

**UNIVERSITY SYSTEM OF MARYLAND**

Financial Statements and Supplemental Data

For the Years Ended June 30, 2005 and 2004, together with  
Reports of Independent Public Accountants

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We have audited the accompanying basic financial statements of the University System of Maryland (the System), a component unit of the State of Maryland, and its discretely presented component units, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The System financial statements as of and for the year ended June 30, 2004 were audited by other auditors whose report thereon dated November 5, 2004 expressed unqualified opinions on the

We conducted our audits in accordance with auditing standards generally accepted in the United

Management's discussion and analysis on pages 2 through 9 is not a required part of the basic

fairly stated in all material respects in relation to the basic financial statements taken as a whole.  
The supplemental information is provided for the purpose of providing additional information.

## UNIVERSITY SYSTEM OF MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2005 AND 2004

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The management of the University System of Maryland (System), provides the readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the years ended June 30, 2005 and 2004.

#### Financial Highlights

- § Unrestricted net assets increased by \$82,631,535 for the year ended June 30, 2005, compared to an increase of \$122,020,679 for the year ended June 30, 2004.
- § State appropriations legislated for the System increased by 1.5% for the year ended June 30, 2005, to \$757,697,687. For the year ended June 30, 2004, State appropriations decreased by more than 3% from the amount received in the year ended June 30, 2003.
- § Tuition and fees, after deducting Scholarship allowances, increased by \$72,613,185, or just over 10%, for the year ended June 30, 2005. During the year ended June 30, 2004, net Tuition and fees increased by more than 11%, or \$71,400,082 .

#### Overview of the Financial Statements

The System's financial statements consist of three basic financial statements and the notes that provide information on the accounting alternatives used, and explanatory information and detail on certain financial statement elements. The three basic financial statements are the Balance Sheet, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The *Balance Sheet* presents information on the System's assets, liabilities and net assets, all as of the end of the reporting period. Net assets represents the difference between assets and liabilities, and is detailed into classifications that help readers understand the constraints that the System must recognize in decisions on expending assets. Over time, changes in the level of net assets can help in understanding whether the financial condition of the System is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information on the changes in net assets during the year. All changes in net assets are reported as soon as the underlying event takes place, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded for some items that will result in cash flows in future fiscal years (for example tuition and fees owed by students, or vacation earned by employees but not used at year-end).

The *Statement of Cash Flows* presents information on sources and uses of cash during the year. This statement details the changes in cash and cash equivalents from the amounts reported at the end of the preceding year, to the amounts reported in the Balance Sheet as of the end of the year. Sources and uses are organized into operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The System's financial statements include all accounts and balances of the System itself (considered the primary government in accounting terms), as well as 16 legally-separate and distinct entities for which the System is financially accountable, which are considered component units. Of the 16 component units, 3 are considered major component units due to their significance in terms of size, while the rest are considered non-major component units.

The emphasis of this Management's Discussion and Analysis is on the System itself. Reference should be made to the separately audited financial statements of the component units for additional information.

## **Financial Analysis**

As of June 30, 2005, the System's financial health remains strong, with assets exceeding liabilities by \$2,923,424,012, shown on the Balance Sheet as Total Net Assets. This compares with Total Net Assets of \$2,690,834,947 as of June 30, 2004. As suggested earlier, when viewed over time, net assets may be a useful indicator of financial health.

For the year ended June 30, 2005, net assets increased by \$232,589,065. Net assets invested in capital assets, net of related debt, increased by \$123,065,446 while unrestricted net assets increased \$82,631,535, and temporarily restricted and permanently restricted net asset categories increased by \$26,892,084.

Unrestricted net assets represent the portion of assets, after taking into account liabilities, which can be used to meet ongoing obligations and fund new initiatives. Some portion of the \$82,631,535 increase in unrestricted net assets for the year ended June 30, 2005 is attributable to the effect of tuition rate increases, and institutional efforts to limit expenditures.

For the year ended June 30, 2004, net assets increased by \$291,198,172. Net assets invested in capital assets, net of related debt, increased by \$156,429,440, while unrestricted net assets increased \$122,020,679, and temporarily restricted and permanently restricted net asset categories increased by \$12,748,053.

The table below presents summary-level information of the System's assets, liabilities, and net assets as of June 30, 2005, 2004 and 2003.

**University System of Maryland  
Condensed Balance Sheet  
June 30, 2005, 2004 and 2003**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Current and other assets	\$1,305,880,962	\$1,169,457,340	\$958,261,692
Capital assets, net	3,043,635,642	2,906,082,856	2,687,384,752
Total assets	<u>\$4,349,516,604</u>	<u>\$4,075,540,196</u>	<u>\$3,645,646,444</u>
Debt and obligations under capital lease agreements	\$1,000,726,570	\$998,072,894	\$855,142,186
Other liabilities	425,366,022	386,632,355	390,867,483
Total liabilities	<u>1,426,092,592</u>	<u>1,384,705,249</u>	<u>1,246,009,669</u>
Net assets:			
Invested in capital assets, net of related debt	2,111,737,452	1,988,672,006	1,832,242,566
Restricted	292,078,242	265,186,158	252,438,105
Unrestricted	519,608,318	436,976,783	314,956,104
Total net assets	<u>2,923,424,012</u>	<u>2,690,834,947</u>	<u>2,399,636,775</u>
Net assets and liabilities	<u>\$4,349,516,604</u>	<u>\$4,075,540,196</u>	<u>\$3,645,646,444</u>

The table below presents summary-level information on the changes in the System's net assets for the years ended June 30, 2005, 2004 and 2003.

**University System of Maryland**

The System's Operating Revenues arise from activities associated with its core mission; education, research, and public service.

For the years ended June 30, 2005, 2004 and 2003, Operating Revenues, which under the definitions used by GASB excludes State Appropriations, are detailed:

	2005		2004		2003	
	\$	%	\$	%	\$	%
Tuition and fees	\$778,134,041	34.6%	\$705,520,856	34.7%	\$634,120,774	32.8%
Contracts and grants	939,758,087	41.8	825,688,567	40.6	820,017,889	42.4
Sales and services of educational departments	123,093,411	5.5	117,769,547	5.8	110,045,910	5.7
Auxiliary enterprises	366,320,070	16.3	348,961,049	17.2	322,256,423	16.7
Other operating	41,540,587	1.8	34,492,055	1.7	46,590,748	2.4
<b>Total</b>	<b>\$2,248,846,196</b>	<b>100.0%</b>	<b>\$2,032,432,074</b>	<b>100.0%</b>	<b>\$1,933,031,744</b>	<b>100.0%</b>

Tuition and fees reflect the increases in tuition rates and other student charges enacted for the years ended June 30, 2005 and 2004, as well as modest enrollment increases in both years. Fee increases for residence halls and dining facilities account for the increase in revenues from Auxiliary Enterprise activities.

Operating Expenses are detailed by Personnel costs, Other payments, and Depreciation Expense in the notes to the financial statements, in order to provide an alternative presentation of operating expenses. Personnel costs increased 6% for the year ended June 30, 2005 over the previous year, in large part due to increased health care costs, as well as higher levels of enrollment and contract and grant activities. The small increase in costs for the year ended June 30, 2004 reflects significant institutional efforts to contain costs, particularly in non-health care related personnel costs.

For the years ended June 30, 2005, 2004 and 2003, Operating Expenses are detailed below:

	2005		2004		2003	
	\$	%	\$	%	\$	%

### Capital Asset and Debt Administration

The System added \$291,592,694 in new capital assets during the year ended June 30, 2005. Of these additions, \$130,931,582 was funded through the use of State of Maryland debt proceeds or



cash balances, \$78,643,881 was funded from the proceeds of System debt obligations, and the balance of \$82,017,231 was purchased using System cash balances or received as donations.

During the year ended June 30, 2005, several significant projects were completed and placed in service. The \$55 million Kim Engineering Building, at the University of Maryland College Park, is a cutting-edge facility that will help place the institution at the forefront of engineering instruction nationwide. At the University of Maryland Eastern Shore, a new \$36 million Social Science, Education and Health Sciences Building opened, representing a significant addition to the educational facilities of Maryland's eastern shore. A \$33 million project renovating and expanding the Chemistry Building at the University of Maryland Baltimore County will enhance the institution's position as a pre-eminent educational and research institution. The \$27 million Riggs Alumni Center, at the University of Maryland College Park, will enable enhancement of alumni relations and provide a central base of operations for the fundraising effort.

The System added \$374,010,787 in new capital assets during the year ended June 30, 2004. Of these additions, \$176,168,720 was funded through the use of State of Maryland debt proceeds or cash balances, \$105,626,496 was funded from the proceeds of System debt obligations, and the balance of \$92,215,571 was purchased using System cash balances or received as donations.

During the year ended June 30, 2004, several significant projects were completed and placed in service. At the University of Maryland, Baltimore, a \$28 million parking garage and office building complex was completed that provides much needed inner-city parking as well as 3 floors of administrative office space. At the University of Maryland, College Park, a renovation and addition to the Health Center costing over \$14.5 million was substantially completed, as well as Phases 2 and 3 of work on the football team building, a project costing more than \$6 million. At the University of Maryland Eastern Shore, a new physical plant and central receiving facility costing almost \$9 million was placed in service. At the University of Maryland University College, a \$20 million addition to the hotel and conference center positions the facility to attract a greater portion of the regions conference activity.

The System added \$486,237,274 in new capital assets during the year ended June 30, 2003. Of these additions, \$206,898,819 was funded through the use of State of Maryland debt proceeds or cash balances, \$126,452,287 was funded from the proceeds of System debt obligations, with the balance, \$152,886,168, purchased using System cash balances or received as donations.

These facilities are but a small sample of the important investments in upgrading the System's academic and research facilities, as well as transforming campuses into learning communities.

The System continually pursues opportunities to reduce its overall effective cost of capital financing, and as conditions in the financial markets allow, refinances previously issued debt with new debt at lower interest costs.

During the year ended June 30, 2005, the System refinanced approximately \$128,570,000 of previously issued Revenue Bonds, as a part of the use of \$174,910,000 of 2005 Series A & B Revenue Bonds issued in February 2005. The refinancing resulted in a reduction in future principal and interest payments by more than \$8,000,000, in present value.

During the year ended June 30, 2004, the System refinanced approximately \$155,000,000 of previously issued Revenue Bonds, as a part of the use of \$246,155,000 of 2003 Series A & B Revenue Bonds issued in July 2003, and \$64,165,000 of 2004 Series A & B Revenue Bonds issued in June 2004. The refinancing resulted in a reduction in future principal and interest payments by

almost \$12,800,000, in present value. In August 2003, the System also issued \$65,000,000 of Revolving Loan Program Bonds 2003 Series A, of which \$49,585,000 of the proceeds were used to refund previously issued equipment obligations in the same amount.

### **Economic Factors and Next Year's Budget and Rates**

The State of Maryland fiscal health has been strong throughout the recent downturn, but currently is stressed by several looming and large financial commitments, including a significant increase in funding of K-12 education, as well as continued increases in health care costs for state employees. This environment increases the possibility that the System will have to identify new and innovative sources of funding, or pursue a strategy of increasing tuition, to fund increases in expenditures to accommodate expected enrollment growth. The steady improvement in the research capabilities of several System institutions, and the development of the Washington-Baltimore region as a national focus of biotechnology position the System well for continued increases in research contracts and grant revenues, particularly in the health sciences.

Enrollment has risen significantly in recent years with the System institutions adding more than 15,000 students in the last five years. Despite these increases however, enrollment increases fell well short of the enormous demand for enrollment in Maryland created by the so-called "Baby Boom Echo." The System institutions enrollment have been constrained in this period by two factors: increased selectivity at some System institutions (reflected in falling acceptance rates) and increased price sensitivity by potential students in the face of rapidly rising tuition (reflected in falling yield rates of those accepted). The demand environment for the next several years will remain very favorable for rising enrollment levels. By 2009, because of the "Baby Boom Echo," there will be more college-aged persons in Maryland than at any point since the late 1970's; even more so as the desire to achieve a university education is much higher than it was during that earlier population boom. This will create the greatest demand for enrollment that the System has ever experienced.

### **Requests for Information**

This financial report is intended to provide a general overview of the System's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Vice Chancellor for Administration and Finance, 3300 Metzert Road, Adelphi, Maryland 20783.

**UNIVERSITY SYSTEM OF MARYLAND  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,	
	2005	2004
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$694,340,541	\$583,359,185
Accounts receivable, net	218,090,982	206,372,880
Notes receivable, current portion	13,465,254	12,333,692
Inventories	9,318,908	10,319,093
Prepaid expenses	3,784,883	3,770,825
Deferred charges	396,113	113,705
	<b>Total current assets</b>	<b>816,269,380</b>
	939,396,681	816,269,380
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	99,717,187	93,057,152
Endowment investments	147,813,301	188,050,805
Restricted investments	52,143,202	
Other investments	2,356,543	17,303,008
Notes receivable, net	64,454,048	54,776,995
Capital assets, net	3,043,635,642	2,906,082,856
	<b>Total noncurrent assets</b>	<b>3,259,270,816</b>
	3,410,119,923	3,259,270,816
	<b>Total assets</b>	<b>\$4,075,540,196</b>
	\$4,349,516,604	\$4,075,540,196
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$192,158,017	\$178,056,825
Accrued workers compensation, current portion	3,713,180	4,001,170
Accrued vacation costs, current portion	60,927,181	43,172,081
Revenue bonds and notes payable, current portion	65,175,972	50,321,584
Obligations under capital lease agreements, current portion	186,426	174,476
Deferred revenue	80,088,222	62,805,518
	<b>Total current liabilities</b>	<b>338,531,654</b>
	402,248,998	338,531,654
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	20,242,820	21,812,830
Accrued vacation costs	68,236,602	76,783,931
Revenue bonds and notes payable	930,672,019	942,698,255
Obligations under capital lease agreements	4,692,153	4,878,579
	<b>Total noncurrent liabilities</b>	<b>1,046,173,595</b>
	1,023,843,594	1,046,173,595
	<b>Total liabilities</b>	<b>1,384,705,249</b>
	1,426,092,592	1,384,705,249
<b>NET ASSETS</b>		
Unrestricted	519,608,318	436,976,783
Invested in capital assets, net of related debt	2,111,737,452	1,988,672,006
Restricted:		
Nonexpendable:		
Scholarships and fellowships	11,016,705	10,128,568
Research	3,687,911	3,642,483
Other	14,637,370	14,629,708
Expendable:		
Scholarships and fellowships	35,300,769	36,154,593
Research	83,749,493	99,119,372
Loans	81,320,328	64,579,720
Capital projects	31,314,837	5,433,198
Other	31,050,829	31,498,516
	<b>Total net assets</b>	<b>2,690,834,947</b>
	2,923,424,012	2,690,834,947
	<b>Total liabilities and net assets</b>	<b>\$4,075,540,196</b>
	\$4,349,516,604	\$4,075,540,196

See accompanying notes.

Nonmajor Component Units

	Total	The University of Maryland Foundation, Inc.	University of Maryland College Park Foundation, Inc.	University of Maryland Baltimore Foundation, Inc.	Medical Alumni Association of the University of Maryland, Inc.	M Club Foundation University of Maryland, Inc.	The Robert H. Smith School of Business Foundation, Inc.	Bowie State University Foundation, Inc.	Towson University Foundation, Inc.	Frostburg State University Foundation, Inc.	Coppin State College Development Foundation, Inc.	University of Baltimore Educational Foundation, Inc.	Salisbury University Foundation, Inc.	Maryland 4-H Foundation, Inc.	University Research Corporation International	The Maryland Center at Bowie State University, Inc.	University of Maryland Baltimore County Research Park
<b>ASSETS</b>																	
<b>Current assets</b>																	
Cash & cash equivalents	\$23,572,423	\$460,000	\$15,442,957	\$40,388	\$385,505	\$393,156	\$973,536	\$567,355	\$1,116,458	\$86,932	\$1,018,737	\$1,741,575	\$228,385	\$290,959	\$624,257	\$41,485	\$202,223
Accounts receivable	70,557,641	23,911,000	16,724,484	6,000,120	572,035	1,837,180	938,121	211,216	7,504,932	461,642	106,702	9,829,544	95,774	4,907	4,155,679		
Investments	92,322,082				4,312,452	1,701,257	1,701,257	3,512,851	21,452,469	9,003,694		28,611,440	21,789,829		100,910		
Other assets	1,283,790	589,000	15,793		172,373	3,438	3,230	10,607		353,705	2,495			5,172	127,977		
Total current assets	187,735,936	24,960,000	32,183,234	6,040,508	5,442,365	2,233,774	3,616,144	4,302,029	30,073,859	9,905,973	1,127,934	40,182,559	22,113,988	301,038	5,008,823	41,485	202,223
<b>Investments</b>																	
Investments	505,321,614	262,757,000	143,461,606	80,655,785			242,888				7,496,698	3,503,596	5,576,638	1,627,403			
Total investments	505,321,614	262,757,000	143,461,606	80,655,785			242,888				7,496,698	3,503,596	5,576,638	1,627,403			
<b>Other assets</b>																	
Accounts ren0 TD4.69c																	

Nonmajor Component Units

	Total	The University of Maryland Foundation, Inc.	University of Maryland College Park Foundation, Inc.	University of Maryland Baltimore Foundation, Inc.	Medical Alumni Association of the University of Maryland, Inc.	M Club Foundation University of Maryland, Inc.	The Robert H. Smith School of Business Foundation, Inc.	Bowie State University Foundation, Inc.	Towson University Foundation, Inc.	Frostburg State University Foundation, Inc.	Coppin State College Development Foundation, Inc.	University of Baltimore Educational Foundation, Inc.	Salisbury University Foundation, Inc.	Maryland 4-H Foundation, Inc.	University Research Corporation International	The Maryland Center at Bowie State University, Inc.	University of Maryland Baltimore County Research Park
<b>ASSETS</b>																	
<b>Current assets</b>																	
Cash & cash equivalents	\$21,119,433	\$356,000	\$12,101,857	\$38,336	\$555,696	\$379,997	\$1,439,036	\$586,031	\$821,903	\$251,077	\$437,340	\$2,842,477	\$318,074	\$345,393	\$396,593	\$73,385	\$176,238
Accounts receivable	61,013,888	22,232,000	13,237,276	8,406,306	623,087		278,761	493,377	1,769,906	569,492	160,198	7,789,409	398,622	41,917	4,975,550	37,987	
Investments	76,470,640				3,672,071	1,634,638	1,057,751	2,776,168	15,528,062	7,857,734		23,207,364	20,285,055		451,797		
Other assets	2,703,754	342,000	137,818		94,009	2,780	8,829	2,867		1,932,041	2,203		5,793	175,414			
Total current assets	161,307,715	22,930,000	25,476,951	8,444,642	4,944,863	2,017,415	2,784,377	3,858,443	18,119,871	10,610,344	599,741	33,839,250	21,001,751	393,103	5,999,354	111,372	176,238
<b>Investments</b>																	
Investments	442,367,417	236,486,000	120,523,894	68,498,505			91,544				6,489,898	3,143,722	5,663,998	1,469,856			
Total investments	442,367,417	236,486,000	120,523,894	68,498,505			91,544				6,489,898	3,143,722	5,663,998	1,469,856			
<b>Other assets</b>																	
Accounts receivable	45,862,514	14,189,000	22,886,043	8,722,014									65,457				
Capital assets, net	17,320,220	6,370,000			20,566				1,819,419	633		1,348,915	4,648,457	125,086	3,621	1,885	2,981,638
Assets held for sale	2,148,000	2,122,000										26,000					
Other assets	3,037,743	282,000		2,612,071		19,239						124,433					
Total other assets	68,368,477	22,963,000	22,886,043	11,334,085	20,566	19,239			1,819,419	633		1,348,915	4,864,347	125,086	3,621	1,885	2,981,638

UNIVERSITY SYSTEM OF MARYLAND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2005 AND 2004

Year ended June 30,

OPERATING REVENUES:

Nonmajor Component Units

	Total	The University of Maryland Foundation, Inc.	University of Maryland College Park Foundation, Inc.	University of Maryland Baltimore Foundation, Inc.	Medical Alumni Association of the University of Maryland, Inc.	M Club Foundation, University of Maryland, Inc.	The Robert H. Smith School of Business Foundation, Inc.	Bowie State University Foundation, Inc.	Towson University Foundation, Inc.	Frostburg State University Foundation, Inc.	Coppin State College Development Foundation, Inc.	University of Baltimore Educational Foundation, Inc.	Salisbury University Foundation, Inc.	Maryland 4-H Foundation, Inc.	University Research Corporation International	The Maryland Center at Bowie State University, Inc.	University of Maryland Baltimore County Research Park
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>																	
<b>Revenues</b>																	
Contributions & grants	\$14,554,985	\$5,011,000	\$124,747	\$2,964,823	\$951,594	\$2,360	\$2,507	\$8,691	\$651,420	\$152,997	\$807,462	\$2,324,478	\$143,973	\$50,009	\$844,510	\$514,414	
Investment income	15,830,195	9,824,000	2,473,332	1,454,223	5,943	210,885	74,812	13,373	194,117	123,773	185	1,021,132	334,310	97,207			\$2,903
Other income	11,302,966	3,795,000	794,895	567,442	313,429	125,695	2,160,433		7,087	17,891	89,047	926,257	344,900	168,885	1,879,583	20,994	91,428
Assets released from restrictions	96,489,786	26,842,000	33,297,045	12,877,863	161,397			522,546	1,824,775	1,932,041	667,443	2,775,783	2,576,982	278,264	12,733,647		
<b>Total revenues</b>	<b>138,177,932</b>	<b>45,472,000</b>	<b>36,690,019</b>	<b>17,864,351</b>	<b>1,432,363</b>	<b>338,940</b>	<b>2,237,752</b>	<b>544,610</b>	<b>2,677,399</b>	<b>2,226,702</b>	<b>1,564,137</b>	<b>7,047,650</b>	<b>3,400,165</b>	<b>594,365</b>	<b>15,457,740</b>	<b>535,408</b>	<b>94,331</b>
<b>Expenses</b>																	
Program	102,346,965	22,826,000	33,236,049	18,627,567	783,407	45,532	1,211,238	441,039	2,070,705	163,259	562,183	3,420,645	2,636,207	256,936	15,569,330	496,868	
General & administrative	19,991,171	16,187,000	629,144	3,627,860					12,733,646	29,144	1,211,238	629,168	665,84	5	2,070,705	682,714	1,039

Nonmajor Component Units-----



**UNIVERSITY SYSTEM OF MARYLAND  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>Year ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$785,480,525	\$705,588,950
Research contracts and grants	933,177,134	794,856,188
Payments to employees	(1,914,027,631)	(1,813,939,307)
Payments to suppliers and contractors	(836,140,131)	(755,399,873)
Loans issued to students	(25,895,622)	(15,650,256)
Collections of loans to students	14,839,968	13,736,644
Auxiliary enterprises:		
Residential facilities	88,209,116	81,221,580
Dining facilities	73,992,960	64,286,214
Intercollegiate athletics	62,265,192	54,076,688
Bookstores	32,216,638	36,444,494
Parking facilities	33,572,647	31,744,883
Other	77,042,742	78,066,917
Other receipts	173,533,879	143,242,968
<b>Net cash used by operating activities</b>	<b>(501,732,583)</b>	<b>(581,723,910)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	757,697,687	746,207,049
Nonoperating gifts	13,789,162	14,951,158
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	439,649	4,479,481
Other nonoperating gains and losses	10,173,807	12,754,703
<b>Net cash provided by noncapital financing activities</b>	<b>782,100,305</b>	<b>778,392,391</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of capital debt	182,465,679	352,693,251
Capital appropriations	130,931,582	176,168,720
Capital grants and gifts received	6,061,893	12,862,460
Proceeds from sales of capital assets	649,991	6,421,206
Purchases of capital assets	(286,606,364)	(369,935,799)
Principal paid on debt and capital leases	(179,078,251)	(210,073,230)
Interest paid on debt and capital leases	(45,163,451)	(42,677,427)
<b>Net cash used by capital and related financing activities</b>	<b>(190,738,921)</b>	<b>(74,540,819)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	163,371,843	171,770,379
Interest on investments	32,771,927	23,486,176
Investment expense	(912,599)	(596,908)
Purchases of investments	(167,218,581)	(175,901,580)
<b>Net cash provided by investing activities</b>	<b>28,012,590</b>	<b>18,758,067</b>
<b>Net increase (decrease) in cash</b>	<b>117,641,391</b>	<b>140,885,729</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>676,416,337</b>	<b>535,530,608</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$794,057,728</b>	<b>\$676,416,337</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	(\$672,888,657)	(\$677,291,028)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>		
Depreciation expense	152,604,680	142,125,689
<b>Changes in assets and liabilities:</b>		
Accounts receivables, net		

## UNIVERSITY SYSTEM OF MARYLAND

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2005 AND 2004

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#### ORGANIZATION AND PURPOSE

The University System of Maryland (the System) is a component unit of the State of Maryland (the State) and is governed by its Board of Regents (the Board).

The System comprises eleven degree-granting institutions, two research entities and an administrative unit. Its degree-granting institutions provide a full range of undergraduate, graduate, professional and continuing education opportunities for students. Its research and public service entities conduct basic and applied research, and transfer new technology to constituencies. The administrative unit includes the System Chancellor and staff who serve as support to the Board.

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the System are summarized below.

**Reporting Entity** - The financial statements of the System include all funds and organizations included in the legal entity encompassed by the System, and other legally separate entities for which the System is financially accountable or which otherwise meet the criteria established in *Governmental Accounting Standards Board (GASB) Statement #14, The Financial Reporting Entity*, and *GASB Statement #39, Determining Whether Certain Organizations Are Component Units*. Amounts held in System accounts on behalf of separately organized entities are included as assets, with a corresponding liability reflected.

The System has recognized, as affiliated foundations, sixteen organizations created and operated in support of the interests of the System or any of the institutions that comprise the System. Each of these affiliated foundations are considered to (1) receive or hold economic resources that are to be used for the benefit of the System or its institutions, (2) receive or hold economic resources which the System or its institutions are entitled to or otherwise have the ability to access, and (3) are significant to the financial statements of the System or the institutions with which the foundation is affiliated. As a result, each of the sixteen affiliated foundations meet the criteria for inclusion in the

University Research Corporation International  
Bowie State University Foundation, Inc.  
The Maryland Center @ Bowie State University  
Towson University Foundation, Inc.  
Frostburg State University Foundation, Inc.  
Coppin State College Development Foundation, Inc.  
University of Baltimore Educational Foundation, Inc. and University Properties, Inc.  
Salisbury University Foundation, Inc.  
UMBC Research Park Corporation, Inc.

During the years ended June 30, 2005 and 2004, the foundations distributed approximately \$59,000,000 and \$60,000,000, respectively, to the System including its institutions for both restricted and unrestricted purposes.

All of the System's component units are nongovernmental entities that prepare financial statements using the principals and accounting standards promulgated by the Financial Accounting Standards Board (FASB).

Complete financial statements of the affiliated foundations may be requested from the System's Office of the Comptroller at 3300 Metzert Road, Adelphi, MD 20783.

The University of Maryland, Baltimore provides services to hospital and critical care facilities under contractual arrangements with the State. The expenditures relating to these activities are reported within the hospital functional category. The revenues derived from these activities are reported primarily as contract and grant revenues.

**Measurement Focus and Basis of Accounting** - For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities. Accordingly, the System'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.

**Application of Accounting Standards** - The System has the option to apply all FASB pronouncements issued after November 30, 1989, except for instances in which a pronouncement of the FASB conflicts with pronouncements of the GASB. The System has elected to not apply FASB pronouncements issued after November 30, 1989.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**Operating and Nonoperating Revenues and Expenses** - Operating revenues and expenses are generally associated with those activities that relate directly to the core activities of instruction, research and public service that form the essence of the System's mission. Nonoperating revenues, expenses, gains and losses represent amounts that recur regularly but are not included in operating revenues and expenses. *GASB Statement #34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* specifically defines State appropriations as nonoperating revenues.

**Cash and Cash Equivalents** - Cash and cash equivalents include demand deposits with financial institutions, as well as highly liquid investments that are both readily convertible to known amounts of cash and are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates. Only investments with an original maturity of three months or less satisfy the criteria for cash equivalents.

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

**Capital Assets** - Property, plant, equipment, and books and materials which are part of a catalogued library, are stated principally at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Personal property with an original cost of more than \$5,000 and outlays for real property in excess of \$250,000 are considered capital assets.

Generally, the cost of all capital assets other than land, certain inexhaustible improvements to land, and collections of works of art are assigned to expense over a set of useful lives specific to the type of asset, using a straight-line method of depreciation. The range of useful lives used for the major categories of capital assets is:

Infrastructure and land improvements	20 - 25 years
Buildings and improvements	20 - 40 years
Contents	3 - 15 years

Depreciation expense is assigned to program expense based on the nature and use of the capital asset.

**Reclassifications** – Certain amounts for the year ended June 30, 2004 have been reclassified to conform with the presentation of revenues, expenses and other changes in net assets for the year ended June 30, 2005.

**Pending change in accounting principles** – In November 2003, *GASB Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was issued, which requires that financial statements reflect adjustments for changes in the utility of capital assets when technology, environmental events, or physical damage diminish the usefulness of a capital asset for its intended purpose or use. The System is in the process of assessing the impact of this new accounting standard and will present its financial statements for the year ended June 30, 2006

In June, 2005, *GASB Statement #47, Accounting for Termination Benefits*, was issued. This statement will require employers to record a liability for payments and benefits associated with voluntary and involuntary plans which result in the termination of employees. The System is in the

The System has entered into agreements with trustees for the benefit and security of registered holders of certain debt obligations issued by the System. These agreements permit the System to invest amounts maintained in trust funds in:

United States Treasury and agency obligations.

Deposits, having a maturity of not more than 365 days, in any bank, savings institution or trust company to the extent such deposits are fully insured or collateralized.

Commercial paper rated at least A-1 by Standard & Poor's Corporation (Standard & Poor's) and P-1 by Moody's Investors Service, Inc. (Moody's) having a maturity of not more than 270 days.

Repurchase agreements.

Obligations of any state or political subdivision rated by Standard & Poor's and Moody's in one of its two highest rating categories.

Corporate obligations rated AAA by Standard & Poor's and Aaa by Moody's.

As of June 30, Restricted cash and cash equivalents includes:

	<b>2005</b>	<b>2004</b>
Demand deposits – Endowment funds uninvested cash	\$51,403,848	7,966,286
Money market accounts – unspent proceeds of debt	48,313,339	85,090,866
Total	<u>\$99,717,187</u>	<u>\$93,057,152</u>

### **Investments**

The System discloses investment risks, below, in accordance with *GASB Statement #40, Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, which defines these risks as follows:

#### **Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The System has no formal investment policy that limits investment maturities as a means of

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System would 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 risk if the securities are uninsured, are not registered in the name of the System, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the System's name.

None of the System's investment securities are exposed to custodial credit risk.

### **Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2005, investments consist of:

	Fair value	Investment maturities					
		Not applicable / Not stated	Less than 1 year	1 to 5 years	6 to 10 years	11 to 15 years	More than 15 years
U.S government and agency obligations	\$67,275,270	\$52,143,202	\$252,345	\$4,656,189	\$5,489,878		\$4,733,656
Asset-backed securities	3,202,134			586,548		\$1,051,341	1,564,245
Collateralized mortgage obligations	2,339,331			820,254	67,629		1,451,448
Corporate debt	17,177,591	132,587	726,883	9,266,962	5,982,861		1,068,298
Corporate equities	112,318,720	112,318,720					
<b>Total</b>	<b>\$202,313,046</b>	<b>\$164,594,509</b>	<b>\$979,228</b>	<b>\$15,329,953</b>	<b>\$11,540,368</b>	<b>\$1,051,341</b>	<b>\$8,817,647</b>

As of June 30, 2004, investments consist of:

Fair value	Not applicable / Not stated	Less than 1 year	Investment maturities			11 to 15 years
			1 to 5 years	6 to 10 years	7 to 10 years	



As of June 30, the System has the following investments which individually represent 5 percent or more of the total investments:

	<b>2005</b>	<b>Portion of total</b>
	<b>Fair value</b>	
Federal Home Loan Mortgage Corporation	\$14,546,155	7.2%
Federal National Mortgage Association	24,541,513	12.1
Federal Home Loan Bank	19,035,411	9.4

There were no investments which individually represent 5 percent or more of total investments as of June 30, 2004.

### **Endowment investments**

As of June 30, Endowment investments consist of the following, stated at fair value:

	<u><b>2005</b></u>	<u><b>2004</b></u>
U.S. government and agency obligations	\$15,132,068	\$12,777,953
Collateralized mortgage obligations	2,339,331	2,358,807
Asset-backed securities	3,202,134	2,125,615
Corporate debt	17,177,591	17,716,142
Corporate equities	109,962,177	153,072,288
Total	<u>\$147,813,301</u>	<u>\$188,050,805</u>

Assets associated with endowment funds are invested in accordance with the terms of donor agreements in those instances where such agreements place constraints on allowable investments.

Corpor(c)lized mortgage obligations )-7715.8 in\$1

A spending rule has been adopted by the Board to ensure that endowment funds retain a consistent level of purchasing power over time. The spending rule provides for a target rate of spending of 5.0 percent of a rolling twelve-quarter average market value of the endowment fund. The spending rule is reviewed periodically by the Finance Committee of the Board. Net appreciation on investments of the endowment funds approximates \$150,776,000 and \$148,600,000 as of June 30, 2005 and 2004, respectively. Reinvestments of net appreciation are considered to be subject to the same restrictions as the original gift amounts, and accordingly, are reflected as a component of restricted, expendable net assets.

The Maryland Uniform Management of Institutional Funds Act governs the use of net appreciation, both realized and unrealized, of Endowment investments. This law allows a governing board to appropriate for expenditure only those amounts in excess of the historic gift amount that are prudent, taking into consideration long and short term needs of the institution in carrying out its educational, religious, charitable, or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

### **Other investments**

Other investments include securities and ownership interests received as either a gift, or in exchange for services and use of facilities provided to start-up businesses. The carrying value of other investments is assessed on an annual basis by reference to the value of underlying assets, estimates of future cash flows, or published market prices for the securities where available.

### **Allocation of investment income**

Investment income is assigned to the accounting funds, including Endowments, in proportions associated with investments held by the various accounting funds. For the years ended June 30, 2005 and 2004, investment income attributed to unrestricted funds and restricted funds was:

	<u>2005</u>	<u>2004</u>
Unrestricted funds	\$28,553,564	\$19,823,821
Restricted funds	12,439,112	20,162,930
	<u>\$40,992,676</u>	<u>\$39,986,751</u>
Total investment income		

## Major component units

The University System of Maryland Foundation, Inc. invests funds on behalf of several other System component units. All of the amounts reported as investments by the University of Maryland College Park Foundation, Inc., and the University of Maryland Baltimore Foundation, Inc. are included in the investments reported by the University System of Maryland Foundation, Inc.

As of June 30, 2005 and 2004, major component unit investments, recorded at fair value, are:

	<u>2005</u>	<u>2004</u>
Money market funds and short-term investments	\$4,062,146	\$41,401,733
Corporate and foreign bonds	39,613,661	44,140,014
Equities	120,173,364	142,739,055
U.S. Treasury notes and bonds	9,906,829	16,079,304
U.S. Agencies	6,932,039	9,999,103
Collateral mortgage obligations and asset-backed securities	13,695,265	9,901,988
Absolute return and market neutral funds	95,072,305	59,467,148
Long and short equity hedge funds	109,794,215	48,533,068
Private capital	36,231,814	28,020,720
Real estate	51,392,753	25,226,266
	<u>\$486,874,391</u>	<u>\$425,508,399</u>
Total		

## 2. CAPITAL ASSETS

Changes in net capital assets for the years ended June 30, 2005 and 2004 are presented on the following page.

Total interest expense incurred on revenue bonds, long-term debt and obligations under capital lease agreements during the years ended June 30, 2005 and 2004 was \$44,669,599 and \$39,905,499, respectively. Interest expense of \$919,203 and \$909,610 associated with projects not yet completed was recorded as construction in progress during the years ended June 30, 2005 and 2004, respectively. The remaining \$43,750,396 and \$38,995,889 is reported as Interest on indebtedness for the years ended June 30, 2005 and 2004, respectively.

UNIVERSITY SYSTEM OF MARYLAND

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2005 AND 2004

	July 1, 2003			June 30, 2004			June 30, 2005
	Balance	Additions	Decreases	Balance	Additions	Decreases	Balance
<b>Capital assets being depreciated:</b>							
Infrastructure & Land Improvements	\$169,454,984	\$13,937,022	\$123,342	\$183,268,664	\$8,680,317		\$191,948,981
Buildings & Improvements	2,876,319,477	372,193,588	3,065,211	3,245,447,854	205,713,935	\$2,906,637	3,448,255,152
Contents	661,300,876	69,229,066	21,843,268	708,686,674	85,079,832	2,207,592	791,558,914
Facilities recorded under capital lease agreements	4,136,104			4,136,104			4,136,104
<b>Total capital assets being depreciated</b>	<b>3,711,211,441</b>	<b>455,359,676</b>	<b>25,031,821</b>	<b>4,141,539,296</b>	<b>299,474,084</b>	<b>5,114,229</b>	<b>4,435,899,151</b>
<b>Less accumulated depreciation for:</b>							
Infrastructure & Land Improvements	73,880,083	9,607,307		83,487,390	7,695,983		91,183,373
Buildings & Improvements	1,014,079,757	81,097,782	3,065,211	1,092,112,328	89,983,396	2,901,223	1,179,194,501
Contents	439,976,079	51,233,487	13,180,947	478,028,619	54,787,426	11,959,849	520,856,196
Facilities recorded under capital lease agreements	1,743,137	187,113		1,930,250	137,875		2,068,125
<b>Total accumulated depreciation</b>							

### 3. ACCOUNTS RECEIVABLE, NOTES RECEIVABLE, AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable as of June 30, 2005 and 2004 were comprised of:

	<u>2005</u>	<u>2004</u>
Tuition and fees	\$96,329,995	\$90,605,112
Contracts and grants	122,888,307	114,345,909
Other	17,745,382	18,199,908
	<hr/>	
Subtotal	236,963,684	223,150,929
Allowance for doubtful accounts	(18,872,702)	(16,778,049)
	<hr/>	
Accounts receivable, net	<u>\$218,090,982</u>	<u>\$206,372,880</u>

Notes receivable as of June 30, 2005 and 2004 were comprised of:

	<u>2005</u>	<u>2004</u>
Student loans	\$74,630,137	\$71,438,138
Business development loans	13,298,513	5,291,051
	<hr/>	
Subtotal	87,928,650	76,729,189
Allowance for doubtful notes	(10,009,348)	(9,618,502)
	<hr/>	
Notes receivable, net	<u>\$77,919,302</u>	<u>\$67,110,687</u>

Accounts payable and accrued liabilities as of June 30, 2005 and 2004 were comprised of:

	<u>2005</u>	<u>2004</u>
Payroll and benefits	\$99,630,464	\$88,839,234
Suppliers and contractors	56,964,075	61,656,451
Accrued interest payable	9,979,654	12,236,250
Other	25,583,824	15,324,890
	<hr/>	
Accounts payable and accrued liabilities	<u>\$192,158,017</u>	<u>\$178,056,825</u>

#### Major component units

Accounts receivable include unconditional promises of contributions pledged to the affiliated foundations. Promised contributions are recorded at a discounted value that reflects the time value of money.

As of June 30, 2005 and 2004, contributions receivable are due as follows:

**University of Maryland Foundation, Inc.**

<b>Due</b>	<b>Discount rates</b>	<b>2005</b>	<b>2004</b>
Within one year		\$12,145,000	\$16,020,000
One to five years	1.125% – 6.5%	10,899,000	11,987,000
More than five years	4.38% - 6.75%	800,000	1,891,000
Subtotal		23,844,000	29,898,000
Pledge discount		(1,352,000)	(3,047,000)
Net contributions receivable		\$22,492,000	\$26,851,000

**University of Maryland College Park Foundation, Inc.**

<b>Due</b>		<b>2005</b>	<b>2004</b>
Within one year		\$16,688,052	\$13,304,451
One to five years		39,276,944	23,037,228
More than five years		18,473,112	3,388,761
Subtotal		74,438,108	39,730,440
Allowance for doubtful accounts		(2,350,390)	(539,666)
Pledge discount		(6,849,183)	(3,713,126)
Net contributions receivable		\$65,238,535	\$35,477,648

**University of Maryland Baltimore Foundation, Inc.**

<b>Due</b>	<b>Discount rates</b>	<b>2005</b>	<b>2004</b>
Within one year		\$6,580,622	\$8,643,447
One to five years	2.76% - 3.64%	9,044,639	9,108,459
Subtotal		15,625,261	17,751,906
Allowance for doubtful accounts		(596,051)	(524,993)
Pledge discount		(790,518)	(386,444)
Net contributions receivable		\$14,238,692	\$16,840,469

#### 4. REVENUE BONDS AND NOTES PAYABLE

The System finances the construction, renovation and acquisition of certain facilities and equipment through the issuance of debt obligations. State law limits the aggregate principal amount of debt outstanding and the present value of future minimum lease payments on capital lease obligations for real property to no more than \$1,025,000,000.

Revenue bonds and notes payable consist of the following as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Revenue Bonds, net	\$901,140,734	\$897,288,426
Revolving Loan Program Bonds	65,000,000	64,987,057
Certificates of Participation	15,800,000	16,400,000
Other	13,907,257	14,344,356
	<u>\$995,847,991</u>	<u>\$993,019,839</u>
Revenue bonds and notes payable, net	<u>\$995,847,991</u>	<u>\$993,019,839</u>

#### Auxiliary Facility and Tuition Revenue Bonds

As of June 30, 2005, Auxiliary Facility and Tuition Revenue Bonds (Revenue Bonds) consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Principal Outstanding</u>
1996 Series A	5.4% - 5.5%	2005-2008	\$2,415,000
1997 Series A	5.0% - 5.1%	2005-2018	16,195,000
1998 Series A	5.0%	2005-2019	38,365,000
1999 Series A	4.0% - 4.5%	2004-2019	77,645,000
1999 Refunding Series B	4.2% - 4.8%	2004-2008	2,350,000
2000 Series A	4.6% - 5.7%	2004-2020	26,640,000
2001 Series A	4.0% - 5.0%	2005-2021	64,925,000
2001 Series B	3.5% - 4.6%	2005-2022	51,845,000
2002 Series A	3.0% - 5.2%	2005-2023	135,130,000
2003 Series A & B	1.7% - 5.0%	2005-2024	224,085,000
2004 Series A & B	3.0% - 6.0%	2005-2024	63,400,000
2005 Series A	4.0-5.0%	2006-2021	174,910,000
			<u>877,905,000</u>
Unamortized discounts, premiums and refunding adjustments			<u>23,235,734</u>
Revenue bonds, net			<u>\$901,140,734</u>

Revenue Bonds have been issued pursuant to an Indenture of Trust, an agreement entered into with a trustee for the benefit of holders of Revenue Bonds. Pursuant to the Indenture of Trust, the System has agreed to charge and collect tuition revenues and net auxiliary facility fees in an amount that is not less than 200% of the maximum annual debt service on Revenue Bonds.

Revenue Bonds issued during the years ended June 30, 2005 and 2004, including the results of any advance refunding of previously-issued debt, are as follows:

Debt issuance	Date of issue	Par value of debt issued	Premium on issuance	Par value of debt refunded	Reduction in future debt service	Deferred amount on refunding	Economic gain or (loss)
2003 Series A & B	7/10/2003	\$246,155,000	\$21,018,859	\$153,070,000	\$12,414,515	\$7,762,374	\$11,893,449
2004 Series A & B	6/2/2004	64,165,000	865,019	1,874,000	1,275,888	264,685	897,416
2005 Series A & B	2/24/2005	174,910,000	12,752,167	128,570,000	9,669,879	6,006,759	8,054,926

As of June 30, 2005, previously issued debt removed from the System's financial statements through advance refunding transactions still outstanding was \$1,088,248,750.

As of June 30, 2005 and 2004 cash and cash equivalents are restricted by the terms of the Indenture of Trust in the amount of \$29,942,244 and \$74,765,595, respectively. In addition, \$52,143,202, reported as Restricted Investments as of June 30, 2005 were held by the trustee as unexpended proceeds of the Revenue Bonds.

### **Revolving Loan Program Bonds**

Revolving Loan Program Bonds include debt issued pursuant to an Indenture of Trust, an agreement entered into with a trustee for the benefit of holders of the debt, dated April 1, 1995.

On August 8, 2003, the System issued \$65,000,000 of University System of Maryland Revolving Loan Program Bonds, 2003 Series A. The Revolving Loan Program Bonds, 2003 Series A consist



## **Certificates of Participation**

The System issued \$17,800,000 of variable rate Certificates of Participation on October 30, 2000 to finance the construction of an addition to the School of Business at the University of Maryland, College Park. Payments of principal will be made annually on June 1 beginning in 2003 and ending June 1, 2015. Interest is payable semiannually on December 1 and June 1. Interest charges are determined on a weekly basis by a remarketing agent, using the lowest rate that would permit the sale of the Certificates at par plus accrued interest. The System has the option of converting the Certificates to a daily rate, a multi-annual rate, a commercial paper rate, or a fixed rate.

## **Other**

Other debt and notes payable includes amounts borrowed to finance facilities, equipment acquisitions, and other improvements designed to enhance energy efficiency savings. The System is subject to Federal arbitrage laws governing the use of proceeds of tax-exempt debt.

Future principal and interest payments are as follows:

Year ending June 30,	<b>Auxiliary Facility and Tuition Revenue Bonds</b>		<b>Notes Payable and Other Long-term Debt</b>		<b>Total Payments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2006	\$54,965,000	\$41,583,025	\$10,210,972	\$4,856,507	\$111,615,504
2007	58,830,000	38,381,814	1,700,868	4,613,493	103,526,175
2008	61,295,000	35,638,455	1,814,696	4,525,787	103,273,938
2009	63,755,000	32,831,490	1,950,064	4,430,311	102,966,865
2010	61,600,000	29,930,651	2,070,423	4,327,452	97,928,526
2011 – 2015	253,495,000	112,235,208	11,344,247	19,854,665	396,929,120
2016 – 2020	222,145,000	54,857,477	615,987	17,902,613	295,521,077
2021 – 2025	101,820,000	11,010,421	65,000,000	10,725,000	188,555,421
Total	<u>\$877,905,000</u>	<u>\$356,468,541</u>	<u>\$94,707,257</u>	<u>\$71,235,828</u>	<u>\$1,400,316,626</u>

## **5. LEASES**

### **Obligations under capital leases agreements**

The System (the University of Maryland Biotechnology Institute) leases a facility under an agreement recorded as a capital lease. The obligation is recorded at the present value of future minimum lease payments using a discount rate of 6.8%.

Future minimum payments on obligations under capital lease agreements are as follows:

<u>Year ending June 30,</u>	<u>Total</u>
2006	\$511,986
2007	511,986
2008	511,986
2009	511,986
2010	511,986
2011 – 2015	2,559,930
2016 – 2020	2,559,930
2021 – 2025	<u>255,993</u>
Total future lease payments	7,935,783
Interest component	<u>(3,057,204)</u>
Obligations under capital lease agreements	<u><u>\$4,878,579</u></u>

### **Operating leases**

The System and its constituent units lease facilities and equipment under agreements reported as operating leases. Many provide for an optional extension of the terms of the agreements and increases in payment amounts based on changes in indices such as the Consumer Price Index.

Future minimum payments on operating leases with an initial or remaining noncancelable term in excess of one year are as follows:

<u>Year ending June 30,</u>	<u>Minimum Annual Lease Payments</u>
2006	\$9,052,079
2007	5,267,936
2008	3,798,697
2009	2,385,621
2010	2,101,626
2011 – 2015	<u>16,650,760</u>
Total	<u><u>\$39,256,719</u></u>

Operating lease expenditures for the years ended June 30, 2005 and 2004 were \$6,465,119 and \$6,306,648, respectively.

The System has entered into lease agreements with developers at seven of its institutions. These agreements provide the developers the use of System land for periods of 30 to 40 years. In each agreement, the developer will construct and manage the properties to provide housing services to students.

UNIVERSITY SYSTEM OF MARYLAND

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2005 AND 2004

6. CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the years ended June 30, 2005 and 2004 were as follows:

	July 1, 2003 Balance	Additions	Reductions	June 30, 2004 Balance	Additions	Reductions	June 30, 2005 Balance	Due Within One Year
Accrued vacation costs	\$117,638,609	\$63,425,245	\$61,107,842	\$119,956,012	\$68,725,466	\$59,517,695	\$129,163,783	\$60,927,181
Accrued workers compensation	22,928,000	6,620,144	3,734,144	25,814,000	1,964,766	3,822,766	23,956,000	3,713,180
Revenue bonds and notes payable, net	849,925,844	397,706,200	254,612,205	993,019,839	182,662,633	179,834,481	995,847,991	65,175,972
Obligations under capital lease agreements	5,216,342		163,287	5,053,055		174,476	4,878,579	186,426
Total long-term liabilities	\$995,708,795	\$467,751,589	\$319,617,478	\$1,143,842,906	\$253,352,865	\$243,349,418	\$1,153,846,353	\$130,002,759

7. OPERATING EXPENSES BY OBJECT

The System reports Operating Expenses in the Statement of Revenues, Expenses and Changes in Net Assets by program category. Operating expenses for the years ended June 30, 2005 and 2004 by grouping of object classification are:

	2005	2004	2003	2002
Employee Costs				
Payments to Suppliers, Contractors and Others				
Depreciation				
Total				
Employee Costs				
Institutional support	211,58,9	47,84,452	13,92,08	273,80,000
Operation and maintenance of plant	8,713,07	8,570,401	2,525,19	205,000,000
Scholarships and fellowships	4,8,50	42,725,579	76,265	47,000,000
Auxiliary enterprises:	78,928	32,535,324	3,156,08	114,500,000
Residence facilities	31,275,408	3,955,555	12,642,23	8,000,000
Dining facilities	22,59,725	40,572,277	1,629,18	6,000,000
Payments to Academic support		15,940,020	61,80,97	23,450,000

## **8. OTHER POSTEMPLOYMENT BENEFITS**

Former System employees who are receiving retirement benefits may participate in the State health care insurance plans. These plans, which provide insurance coverage for medical, dental and hospital costs, are funded currently by the payment of premiums to the carriers and, under State policy, are jointly contributory. Depending on the health care insurance plan selected, retired employees contribute up to \$55 monthly towards the cost of premiums. System costs for premiums paid to the State health care insurance plans for the approximately 3,200 retired employees receiving these benefits amounted to \$27,765,293 and \$25,577,243 for the years ended June 30, 2005 and 2004, respectively.

## **9. RETIREMENT AND PENSION PLANS**

Most System employees participate in the State's Retirement and Pension Systems (the State Systems), which is an agent, multiple-employer public employee retirement system. While the State Systems is an agent, multiple-employer public employee retirement system, the System accounts for the plan as a cost-sharing multiple-employer public employee retirement system, as a separate valuation is not performed for the System, and the only obligation to the plan is its required annual contributions. The State Systems prepare a Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension Systems at 120 East Baltimore Street, Baltimore, Maryland 21202.

Certain employees participate in an optional program with the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF).

### **State Systems**

#### ***Plan Description***

The State Systems are defined benefit plans with unfunded accrued actuarial liabilities. The State Systems, which are administered in accordance with Article 73B of the Annotated Code of Maryland, are managed by a Board of Trustees, and are included in the State of Maryland financial reporting entity. Article 73B is the authority under which benefit provisions and contributions are established and amended.

Participants in the State Systems may receive retirement benefits after satisfying age and length of service requirements. Retirement benefits under each of the State Systems plans are based on the length of service and the average of the highestn t421timore Street, BaltTJ22.14oar75. anniTpate Sysu/TTed J

## ***Funding Policy***

The System's required contributions are based upon actuarial valuations. Effective July 1, 1980, in accordance with the law governing the State Systems, all benefits of the State Systems are funded in advance. The aggregate entry age normal cost method is the actuarial cost method used.

Both the System and covered employees are required by State statute to contribute to the State Systems. The contribution from the employees is 5 percent for participants in the State Systems retirement plans (with a 5 percent limit on the annual cost of living allowance and 7 percent for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index); and 2 percent for participants in the State Systems pension plans. Contributions are deducted from participant's salary and wage payments and are remitted to the State Systems on a regular, periodic basis.

The System made its required contributions during the years ended June 30, 2005, 2004, and 2003 of \$26,641,689, \$26,867,274, and \$27,492,297, respectively.

## **TIAA-CREF**

Some employees participate in the optional TIAA-CREF programs, which are defined contribution money purchase plans funded currently each year. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. Qualified employees are eligible to participate from the date of employment. State legislation provides that the System contribute 7.25 percent of covered employees' total salaries each month and that the employee may elect to contribute 5 percent of total annual salary or 5 percent of total annual salary in excess of the Social Security wage base. The System's contribution along with that of the employee is immediately and fully vested. The contributions for the year ended June 30, 2005 were \$99,192,422, which consisted of \$50,726,023 from the System and \$48,466,399 from employees. The contributions for the year ended June 30, 2004 were \$90,741,621, which consisted of \$46,170,661 from the System and \$44,570,960 from employees.

## **Major component units**

The University of Maryland Foundation, Inc. maintains a defined contribution plan for certain personnel provided by TIAA-CREF. The University of Maryland Foundation, Inc. contributes 7.25% of the employee's compensation to the plan. In addition, eligible employees are entitled to make voluntary contributions to the plan. Total pension expense for the years ended June 30, 2005 and 2004 was approximately \$141,812 and \$95,900, respectively.

## **10. CONSTRUCTION COMMITMENTS**

The estimated costs to complete construction in progress as of June 30, 2005 is \$214,077,000, of which \$66,971,000 is to be funded from Revenue Bond proceeds, \$107,229,000 is to be derived from State appropriations and grants, and \$39,877,000 to be provided from System funds.

## **11. CONTINGENT LIABILITIES**

The University of Maryland College Park has entered into future purchase commitments for natural gas, as a means of hedging its risk against fluctuations in price of an important fuel commodity. As of June 30, 2005 and 2004, the institution had entered into open contracts for the purchase of \$10,725,296 and \$4,930,702, respectively, of natural gas, to be delivered monthly through May 2006.

The System is involved in a number of legal actions that arise in the normal course of its operations. In the opinion of management, based on the advice of the State Attorney General, such actions, as well as any exposure to unasserted claims, will not have a material adverse effect on the System's financial position.

## **12. RISK MANAGEMENT**

The System participates in State-wide self-insurance programs for many forms of risk of loss, including general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities, as well as certain employee health benefit programs.

The System remits 'premiums' to the State, to cover costs of claims servicing and claims payments. The premiums are based on a percentage of annual payroll or are based on average loss experience, taking into account recent trends in actual claims experience, and providing for catastrophic losses.

The System records a liability when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities recorded include a provision for claims incurred but not reported. Because actual claims liabilities depend on such complex factors such as inflation, changes in legal doctrines, and damage awards, actual claims could differ from estimates. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The provision for workers' compensation is based upon a separately determined actuarial valuation for the fiscal years ended June 30, 2005 and 2004. Settlement amounts have not exceeded insurance coverage levels for the years ended June 30, 2005, 2004, or 2003.

As of June 30, 2005 and 2004, the System has recorded \$23,956,000 and \$25,814,000 in liabilities associated with workers' compensation, respectively.

**UNIVERSITY OF MARYLAND, BALTIMORE**  
**BALANCE SHEET**  
**JUNE 30, 2005 AND 2004**

	June 30,			
	2005		2004	
ASSETS	Institution	Component Units	Institution	Component Units
<b>Current assets:</b>				
Cash and cash equivalents	\$127,675,838	\$425,893	\$119,169,431	\$594,032
Investments		4,312,452		3,672,071
Accounts receivable, net	50,901,713	7,860,938	40,111,543	10,740,393
Notes receivable, current portion	1,867,272		1,873,861	
Prepaid expenses		195,136		116,009
Inter-institutional balances	(572,529)		(96,634)	
<b>Total current assets</b>	<b>179,872,294</b>	<b>12,794,419</b>	<b>161,058,201</b>	<b>15,122,505</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	20,634,627		3,264,035	
Endowment investments	58,149,857	107,773,970	73,902,334	94,361,641
Other investments	186,370		186,370	
	5372,66,8494	205636		
			1070072,225	
<b>Total assets</b>			<b>25, (202782)-16040232049,455</b>	<b>\$313,95,7877</b>
			396,6202836	,7945794,4(3n246096\$,1221242,775)
			Otherpaye, ces	
		85,76372543		
				<b>TotalNoncurrentliabiltiss</b>







**UNIVERSITY OF MARYLAND, COLLEGE PARK  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	2005		June 30,		2004	
	Institution	Component Units	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$296,147,001	\$17,802,071	\$233,849,080	\$14,730,876		
Investments		3,639,347		3,144,186		
Accounts receivable, net	49,704,463	31,843,669	46,951,871	26,198,504		
Notes receivable, current portion	4,738,256		4,786,100			
Inventories	1,819,856		1,830,668			
Prepaid expenses	1,034,648	516,710	1,066,242	496,634		
Inter-institutional balances	627,124		3,440,066			
<b>Total current assets</b>	<b>354,071,348</b>	<b>53,801,797</b>	<b>291,924,027</b>	<b>44,570,200</b>		
<b>Noncurrent assets:</b>						
Restricted cash and cash equivalents	29,137,148		5,771,802			

**UNIVERSITY OF MARYLAND, COLLEGE PARK  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2005 AND 2004**

			Year ended June 30,		
			Component		Component
			Units		Units
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$312,538,727			\$290,772,796	
Less: scholarship allowances	(49,498,161)	\$263,040,566		(48,102,263)	\$242,670,533
Federal grants and contracts		239,540,626			223,464,263
State and local grants and contracts		34,389,033			33,616,278

**UNIVERSITY OF MARYLAND, COLLEGE PARK  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$265,305,816	\$239,421,756
Research contracts and grants	321,869,285	301,804,032
Payments to employees	(729,164,283)	(699,977,473)
Payments to suppliers and contractors	(273,753,546)	(251,727,259)
Loans issued to students	(2,579,800)	(2,383,318)
Collections of loans to students	2,950,815	2,604,909
Auxiliary enterprises:		
Residential facilities	36,348,506	34,106,924
Dining facilities	32,876,128	31,506,586
Intercollegiate athletics	40,711,027	38,314,867
Parking facilities	12,031,572	10,956,428
Other	31,541,537	30,279,526
Other receipts (payments)	44,670,983	40,243,049
	<u>(217,191,960)</u>	<u>(224,849,973)</u>
<b>Net cash provided (used) by operating activities</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	310,281,793	306,130,519
Nonoperating gifts	12,345,926	12,705,779
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	136,528	284,624
Other nonoperating gains and losses	7,617,229	(63,608)
	<u>330,381,476</u>	<u>319,057,314</u>
<b>Net cash provided (used) by noncapital financing activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of capital debt	66,378,705	111,392,967
Capital appropriations	18,265,060	31,263,389
Capital grants and gifts received	5,269,279	12,092,875
Proceeds from sales of capital assets	243,275	6,400,442
Purchases of capital assets	(75,649,493)	(113,429,531)
Principal paid on debt and capital leases	(88,445,483)	(88,615,019)
Interest paid on debt and capital leases	(19,489,319)	(18,301,814)
Transfers (to) from other University System of Maryland institutions	27,143,937	(3,517,641)
	<u>(66,284,039)</u>	<u>(62,714,332)</u>
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	85,357,850	86,937,744
Interest on investments	14,114,083	17,965,644
Investment expense	(429,494)	(167,781)
Purchases of investments	(60,284,649)	(91,900,311)
	<u>38,757,790</u>	<u>12,835,296</u>
<b>Net cash provided (used) by investing activities</b>		
<b>Net increase (decrease) in cash</b>	85,663,267	44,328,305
<b>Cash and cash equivalents - beginning of the year</b>	<u>239,620,882</u>	<u>195,292,577</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$325,284,149</u></u>	<u><u>\$239,620,882</u></u>

**BOWIE STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents		\$567,355	\$2,272,488	\$659,416
Investments		3,512,851		2,776,168
Accounts receivable, net	\$6,306,075	252,701	4,630,112	531,364
Notes receivable, current portion	234,310		224,670	
Prepaid expenses		10,607		2,867
Inter-institutional balances	(924,176)		(869,221)	
<b>Total current assets</b>	<u>5,616,209</u>	<u>4,343,514</u>	<u>6,258,049</u>	<u>3,969,815</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	1,236,852		849,680	
Notes receivable, net	546,722		576,264	
Capital assets, net	71,855,900	3,733	73,205,470	1,885
<b>Total noncurrent assets</b>	<u>73,639,474</u>	<u>3,733</u>	<u>74,631,414</u>	<u>1,885</u>
<b>Total assets</b>	<u>\$79,255,683</u>	<u>\$4,347,247</u>	<u>\$80,889,463</u>	<u>\$3,971,700</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$3,210,249	\$54,397	\$3,833,729	\$90,516
Accrued workers compensation, current portion	63,860		68,045	
Accrued vacation costs, current portion	600,338		803,512	
Revenue bonds and notes payable, current portion	1,261,374	25,000	1,056,170	
Deferred revenue	360,971	6,269	413,183	45,964
<b>Total current liabilities</b>	<u>5,496,792</u>	<u>85,666</u>	<u>6,174,639</u>	<u>136,480</u>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	348,140		370,955	
Accrued vacation costs	1,067,059		1,205,269	
Revenue bonds and notes payable	14,241,736		16,759,490	
<b>Total noncurrent liabilities</b>	<u>15,656,935</u>		<u>18,335,714</u>	
<b>Total liabilities</b>	<u>21,153,727</u>	<u>85,666</u>	<u>24,510,353</u>	<u>136,480</u>
<b>NET ASSETS</b>				
Unrestricted	(497,581)	197,262	(752,529)	206,872
Invested in capital assets, net	56,352,790		55,389,810	
Restricted:				
Nonexpendable:				
Other		3,623,492		3,130,495
Expendable:				
Loans	1,009,895		892,149	
Capital projects	1,236,852		849,680	
Other		440,827		497,853
<b>Total net assets</b>	<u>58,101,956</u>	<u>4,261,581</u>	<u>56,379,110</u>	<u>3,835,220</u>
<b>Total liabilities and net assets</b>	<u>\$79,255,683</u>	<u>\$4,347,247</u>	<u>\$80,889,463</u>	<u>\$3,971,700</u>

**BOWIE STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

Year ended June 30,

Component  
Units

Component  
Units



**TOWSON UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,			
	2005		2004	
<b>ASSETS</b>	Institution	Component Units	Institution	Component Units
<b>Current assets:</b>				
Cash and cash equivalents	\$59,331,638	\$1,116,458	\$45,417,260	\$821,903
Investments		21,452,469		15,528,062
Accounts receivable, net	10,423,045	7,504,932	11,636,078	1,769,906
Notes receivable, current portion	3,556,791		3,671,423	
Inventories	2,133,275		2,317,859	
Prepaid expenses	1,360,437		1,114,175	
Inter-institutional balances	(732,765)		(717,716)	
<b>Total current assets</b>				



**TOWSON UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	Year ended June 30,		2004	
		Component			Component
		Units			Units
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$108,422,406		\$100,162,858		
Less: scholarship allowances	(18,655,636)		(17,367,327)		
Federal grants and contracts	9,145,475			413,423	
State and local grants and contracts	2,219,925			1,823,801	
Nongovernmental grants and contracts	217,948			388,244	
Sales and services of educational departments	3,502,444			3,585,744	
Auxiliary enterprises:					
Residential facilities	14,386,468		14,037,665		
Less: scholarship allowances	(719,930)	13,666,538	(738,525)		13,299,140
Dining facilities	12,114,150		11,156,992		
Less: scholarship allowances	(291,336)	11,822,814	(252,492)		10,904,500
Intercollegiate athletics	10,001,019		9,500,420		
Less: scholarship allowances	(1,030,312)	8,970,707	(1,014,614)		8,485,806
Bookstores	10,618,528		10,741,370		
Less: scholarship allowances	(59,746)	10,558,782	(61,009)		10,680,361
Parking facilities		3,732,090			3,433,822
Other auxiliary enterprises revenues		16,465,547			15,502,941
Other operating revenues		32,021			50,192
<b>Total operating revenues</b>		<b>170,101,061</b>			<b>151,363,505</b>
<b>OPERATING EXPENSES:</b>					
Instruction		66,475,009		61,923,991	
Research		2,821,844		3,549,839	
Public service		9,987,881		9,598,700	
Academic support		26,479,989		21,736,645	
Student services					

TOWSON UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004

Year ended June 30,

UNIVERSITY OF MARYLAND EASTERN SHORE  
BALANCE SHEET  
JUNE 30, 2005 AND 2004

	June 30,		2004	
	2005	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$10,198,861		\$1,894,747	

**UNIVERSITY OF MARYLAND EASTERN SHORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$20,211,941		\$ sUp34,928	
Less: scholarship allowances	(2,795,316)	\$ 7,4 sU625	(2,561,827)	\$ 3,573,101
Federal grants and contracts		26,376,501		sU219,230
State and local grants and contracts		8,342,164		7,640,306
Nongovernmental grants and contracts		1,012,669		596,457
Sales and services of educational departments		152,297		170,531
Auxiliary enterprises:				
Residential facilities	sU270,531		7,290,696	
Less: scholarship allowances	(714,858)	5,555,673	(333,233)	sU957,463
Dining facilities	4,739,998		4,858,020	
Less: scholarship allowances	(85,013)	4,654,985	(359,548)	4,498,472
Intercollegiate athletics		1,815,766		1,497,155
Parking facilities		88,563		27,292
Other auxiliary enterprises revenues		3,384,025		3,824,363
Other operating revenues		197,855		38,602
<b>Total operating revenues</b>	<b>68,997,123</b>		<b>55,042,972</b>	
<b>OPERATING EXPENSES:</b>				
Instruction		25,457,600		23,404,901
Research		11,191,854		9,881,004
Public service		492,279		697,425
Academic support		8,826,066		5,90sU203
Student services		3,745,086		2,053,784
Institutional support		8,044,925		7,856,791
Operation and maintenance of plant		8,010,041		6,772,331
Scholarships and fellowships		4,555,617		4,622,316
Auxiliary enterprises:				
Residential facilities		4,587,812		5,107,439
Dining facilities		1,904,982		2,161,933
Intercollegiate athletics		1,816,469		1,537,732
Other auxiliary enterprises expenses		3,878,663		2,721U219
<b>Total operating expenses</b>		<b>82,511,394</b>		<b>72,723,078</b>
<b>Operating income (loss)</b>		<b>(3,514,271)</b>		<b>(7,680,106)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		21,829,549		21,432,854
Gifts			\$2,32sU206	\$331,000
Investment income	183,213		2,34sU956	1,628,000
Less: Investment expense	(,990)	181U223	132,496	130,464
Interest on indebtedness		(2,785,086)	(2,032)	(2,709,884)
Other nonoperating revenues (expenses)		(811,006)		14sU247
Other affiliated foundation revenue			(1U224)	(26,000)
Other affiliated foundation expense			(1U657,361)	(1U038,018)
Transfers (to) from other University System of Maryland institutions		577,170		12,772
<b>Total nonoperating (revenues) expenses</b>		<b>18,991,850</b>		<b>19,012,453</b>
<b>Income before other revenues, expenses, gains and losses</b>		<b>5,477,579</b>		<b>1,332,347</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital appropriations		2,730,740		31,585,360
<b>Total other revenues, expenses, gains and losses</b>		<b>2,730,740</b>		<b>31,585,360</b>
<b>Increase (decrease) in net assets</b>		<b>8U208,319</b>		<b>32,9 7,707</b>
<b>Net assets - beginning of year</b>		<b>126,889,064</b>		<b>93,971,357</b>
<b>Net assets - end of year</b>		<b>\$135,097,383</b>		<b>\$126,889,064</b>

**UNIVERSITY OF MARYLAND EASTERN SHORE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>Year ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$21,964,476	\$8,743,252
Research contracts and grants	38,164,885	21,702,756
Payments to employees	(48,169,472)	(45,931,056)
Payments to suppliers and contractors	(25,875,089)	(21,242,824)
Loans issued to students	(10,404,992)	(46,800)
Collections of loans to students	2,023,271	523,198
Auxiliary enterprises:		
Residential facilities	5,273,792	5,487,476
Dining facilities	4,654,985	4,498,472
Parking facilities	88,563	27,292
Other	5,511,097	4,918,252
Other receipts (payments)	350,152	209,133
<b>Net cash provided (used) by operating activities</b>	<b>(6,418,332)</b>	<b>(21,110,849)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	21,829,549	21,432,854
Other nonoperating gains and losses	13,244	146,247
<b>Net cash provided (used) by noncapital financing activities</b>	<b>21,842,793</b>	<b>21,579,101</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of capital debt	11,357,535	13,217,413
Capital appropriations	2,730,740	31,585,360
Purchases of capital assets	(10,766,923)	(37,419,178)
Principal paid on debt and capital leases	(14,815,410)	(11,193,844)
Interest paid on debt and capital leases	(2,914,656)	(2,874,296)
Transfers (to) from other University System of Maryland institutions	7,253,674	(134,829)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(7,155,040)</b>	<b>(6,819,374)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	390,044	418,069
Interest on investments	140,360	72,972
Investment expense	(1,990)	(2,032)
Purchases of investments	(275,471)	(397,736)
<b>Net cash provided (used) by investing activities</b>	<b>252,943</b>	<b>91,273</b>
<b>Net increase (decrease) in cash</b>	<b>8,522,364</b>	<b>(6,259,849)</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>2,043,594</b>	<b>8,303,443</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$10,565,958</b>	<b>\$2,043,594</b>

**FROSTBURG STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,			
	2005	Component Units	2004	Component Units
<b>ASSETS</b>	<b>Institution</b>		<b>Institution</b>	
<b>Current assets:</b>				
Cash and cash equivalents	\$12,585,145	\$86,932	\$9,615,294	\$251,077
Investments		9,003,694		7,857,734
Accounts receivable, net	1,654,636	461,642	1,614,541	569,492
Notes receivable, current portion	245,068		218,148	
Inventories	713,001		768,177	
Prepaid expenses	232,782	353,705	173,773	1,932,041
Inter-institutional balances	(293,596)		(515,294)	
<b>Total current assets</b>	<b>15,137,036</b>	<b>9,905,973</b>	<b>11,874,639</b>	<b>10,610,344</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	904,395		454,530	
Endowment investments	599,325		723,397	
Notes receivable, net	885,689		994,621	
Capital assets, net	70,942,977	408	70,331,072	633
<b>Total noncurrent assets</b>	<b>73,332,386</b>	<b>408</b>	<b>72,503,620</b>	<b>633</b>
<b>Total assets</b>	<b>\$88,469,422</b>	<b>\$9,906,381</b>	<b>\$84,378,259</b>	<b>\$10,610,977</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$5,312,820	\$28,374	\$4,794,148	\$10,254
Accrued workers compensation, current portion	101,990		115,630	
Accrued vacation costs, current portion	2,298,835		2,121,530	
Revenue bonds and notes payable, current portion	1,465,696		1,134,322	
Deferred revenue	1,154,667		1,735,823	
<b>Total current liabilities</b>	<b>10,334,008</b>	<b>28,374</b>	<b>9,901,453</b>	<b>10,254</b>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	556,010		630,370	
Revenue bonds and notes payable	20,844,623		22,492,984	
<b>Total noncurrent liabilities</b>	<b>21,400,633</b>		<b>23,123,354</b>	
<b>Total liabilities</b>	<b>31,734,641</b>	<b>28,374</b>	<b>33,024,807</b>	<b>10,254</b>
<b>NET ASSETS</b>				
Unrestricted	5,764,812	147,105	2,975,811	49,340
Invested in capital assets, net	48,632,658		46,703,766	
Restricted:				
Expendable:				
Scholarships and fellowships	2,100			
Research	424,710		9,046	
Loans	1,212,661		1,239,838	
Capital projects				

**FROSTBURG STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,		Component
			Units
OPERATING REVENUES:			Component
Tuition and fees	\$27,264,796	\$25,728,245	Units

**FROSTBURG STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$23,763,219	\$20,984,998
Research contracts and grants	5,794,571	6,027,707
Payments to employees	(46,635,724)	(46,520,772)
Payments to suppliers and contractors	(20,034,868)	(20,482,662)
Loans issued to students	(266,197)	(276,931)



COPPIN STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2005 AND 30, , SHEET



**COPPIN STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$10,933,699	\$4,579,127
Research contracts and grants	17,982,682	11,530,607
Payments to employees	(30,431,616)	(28,244,358)
Payments to suppliers and contractors	(20,968,278)	(14,466,117)
Loans issued to students	(327,793)	(327,793)
Collections of loans to students	306,474	306,474
Auxiliary enterprises:		
Residential facilities	3,716,839	2,476,786
Intercollegiate athletics	2,034,390	1,419,025
Other		1,094,445
Other receipts (payments)	1,127,662	325,394
<b>Net cash provided (used) by operating activities</b>		

**UNIVERSITY OF BALTIMORE  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,			Component Units
	2005		2004	
	Institution	Component Units	Institution	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$9,137,490	\$1,741,575	\$7,591,347	\$2,842,477
Investments		28,611,440		23,207,364
Accounts receivable, net	8,152,428	9,829,544	7,716,394	7,789,409
Notes receivable, current portion	936,805		468,059	
Inter-institutional balances	(52,269)			
<b>Total current assets</b>	<b>18,174,454</b>	<b>40,182,559</b>	<b>15,775,800</b>	<b>33,839,250</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	436,971		251,046	
Endowment investments		3,503,596		3,143,722
Notes receivable, net	2,690,452		2,616,791	
Capital assets, net	56,458,962	1,289,724	50,077,025	1,348,915
<b>Total noncurrent assets</b>	<b>59,586,385</b>	<b>4,793,320</b>	<b>52,944,862</b>	<b>4,492,637</b>
<b>Total assets</b>	<b>\$77,760,839</b>	<b>\$44,975,879</b>	<b>\$68,720,662</b>	<b>\$38,331,887</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$3,936,152	\$672,377	\$3,134,870	\$354,600
Accrued workers compensation, current portion	71,920		80,135	
Accrued vacation costs, current portion	613,752		1,370,677	
Revenue bonds and notes payable, current portion	1,176,993		493,422	
Deferred revenue	1,393,395		1,573,759	
<b>Total current liabilities</b>	<b>7,192,212</b>	<b>672,377</b>	<b>6,652,863</b>	<b>354,600</b>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	392,080		436,865	
Accrued vacation costs	1,347,117		623,634	
Revenue bonds and notes payable	19,761,441		13,222,866	
<b>Total noncurrent liabilities</b>	<b>21,500,638</b>		<b>14,283,365</b>	
<b>Total liabilities</b>	<b>28,692,850</b>	<b>672,377</b>	<b>20,936,228</b>	<b>354,600</b>
<b>NET ASSETS</b>				
Unrestricted	9,483,233	10,104,924	7,715,563	6,637,664
Invested in capital assets, net	35,520,528		36,360,737	
Restricted:				
Nonexpendable:				
Scholarships and fellowships		9,885,176		9,182,004
Other		19,328,293		19,607,664
Expendable:				
Scholarships and fellowships		879,308		593,733
Loans	3,627,257		3,457,088	
Capital projects	436,971		251,046	
Other		4,105,801		1,956,222
<b>Total net assets</b>	<b>49,067,989</b>	<b>44,303,502</b>	<b>47,784,434</b>	<b>37,977,287</b>
<b>Total liabilities and net assets</b>	<b>\$77,760,839</b>	<b>\$44,975,879</b>	<b>\$68,720,662</b>	<b>\$38,331,887</b>



**UNIVERSITY OF BALTIMORE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>Year ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$33,800,459	\$31,681,995
Research contracts and grants	8,318,415	6,988,909
Payments to employees	(45,358,391)	(39,043,554)
Payments to suppliers and contractors	(17,017,950)	(20,961,928)
Loans issued to students	(848,451)	(964,780)
Collections of loans to students	936,805	740,210
Auxiliary enterprises:		
Parking facilities	229,484	1,032,971
Other	5,424,705	2,712,444
Other receipts (payments)	1,254,593	(210,927)
<b>Net cash provided (used) by operating activities</b>	<b>(13,260,331)</b>	<b>(18,024,660)</b>

**SALISBURY UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	2005	June 30, 2004	2004	20,28,055
<b>Investments</b>				
Accounts receivable, net	9129	2,889	98	382
Notes receivable, current portion	28		255,38	
Inventories	84,81		25,61	
Prepaid expenses	5234		0,26	
Inter-institutional balances	(8,59)		(2,004,528)	
<b>Total current assets</b>	24,519,365	22,113,988	16,335,563	21,001,751
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	431,622		279,226	
Endowment investments		5,576,638		5,663,998
Notes receivable, net	895,449	56,690	962,795	65,457
Other assets		153,686		150,433
Capital assets, net	123,863,344	4,555,238	126,485,948	4,648,457
<b>Total noncurrent assets</b>	125,190,415	10,342,252	127,727,969	10,528,345
<b>Total assets</b>	\$149,709,780	\$32,456,240	\$144,063,532	\$31,530,096
<b>LIABILITIES</b>				
<b>S</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$5,707,604	\$1,163,622	\$5,323,002	\$1,155,860
Accrued workers compensation, current portion	107,570		137,020	
Accrued vacation costs, current portion	1,596,162		1,751,877	
Revenue bonds and notes payable, current portion	3,220,377	100,000	3,276,265	100,000
Deferred revenue	1,408,864	19,563	1,013,645	6,088
<b>Total current liabilities</b>	12,040,577	1,283,185	11,501,809	1,261,948
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	586,430		746,980	
Accrued vacation costs	1,227,874		862,052	
Other payables		3,712,695		3,836,185
Revenue bonds and notes payable	32,343,952	790,971	35,759,308	890,971
<b>Total noncurrent liabilities</b>	34,158,256	4,503,666	37,368,340	4,727,156
<b>Total liabilities</b>	46,198,833	5,786,851	48,870,149	5,989,104
<b>NET ASSETS</b>				
Unrestricted	12,503,029	2,601,646	5,259,158	2,270,067
Invested in capital assets, net	88,299,015		87,450,375	
Restricted:				
Nonexpendable:				
Scholarships and fellowships		5,028,499		18,535,428
Research		540,654		

**SALISBURY UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$38,965,402		\$35,592,779	
Less: scholarship allowances	(4,708,318)	\$34,257,084	(4,321,100)	\$31,271,679
Federal grants and contracts		3,335,379		3,544,091
State and local grants and contracts		2,240,615		2,501,007
Nongovernmental grants and contracts		208,338		473,830
Sales and services of educational departments		606,467		205,436
Auxiliary enterprises:				
Residential facilities	11,067,311		10,643,190	
Less: scholarship allowances	(100,122)	10,967,189	(134,989)	10,508,201
Dining facilities	9,086,568		9,330,548	
Less: scholarship allowances	(2,380)	9,084,188	(14,683)	9,315,865
Intercollegiate athletics	2,251,085		2,155,723	
Less: scholarship allowances	(11,816)	2,239,269	(49,799)	2,105,924
Bookstores	4,799,845		4,782,756	
Less: scholarship allowances	(85)	4,799,760		4,782,756
Parking facilities		249,895		239,475
Other auxiliary enterprises revenues		1,214,784		814,096
<b>Total operating revenues</b>	<b>69,202,968</b>		<b>65,762,360</b>	
<b>OPERATING EXPENSES:</b>				
Instruction	29,277,856		27,069,130	
Research	2,164,516		3,559,886	
Public service	1,632,007			
Academic support	6,880,115		6,994,577	
Student services	4,049,715		4,375,043	
Institutional support	10,712,443		10,656,892	
Operation and maintenance of plant	9,508,627		9,019,338	
Scholarships and fellowships	101,857		138,915	
Auxiliary enterprises				
Residential facilities	6,238,306		5,718,287	
Dining facilities	8,536,295		8,624,935	
Intercollegiate athletics	2,105,873		1,725,160	
Bookstores	4,333,035		4,078,043	
Parking facilities	125,684		131,871	
Other auxiliary enterprises expenses	2,518,158		2,085,158	
<b>Total operating expenses</b>	<b>88,184,487</b>		<b>84,177,235</b>	
<b>Operating income (loss)</b>	<b>(18,981,519)</b>		<b>(18,414,875)</b>	
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations	25,995,091		25,442,364	
Gifts		\$1,742,786		\$1,844,992
Investment income	694,026	1,813,107	262,556	2,971,903
Interest on indebtedness	(1,848,893)		(1,785,155)	
Other affiliated foundation revenue		641,090		1,162,875
Other affiliated foundation expense		(3,068,586)		(3,419,673)
Transfers (to) from other University System of Maryland institutions	503,423		432,753	
<b>Total nonoperating revenues (expenses)</b>	<b>25,343,647</b>	<b>1,128,397</b>	<b>24,352,518</b>	<b>2,560,097</b>
<b>Income before other revenues, expenses, gains and losses</b>	<b>6,362,128</b>	<b>1,128,397</b>	<b>5,937,643</b>	<b>2,560,097</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital appropriations	1,895,067		478,026	
Capital gifts and grants	180,132		310,536	
Other gains and losses	(119,763)		67,223	
<b>Total other revenues, expenses, gains and losses</b>	<b>1,955,436</b>		<b>855,785</b>	
<b>Increase (decrease) in net assets</b>	<b>8,317,564</b>	<b>1,128,397</b>	<b>6,793,428</b>	<b>2,560,097</b>
<b>Net assets, beginning of year</b>	<b>95,193,383</b>	<b>25,540,992</b>	<b>88,399,955</b>	<b>22,980,895</b>
<b>Net assets, end of year</b>	<b>\$103,510,947</b>	<b>\$26,669,389</b>	<b>\$95,193,383</b>	<b>\$25,540,992</b>



**SALISBURY UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$34,334,565	\$31,330,976
Research contracts and grants	6,133,418	6,388,754
Payments to employees	(59,352,023)	(59,115,331)
Payments to suppliers and contractors	(22,246,164)	(21,981,375)
Loans issued to students	(267,834)	(257,260)
Collections of loans to students	320,883	203,891
Auxiliary enterprises:		
Residential facilities	11,064,359	10,503,701
Dining facilities	9,272,224	9,257,815
Intercollegiate athletics	2,256,829	2,105,924
Bookstores	4,801,881	4,782,906
Parking facilities	249,895	239,475
Other	1,224,671	820,538
Other receipts (payments)	95,819	(125,462)
<b>Net cash provided (used) by operating activities</b>	<u>(12,111,477)</u>	<u>(15,845,448)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	25,995,091	25,442,364
Other nonoperating gains and losses	(119,763)	67,223
<b>Net cash provided (used) by noncapital financing activities</b>	<u>25,875,328</u>	<u>25,509,587</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of capital debt	3,856,343	17,565,410
Capital appropriations	1,895,067	478,026
Capital grants and gifts received		81,769
Purchases of capital assets	(2,845,982)	(2,533,786)
Principal paid on debt and capital leases	(6,742,907)	(20,441,725)
Interest paid on debt and capital leases	(2,034,270)	(2,374,564)
Transfers (to) from other University System of Maryland institutions	(225,848)	(852,755)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(6,097,597)</u>	<u>(8,077,625)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	694,026	262,556
<b>Net cash provided (used) by investing activities</b>	<u>694,026</u>	<u>262,556</u>
<b>Net increase (decrease) in cash</b>	8,360,280	1,849,070
<b>Cash and cash equivalents - beginning of the year</b>	<u>16,228,906</u>	<u>14,379,836</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$24,589,186</u>	<u>\$16,228,906</u>

UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2005 AND 2004

2005	June 30,	2004
Component		Component

**UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$178,886,979		\$159,118,158	
Less: scholarship allowances	(6,686,617)	\$172,200,362	(5,064,047)	\$154,054,111
Federal grants and contracts		7,134,592		8,561,370
State and local grants and contracts		1,023,983		353,357
Nongovernmental grants and contracts		286,222		453,644
Sales and services of educational departments		1,616,809		1,460,470
Auxiliary enterprises:				
Residential facilities		295,348		199,399
Bookstores		7,574,286		6,650,908
Parking facilities		894,035		847,984
Other auxiliary enterprises revenues		30		5,825
Other operating revenues		17,802,966		14,881,683
<b>Total operating revenues</b>		<b>208,828,633</b>		<b>187,468,751</b>
<b>OPERATING EXPENSES:</b>				
Instruction		74,361,230		67,996,393
Research		478,727		460,085
Public service		11,522,260		9,038,864
Academic support		20,996,851		22,798,332
Student services		35,245,985		27,952,571
Institutional support		38,127,427		33,971,415
Operation and maintenance of plant		13,148,548		10,445,838
Scholarships and fellowships		3,901,359		4,738,635
Auxiliary enterprises:				
Residential facilities		181,685		225,681
Bookstores		6,564,920		6,146,688
Parking facilities		733,991		596,024
Other auxiliary enterprises expenses				53,408
<b>Total operating expenses</b>		<b>205,262,983</b>		<b>184,423,934</b>
<b>Operating income (loss)</b>		<b>3,565,650</b>		<b>3,044,817</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		14,633,278		14,469,494
Gifts			\$2,818,480	\$1,070,000
Investment income	1,865,638		2,211,960	952,588
Less: Investment expense	(672)	1,864,966	(732)	951,856
Interest on indebtedness		(923,285)		(337,075)
Other nonoperating revenues (expenses)				54,523
Other affiliated foundation revenue			71	5,000
Other affiliated foundation expense			(1,352,369)	(1,174,984)
Transfers (to) from other University System of Maryland institutions		(304,129)		(864,649)
<b>Total nonoperating revenues (expenses)</b>		<b>15,270,830</b>	<b>3,678,142</b>	<b>14,274,149</b>
<b>Income before other revenues, expenses, gains and losses</b>		<b>18,836,480</b>	<b>3,678,142</b>	<b>678,016</b>
<b>Income before other revenues, expenses, gains and losses</b>		<b>18,836,480</b>	<b>3,678,142</b>	<b>17,318,966</b>
<b>Income before other revenues, expenses, gains and losses</b>		<b>18,836,480</b>	<b>3,678,142</b>	<b>678,016</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital gifts and grants				1,184
Other gains and losses		189,455		(156,005)
<b>Total other revenues, expenses, gains and losses</b>		<b>189,455</b>		<b>(154,821)</b>
<b>Increase (decrease) in net assets</b>		<b>19,025,935</b>	<b>3,678,142</b>	<b>17,164,145</b>
<b>Net assets - beginning of period</b>		<b>125,556,291</b>	<b>14,886,257</b>	<b>108,392,146</b>
<b>Net assets - end of period</b>		<b>\$144,582,226</b>	<b>\$18,564,399</b>	<b>\$125,556,291</b>

UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004

	Year ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$172,244,937	\$163,106,325
Research contracts and grants	6,457,750	9,895,402

**UNIVERSITY OF MARYLAND, BALTIMORE COUNTY**  
**BALANCE SHEET**  
**JUNE 30, 2005 AND 2004**

	June 30,			
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$18,549,917	\$202,443	\$7,201,902	\$176,238
Accounts receivable, net	24,234,811	8,869,008	29,183,559	9,312,000
Notes receivable, current portion	263,722		260,206	
Inventories	712,685		748,971	
Prepaid expenses	898,952	33,202	837,479	31,000
Inter-institutional balances	(185,681)		(17,185)	
<b>Total current assets</b>	<b>44,474,406</b>	<b>9,104,653</b>	<b>38,214,932</b>	<b>9,519,238</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	1,744,789		1,207,121	
Endowment investments	503,491	41,219,846	632,535	32,602,470
Notes receivable, net	1,712,663	6,682,033	1,835,691	7,985,000
Capital assets, net	269,621,188	2,973,576	262,986,340	2,981,638
<b>Total noncurrent assets</b>	<b>273,582,131</b>	<b>50,875,455</b>	<b>266,661,687</b>	<b>43,569,108</b>
<b>Total assets</b>	<b>\$318,056,537</b>	<b>\$59,980,108</b>	<b>\$304,876,619</b>	<b>\$53,088,346</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$12,411,560	\$1,985,165	\$13,715,984	\$1,120,000
Accrued workers compensation, current portion	258,850		272,955	
Accrued vacation costs, current portion	3,256,000		2,980,748	
Revenue bonds and notes payable, current portion	5,801,886	46,252	4,974,365	40,099
Deferred revenue	9,484,415	760,159	5,798,471	725,295
<b>Total current liabilities</b>	<b>31,212,711</b>	<b>2,791,576</b>	<b>27,742,523</b>	<b>1,885,394</b>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	1,411,150		1,488,045	
Accrued vacation costs	4,789,400		4,383,886	
Other payables		378,113		333,620
Revenue bonds and notes payable	102,440,046	735,765	102,868,660	782,016
<b>Total noncurrent liabilities</b>	<b>108,640,596</b>	<b>1,113,878</b>	<b>108,740,591</b>	<b>1,115,636</b>
<b>Total liabilities</b>				

**UNIVERSITY OF MARYLAND, BALTIMORE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$78,508,915		\$73,410,003	
Less: scholarship allowances	(17,150,226)	\$61,358,689	(19,909,636)	\$53,500,367
Federal grants and contracts		54,051,302		48,478,417
State and local grants and contracts		23,337,338		30,409,654
Nongovernmental grants and contracts		17,680,495		11,523,018
Sales and services of educational departments		4,010,953		2,113,575
Auxiliary enterprises:				
Residential facilities	14,176,590		11,181,386	
Less: scholarship allowances	(3,140,359)	11,036,231	(2,922,639)	8,258,747
Dining facilities	9,726,040		7,690,971	
Less: scholarship allowances	(1,822,092)	7,903,948	(1,709,559)	5,981,412
Intercollegiate athletics		4,632,973		4,536,306
Bookstores	6,749,050		6,459,291	
Less: scholarship allowances	(9,245)	6,739,805	(12,643)	6,446,648
Other auxiliary enterprises revenues		11,220,163		14,077,498
Other operating revenues		1,950,448		523,207
<b>Total operating revenues</b>	<b>203,922,345</b>		<b>185,848,849</b>	
<b>OPERATING EXPENSES:</b>				
Instruction		78,419,559		76,847,184
Research		50,646,003		45,537,897
Public service		18,283,644		25,509,170
Academic support		19,299,568		17,789,230
Student services		9,208,901		9,498,596
Institutional support		26,271,394		26,187,848
Operation and maintenance of plant		19,690,614		16,946,291
Scholarships and fellowships		7,767,722		5,196,609
Auxiliary enterprises:				
Residential facilities		11,418,715		8,646,799
Dining facilities		8,946,022		6,775,423
Intercollegiate athletics		5,002,687		5,417,287
Bookstores		6,233,759		6,793,462
Other auxiliary enterprises expenses		4,076,186		2,321,466
<b>Total operating expenses</b>		<b>265,264,774</b>		<b>253,467,262</b>
<b>Operating income (loss)</b>		<b>(61,342,429)</b>		<b>(67,618,413)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		66,376,510		65,417,441
Gifts			\$6,129,152	\$13,545,000
Investment income	477,561		6,319,030	3,905,413
Less: Investment expense	(2,829)	474,732	(3,042)	133,339
Interest on indebtedness		(4,700,714)		(4,502,063)
Other nonoperating revenues (expenses)		1,541,035		96,915
Other affiliated foundation revenue			148,098	204,401
Other affiliated foundation expense			(6,608,942)	(4,155,495)
Transfers (to) from other University System of Maryland institutions		(1,207,098)		(1,441,647)
<b>Total nonoperating revenues (expenses)</b>		<b>62,484,465</b>	<b>5,987,338</b>	<b>59,703,985</b>
<b>Income before other revenues, expenses, gains and losses</b>		<b>1,142,036</b>	<b>5,987,338</b>	<b>(7,914,428)</b>
<b>13,499,319</b>				
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital appropriations		8,274,725		24,251,414
Capital gifts and grants		564,303		1,132,196
Other gains and losses		(171,339)		(88,809)
<b>Total other revenues, expenses, gains and losses</b>		<b>8,667,689</b>		<b>25,294,801</b>
<b>Increase (decrease) in net assets</b>		<b>9,809,725</b>	<b>5,987,338</b>	<b>17,380,373</b>
<b>Net assets - beginning of year</b>		<b>168,393,505</b>	<b>50,087,316</b>	<b>151,013,132</b>
<b>Net assets - end of year</b>		<b>\$178,203,230</b>	<b>\$56,074,654</b>	<b>\$168,393,505</b>
				<b>\$50,087,316</b>

UNIVERSITY OF MARYLAND, BALTIMORE COUNTY  
 STATEMENT OF CASH FLOWS  
 YEARS ENDED JUNE 30, 2005 AND 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	Year ended June 30,	
	2005	2004
Tuition and fees	\$60,425,364	\$52,407,776
Research contracts and grants	105,772,348	83,580,573
Payments to employees	(165,346,427)	(160,600,336)
Payments to suppliers and contractors	(85,895,691)	(75,530,690)
Loans issued to students	(166,818)	(381,030)
Collections of loans to students	286,007	251,217
Auxiliary enterprises:		
Residential facilities	11,198,413	11,198,413

11,198,413









**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,			
	2005	Component	2004	Component
ASSETS	Institution	Units	Institution	Units
<b>Current assets:</b>				
Cash and cash equivalents	\$9,105,205		\$9,660,424	
Accounts receivable, net	6,466,660	\$293,766	5,290,632	\$103,000
Prepaid expenses		35,444	366,640	87,000
Inter-institutional balances	356,587		(417,505)	
<b>Total current assets</b>	<b>15,928,452</b>	<b>329,210</b>	<b>14,900,191</b>	<b>190,000</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	3,910		7	
Endowment investments		3,362,637		3,579,920
Capital assets, net	91,198,667		69,529,434	
<b>Total noncurrent assets</b>	<b>91,202,577</b>	<b>3,362,637</b>	<b>69,529,441</b>	<b>3,579,920</b>
<b>Total assets</b>	<b>\$107,131,029</b>	<b>\$3,691,847</b>	<b>\$84,429,632</b>	<b>\$3,769,920</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	Year ended June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Federal grants and contracts	\$19,540,930		\$19,756,238	
State and local grants and contracts	10,042,019		3,879,426	
Nongovernmental grants and contracts	4,396,473		4,593,971	
Sales and services of educational departments	1,576,264		2,501,158	
<b>Total operating revenues</b>	<b>35,555,686</b>		<b>30,730,793</b>	
<b>OPERATING EXPENSES:</b>				
Research	53,087,195		45,803,947	
<b>Total operating expenses</b>	<b>53,087,195</b>		<b>45,803,947</b>	
<b>Operating income (loss)</b>	<b>(17,531,509)</b>		<b>(15,073,154)</b>	
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations	15,028,511		14,896,855	
Gifts		\$1,092,555		\$876,000
Investment income	262,874	226,336	153,309	134,000
Interest on indebtedness	(338,429)		(346,864)	
Other affiliated foundation revenue		92,500		106,000
Other affiliated foundation expense		(1,326,516)		(1,424,080)
Transfers (to) from other University System of Maryland institutions	1,265,131		662,006	
<b>Total nonoperating revenues (expenses)</b>	<b>16,218,087</b>	<b>84,875</b>	<b>15,365,306</b>	<b>(308,080)</b>
<b>Income before other revenues, expenses, gains and losses</b>	<b>(1,313,422)</b>	<b>84,875</b>	<b>292,152</b>	<b>(308,080)</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital appropriations	22,374,330		12,970,887	
Capital gifts and grants	180,344			
<b>Total other revenues, expenses, gains and losses</b>	<b>22,554,674</b>		<b>12,970,887</b>	
<b>Increase (decrease) in net assets</b>	<b>21,241,252</b>	<b>84,875</b>	<b>13,263,039</b>	<b>(308,080)</b>
<b>Net assets - beginning of year</b>	<b>73,576,165</b>	<b>3,477,920</b>	<b>60,313,126</b>	<b>3,786,000</b>
<b>Net assets - end of year</b>	<b>\$94,817,417</b>	<b>\$3,562,795</b>	<b>\$73,576,165</b>	<b>\$3,477,920</b>

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>Year ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Research contracts and grants	\$32,803,393	\$27,849,192
Payments to employees	(27,584,942)	(26,227,106)
Payments to suppliers and contractors	(19,697,503)	(17,307,548)
Other receipts (payments)	1,576,264	2,501,158
<b>Net cash provided (used) by operating activities</b>	<u>(12,902,788)</u>	<u>(13,184,304)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	15,028,511	14,896,855
<b>Net cash provided (used) by noncapital financing activities</b>	<u>15,028,511</u>	<u>14,896,855</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	22,374,330	12,970,887
Purchases of capital assets	(25,549,903)	(14,632,557)
Principal paid on debt and capital leases	(174,474)	(163,289)
Interest paid on debt and capital leases	(280,095)	(346,864)
Transfers (to) from other University System of Maryland institutions	690,229	609,972
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,939,913)</u>	<u>(1,561,851)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	262,874	153,309
<b>Net cash provided (used) by investing activities</b>	<u>262,874</u>	<u>153,309</u>
<b>Net increase (decrease) in cash</b>	(551,316)	304,009
<b>Cash and cash equivalents - beginning of the year</b>	<u>9,660,431</u>	<u>9,356,422</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$9,109,115</u></u>	<u><u>\$9,660,431</u></u>

**UNIVERSITY SYSTEM OF MARYLAND OFFICE  
BALANCE SHEET  
JUNE 30, 2005 AND 2004**

	June 30,			
	2005		2004	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$33,261,736	\$382,575	\$46,879,539	\$288,000
Accounts receivable, net	678,882	1,199,558	970,983	1,022,000
Prepaid expenses		100,948		18,000
Inter-institutional balances	5,190,944		2,115,755	
<b>Total current assets</b>	<b>39,131,562</b>	<b>1,683,081</b>	<b>49,966,277</b>	<b>1,328,000</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	42,062,615		80,232,313	
Endowment investments	7,159,808	25,824,370	9,292,406	21,574,833
Restricted investments	52,143,202			
Notes receivable, net		297,384		335,000
Other assets		1,678,631		1,168,000
Capital assets, net	39,780,249	2,295,884	32,814,219	2,150,000
<b>Total noncurrent assets</b>	<b>141,145,874</b>	<b>30,096,269</b>	<b>122,338,938</b>	<b>25,227,833</b>
<b>Total assets</b>	<b>\$180,277,436</b>	<b>\$31,779,350</b>	<b>\$172,305,215</b>	<b>\$26,555,833</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$4,046,332	\$345,969	\$2,592,282	\$816,000
Accrued workers compensation, current portion	14,880		16,740	
Accrued vacation costs, current portion	470,015		475,521	
Revenue bonds and notes payable, current portion	1,713,505		2,891,133	
<b>Total current liabilities</b>	<b>6,244,732</b>	<b>345,969</b>	<b>5,975,676</b>	<b>816,000</b>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	81,120		91,260	
Accrued vacation costs	674,331		603,832	
Other payables		10,913,000		5,571,000
Revenue bonds and notes payable	75,736,467		81,830,100	
<b>Total noncurrent liabilities</b>	<b>76,491,918</b>	<b>10,913,000</b>	<b>82,525,192</b>	<b>5,571,000</b>
<b>Total liabilities</b>	<b>82,736,650</b>	<b>11,258,969</b>	<b>88,500,868</b>	<b>6,387,000</b>
<b>NET ASSETS</b>				
Unrestricted	40,399,353	8,787,403	51,168,188	10,105,701
Invested in capital assets, net	31,158,657		28,755,030	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	366,765	3,788,858	347,579	4,324,323
Research		48,645		60,303
Other	528,278	4,027,389	464,472	4,684,253
Expendable:				
Scholarships and fellowships	670,238	772,204	730,942	192,141
Research		536,944		137,806
Capital projects	22,466,668			
Other	1,950,827	2,558,938	2,338,136	664,306
<b>Total net assets</b>	<b>97,540,786</b>	<b>20,520,381</b>	<b>83,804,347</b>	<b>20,168,833</b>
<b>Total liabilities and net assets</b>	<b>\$180,277,436</b>	<b>\$31,779,350</b>	<b>\$172,305,215</b>	<b>\$26,555,833</b>

UNIVERSITY SYSTEM OF MARYLAND OFFICE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2005 AND 2004

Year ended June 30,

Component

Component

UNIVERSITY SYSTEM OF MARYLAND OFFICE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004

	Year ended June 30,	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Research contracts and grants	\$2,524,618	\$2,222,266
Payments to employees	(9,151,967)	(9,027,047)
Payments to suppliers and contractors	(3,445,351)	(3,000,491)
Other receipts (payments)	(160,783)	(792,487)
<b>Net cash provided (used) by operating activities</b>	<b>(10,233,483)</b>	<b>(10,597,759)</b>



## UNIVERSITY SYSTEM OF MARYLAND

### NOTES TO SUPPLEMENTAL DATA YEARS ENDED JUNE 30, 2004 AND 2003

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#### ACCOUNTING AND REPORTING PRACTICES

##### **Supplemental data reporting units**

University System of Maryland Office (System Office), composed of the offices of the Chancellor and Vice Chancellors and their respective staffs, provides central executive and administrative services and supports and coordinates the efforts of the entire System. The expenses incurred in connection with these activities have not been allocated to the other units of the System and accordingly have been included in the financial records of the System Office.

##### **Facilities maintenance expenses**

Certain expenses for facilities management for the System Office and the University of Maryland University College are included in the financial records of University of Maryland, College Park.

##### **System-wide financing arrangements**

The System constructs, acquires, and renovates plant facilities using the proceeds of Revenue Bonds and other financing arrangements. The proceeds of System-wide financing arrangements are used in accordance with Board authorizations, which specify the projects for which the funds are to be used. Unexpended proceeds and a proportionate share of the outstanding debt obligation are reported on the financial records of the System Office.

Institutions are obligated to provide a proportionate share of the principal and interest payments attributable to auxiliary enterprises projects financed using the proceeds of System-wide financing arrangements. Currently, each instructional institution, with the exception of the University of Maryland University College, provides a portion of the debt service attributable to academic facilities. To the extent that an instructional institution provides (or receives) resources for debt service for academic facilities (and the proportionate share of the outstanding debt obligation) recorded on another System institution or unit, such amounts are reported as a Transfer To / (From) Other University System of Maryland Institutions on the Statement of Revenues, Expenses, and Changes in Net Assets.