The State and Other Agencies Proportionate Share of the Net Pension Liability	<u>19,271,734,708</u>	<u>19,658,670,252</u>	<u>20,377,342,874</u>	<u>22,159,462,781</u>	<u>19,523,567,189</u>
Total	<u>\$ 19,285,250,561</u>	<u>\$ 19,674,034,197</u>	<u>\$ 20,390,203,712</u>	<u>\$ 22,173,456,403</u>	<u>\$ 19,536,332,680</u>
The College's Covered Payroll	\$ 7,089,117	\$ 8,039,980	\$ 6,770,003	\$ 7,617,655	\$ 8,417,606
The College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191%	191%	190%	184%	152%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68%	68%	67%	63%	66%

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



**ST. MARY'S COLLEGE OF MARYLAND**  
**SCHEDULES OF CONTRIBUTIONS FOR THE MARYLAND STATE RETIREMENT AND PENSION**  
**SYSTEM**  
**LAST 10 FISCAL YEARS**

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,437,173	\$ 1,351,566	\$ 1,460,178	\$ 1,449,233	\$ 1,340,082	\$ 1,294,706
Contributions in Relation to the Contractually Required Contribution	<u>(1,437,173)</u>	<u>(1,351,566)</u>	<u>(1,460,178)</u>	<u>(1,449,233)</u>	<u>(1,340,082)</u>	<u>(1,294,706)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 7,427,117	\$ 7,089,117	\$ 8,039,980	\$ 6,770,003	\$ 7,617,655	\$ 8,417,606
Contributions as a Percentage of Covered Payroll	19%	19%	18%	21%	18%	15%

**ST. MARY'S COLLEGE OF MARYLAND**  
**SCHEDULES OF CONTRIBUTIONS FOR THE OTHER POSTEMPLOYMENT BENEFITS PLAN**  
**LAST 10 FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 1,262,795	\$ 1,314,194	\$ 1,089,176	\$ 1,471,022
Contributions in Relation to the				
Contractually Required Contribution	<u>(1,262,795)</u>	<u>(1,314,194)</u>	<u>(1,089,176)</u>	<u>(1,471,022)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll	\$ 7,427,117	\$ 7,089,117	\$ 8,039,980	\$ 6,770,003
Contributions as a Percentage of				
Covered Payroll	17%	19%	18%	21%

**ST. MARY'S COLLEGE OF MARYLAND  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

**NOTE 1 CHANGES IN BENEFIT TERMS**

There were no benefit changes during the years 2015 through 2019

**NOTE 2 CHANGES IN ASSUMPTIONS**

Inflation assumptions changed as follows:

- 6/30/2019 2.60%
- 6/30/2018 2.60%
- 6/30/2017 2.65%
- 6/30/2016 2.70%
- 6/30/2015 2.70%

Investment return assumption changed as follows:

- 6/30/2019 7.40%
- 6/30/2018 7.45%
- 6/30/2017 7.50%
- 6/30/2016 7.55%
- 6/30/2015 7.65%