

**UNIVERSITY SYSTEM OF MARYLAND**

Financial Statements and Supplemental Data

For the Years Ended June 30, 2006 and 2005, together with  
Reports of Independent Public Accountants



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Management's discussion and analysis on pages 3 through 8 is not a required part of the

**UNIVERSITY SYSTEM OF MARYLAND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2006 AND 2005**

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The management of the University System of Ma

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, 2006, the System's financial health remains strong, with assets exceeding liabilities

The table below presents summary-level information of the System's assets, liabilities, and net assets as of June 30, 2006, 2005 and 2004.

**University System of Maryland  
Condensed Balance Sheet  
June 30, 2006, 2005 and 2004**

	2006	2005	2004
Current and other assets	\$1,352,831,211	\$1,345,133,203	\$1,169,457,340
Capital assets, net	3,103,409,930	3,043,635,642	2,906,082,856
<b>Total assets</b>	<b>\$4,456,241,141</b>	<b>\$4,388,768,845</b>	<b>\$4,075,540,196</b>
Debt and obligations under capital lease agreements	\$934,826,271	\$1,000,726,570	\$998,072,894
Other liabilities	443,689,080	464,618,263	386,632,355
<b>Total liabilities</b>	<b>1,378,515,351</b>	<b>1,465,344,833</b>	<b>1,384,705,249</b>
Net assets:			
Invested in capital assets, net of related debt	2,204,079,348	2,111,737,452	1,988,672,006
Restricted	277,989,030	292,078,242	265,186,158
Unrestricted	595,657,412	519,608,318	436,976,783
<b>Total net assets</b>	<b>3,077,725,790</b>	<b>2,923,424,012</b>	<b>2,690,834,947</b>
<b>Net assets and liabilities</b>	<b>\$4,456,241,141</b>	<b>\$4,388,768,845</b>	<b>\$4,075,540,196</b>

The table below presents summary-level information on the changes in the System's net assets for the years ended June 30, 2006, 2005 and 2004.

**University System of Maryland  
Condensed Statement of Revenues, Expenses and Changes in Net Assets  
Years ended June 30, 2006, 2005 and 2004**

	2006	2005	2004
Operating revenues	\$2,342,248,618	\$2,249,738,108	\$2,032,432,074
Operating expenses	3,148,332,309	2,922,268,635	2,709,723,102
<b>Operating loss</b>	<b>(806,083,691)</b>	<b>(672,530,527)</b>	<b>(677,291,028)</b>
State appropriations	811,587,718	757,697,687	746,207,049
Other nonoperating revenues and expenses, net	53,206,938	9,562,138	28,115,035
<b>Total nonoperating revenues and expenses</b>	<b>864,794,656</b>	<b>767,259,825</b>	<b>774,322,084</b>
<b>Income before other revenues, expenses, gains and losses</b>	<b>58,710,965</b>	<b>94,729,298</b>	<b>97,031,056</b>
Other revenues, expenses, gains and losses	95,590,813	137,859,767	194,167,116
<b>Increase in net assets</b>	<b>154,301,778</b>	<b>232,589,065</b>	<b>291,198,172</b>
<b>Net assets, beginning of year</b>	<b>2,923,424,012</b>	<b>2,690,834,947</b>	<b>2,399,636,775</b>
<b>Net assets, end of year</b>	<b>\$3,077,725,790</b>	<b>\$2,923,424,012</b>	<b>\$2,690,834,947</b>

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

For the years ended June 30, 2006, 2005 and 2004, Operating Revenues, which under the definitions used by GASB excludes State Appropriations, are detailed:

	2006		2005		2004	
	\$	%	\$	%	\$	%
Tuition and fees	\$820,617,988	35.0%	\$778,134,041	34.6%	\$705,520,856	34.7%
Contracts and grants	894,892,206	38.2	886,518,344	39.4	825,688,567	40.6
Sales and services of educational departments	198,996,673	8.5	177,225,066	7.9	117,769,547	5.8
Auxiliary enterprises	380,383,142	16.3	366,320,070	16.3	348,961,049	17.2
Other operating	47,358,609	2.0	41,540,587	1.8	34,492,055	1.7
<b>Total</b>	<b>\$2,342,248,618</b>	<b>100.0%</b>	<b>\$2,249,738,108</b>	<b>100.0%</b>	<b>\$2,032,432,074</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, 2006 and 2005, 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 by more than 7% for the year ended June 30, 2006 over the previous year, in large part due to increased health care costs, as well as higher levels of contract and grant activities. The increase in costs for the year ended June 30, 2005 reflects significant increases in health care related personnel costs.

For the years ended June 30, 2006, 2005 and 2004, Operating Expenses are detailed below:

	2006		2005		2004	
	\$	%	\$	%	\$	%
Instruction	\$861,190,251	27.4%	\$819,555,696	28.0%	\$803,837,622	29.7%
Research	719,067,546	22.8	694,357,786	23.8	561,607,859	20.7
Public service	122,907,620	3.9	111,356,692	3.8	141,205,563	5.2
Academic support	259,224,184	8.2	239,220,492	8.2	229,764,549	8.5
Student services	125,431,531	4.0	114,784,013	3.9	102,587,413	3.8
Institutional support	300,468,318	9.5	276,260,027	9.5	271,023,443	10.0
Operation and maintenance of plant	248,442,713	7.9	204,024,446	7.0	195,529,348	7.2
Scholarships and fellowships	59,116,525	1.9	47,685,438	1.6	44,144,996	1.6
Auxiliary enterprises	354,218,448	11.3	327,306,069	11.2	303,813,451	11.2
Hospital	98,265,173	3.1	87,717,976	3.0	56,208,858	2.1



## Capital Asset and Debt Administration

The System added \$242,558,640 in new capital assets during the year ended June 30, 2006. Of these additions, \$89,185,874 was funded through the use of State of Maryland debt proceeds or cash balances, \$60,746,805 was funded from the proceeds of System debt obligations, and the balance of \$92,625,961 was purchased using System cash balances or received as donations.

During the year ended June 30, 2006, several significant projects were completed and placed in service. A new dental school at the University of Maryland, Baltimore costing more than \$141M was completed, while at the University of Maryland College Park, the \$21M Center for Advanced Study of Language was put into service. A \$54M addition and renovation of the Fine Arts Building at Towson University will greatly enhance the institution's facilities devoted to the arts, while at the University of Baltimore a new student center costing more than \$20M will help facilitate the institution's transition to a full four year regional comprehensive institution. After expending almost \$60M, a new Center for Advanced Research in Biotechnology for the University of Maryland Biotechnology Institute represents a significant public sector investment in biotech sciences for the I-270 corridor.

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 several other projects. The total cost of these projects is \$291,593,743.

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.

### **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 anticipated 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 Metzertott Road, Adelphi, Maryland 20783.

**UNIVERSITY SYSTEM OF MARYLAND  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,	
	2006	2005
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$739,399,677	\$694,340,541
Accounts receivable, net	252,701,405	257,343,223
Notes receivable, current portion	14,884,808	13,465,254
Inventories	9,178,938	9,318,908
Prepaid expenses	4,631,322	3,784,883
Deferred charges	458,380	396,113
<b>Total current assets</b>	<b>1,021,254,530</b>	<b>978,648,922</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	59,025,698	99,717,187
Endowment investments	214,268,643	147,813,301
Restricted investments		52,143,202
Other investments	3,468,210	2,356,543
Notes receivable, net	54,814,130	64,454,048
Capital assets, net	3,103,409,930	3,043,635,642
<b>Total noncurrent assets</b>	<b>3,434,986,611</b>	<b>3,410,119,923</b>
<b>Total assets</b>	<b>\$4,456,241,141</b>	<b>\$4,388,768,845</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$162,484,815	\$192,158,017
Accrued workers' compensation, current portion	4,024,575	3,713,180
Accrued vacation costs, current portion	68,649,597	60,927,181
Revenue bonds and notes payable, current portion	60,530,860	65,175,972
Obligations under capital lease agreements, current portion	199,196	186,426
Deferred revenue	117,804,913	119,340,463
<b>Total current liabilities</b>	<b>413,693,956</b>	<b>441,501,239</b>
<b>Noncurrent liabilities:</b>		
Accrued workers' compensation	21,940,425	20,242,820
Accrued vacation costs	68,784,755	68,236,602
Revenue bonds and notes payable	869,603,258	930,672,019
Obligations under capital lease agreements	4,492,957	4,692,153
<b>Total noncurrent liabilities</b>	<b>964,821,395</b>	<b>1,023,843,594</b>
<b>Total liabilities</b>	<b>1,378,515,351</b>	<b>1,465,344,833</b>
<b>NET ASSETS</b>		
Unrestricted	595,657,412	519,608,318
Invested in capital assets, net of related debt	2,204,079,348	2,111,737,452
Restricted:		
Nonexpendable:		
Scholarships and fellowships	11,022,919	11,016,705
Research	3,643,402	3,687,911
Other	14,515,039	14,637,370
Expendable:		
Scholarships and fellowships	47,662,419	35,300,769
Research	77,732,013	83,749,493
Loans	74,821,421	81,320,328
Capital projects	13,225,525	31,314,837
Other	35,366,292	31,050,829
<b>Total net assets</b>	<b>3,077,725,790</b>	<b>2,923,424,012</b>
<b>Total liabilities and net assets</b>	<b>\$4,456,241,141</b>	<b>\$4,388,768,845</b>



Nonmajor Component Units

	The University System 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 University Development Foundation, Inc.	University of Baltimore Educational Foundation, Inc.	Salisbury University Foundation, Inc.	Maryland 4-H Foundation, Inc.	University Research Corporation International, Inc.	The Maryland Center at Bowie State University, Inc.	University of Maryland, Baltimore County Research Park
<b>ASSETS</b>																
<b>Current assets:</b>																
Cash	\$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	\$202,223
Accounts receivable	70,557,641	23,911,000	16,724,484	6,000,120	572,035	938,121	211,216	7,504,932	461,642	106,702	9,829,544	95,774	4,907	4,155,679	\$41,485	
Investments	92,322,082				4,312,452	1,837,180	1,701,257	3,512,851	21,452,469	9,003,694	28,611,440	21,789,829		100,910		

**UNIVERSITY SYSTEM OF MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,		
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$959,992,177		\$910,670,248
Less: scholarship allowances	(139,374,189)	\$820,617,988	(132,536,207)
Federal grants and contracts		617,374,578	608,562,897
State and local grants and contracts		156,160,454	134,902,912
Nongovernmental grants and contracts		121,357,174	143,052,535
Sales and services of educational departments		198,996,673	177,225,066
Auxiliary enterprises:			
Residential facilities	101,450,220		97,620,270
Less: scholarship allowances	(7,859,517)	93,590,703	(8,448,041)
Dining facilities	79,772,306		77,674,356
Less: scholarship allowances	(4,574,093)	75,198,213	(3,967,338)
Intercollegiate athletics	66,870,353		64,840,167
Less: scholarship allowances	(2,506,725)	64,363,628	(1,992,526)
Bookstores	31,576,233		32,940,776
Less: scholarship allowances	(75,287)	31,500,946	(70,390)
Parking facilities		32,418,295	31,486,749
Other auxiliary enterprises revenues	83,314,239		76,242,553
Less: scholarship allowances	(2,882)	83,311,357	(6,506)
Other operating revenues		47,358,609	41,540,587
<b>Total operating revenues</b>		<b>2,342,248,618</b>	<b>2,249,738,108</b>
<b>OPERATING EXPENSES:</b>			
Instruction		861,190,251	819,555,696
Research		719,067,546	694,357,786
Public service		122,907,620	111,356,692
Academic support		259,224,184	239,220,492
Student services		125,431,531	114,784,013
Institutional support		300,468,318	276,260,027
Operation and maintenance of plant		248,442,713	204,024,446
Scholarships and fellowships		59,116,525	47,685,438
Auxiliary enterprises:			
Residential facilities		85,360,935	82,980,186
Dining facilities		73,508,956	64,794,484
Intercollegiate athletics		69,659,583	62,444,907
Bookstores		28,912,222	30,580,773
Parking facilities		23,224,705	20,782,515
Other auxiliary enterprises expenses		73,552,047	65,723,204
Hospital		98,265,173	87,717,976
<b>Total operating expenses</b>		<b>3,148,332,309</b>	<b>2,922,268,635</b>
<b>Operating loss</b>		<b>(806,083,691)</b>	<b>(672,530,527)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State app	7957.3557	JJ TD	T07 113.16 324.72 110.76 6.12 re
	WB	T5.4 0 0 5.4 A8	13.16 626.33397

Nonmajor Component Units-----

**UNIVERSITY SYSTEM OF MARYLAND  
COMBINING STATEMENT OF ACTIVITIES, COMPONENT UNITS  
YEAR ENDED JUNE 30, 2005**

	Major Component Units-----				Nonmajor Component Units-----												
	Total	The University System 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 University Development Foundation, Inc.	University of Baltimore Educational Foundation, Inc.	Salisbury University Foundation, Inc.	Maryland 4-H Foundation, Inc.	University Research Corporation International, Inc.	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		
Total revenues	138,177,932	45,472,000	36,690,019	17,864,351	1,432,363	338,940	2,237,752	544,610	2,677,399	2,226,702	1,564,137	7,047,650	3,400,165	594,365	15,457,740	535,408	94,331
<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	19,991,170	16,187,000	629,144	592,350	230,213	21,766	133,668	74,330	339,935		873,266	21,000	316,665	144,405	405,101	22,327	
Fundraising	6,492,110	4,697,000	684,013	389,438	178,435				272,075		16,690	138,745	115,714				
Other expense	4,972,206	2,562,000					320,699			1,965,678							123,829
Total expenses	133,802,452	46,272,000	34,549,206	19,609,355	1,192,055	67,298	1,665,605	515,369	2,682,715	2,128,937	1,452,139	3,580,390	3,068,586	401,341	15,974,432	519,195	123,829
Change in unrestricted net assets	4,375,480	(800,000)	2,140,813	(1,745,004)	240,308	271,642	572,147	29,241	(5,316)	97,765	111,998	3,467,260	331,579	193,024	(516,692)	16,213	(29,498)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>																	
<b>Revenues:</b>																	
Contributions & grants	106,051,887	12,010,000	60,868,718	12,522,316	9,526		200,000	349,167	1,503,489	986,655	778,492	2,618,942	1,372,296	98,639	12,733,647		
Investment income	44,149,271	19,038,000	15,938,668	5,250,327	402,345			61,289	1,106,874	941,607	331,580	1,023,969	54,612				
Other income	2,289,968							573,906	571,209	68,857	480,070	595,926					
Assets released from restrictions	(95,482,564)	(26,842,000)	(33,297,045)	(12,877,863)	(161,397)			(522,546)	(1,824,775)	(1,932,041)	(667,443)	(2,775,783)	(1,569,760)	(278,264)	(12,733,647)		
Total revenues	57,008,562	4,206,000	43,510,341	4,894,780	250,474		200,000	(112,090)	1,359,494	567,430	511,486	1,347,198	453,074	(179,625)			
<b>Expenses:</b>																	
Program	1,387,911										1,387,911						
Other expense																	
Total expenses	1,387,911										1,387,911						
Change in temporarily restricted net assets	55,620,651	4,206,000	43,510,341	4,894,780	250,474		200,000	(112,090)	1,359,494	(820,481)	511,486	1,347,198	453,074	(179,625)			
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>																	
Contributions & grants	41,589,091	10,558,000	9,882,273	7,058,622				492,997	10,569,553		923,181	353,083	1,650,702	100,680			
Investment income	9,018,380	7,247,000	(76,546)	952,221					3,307			1,158,674	(299,736)	33,460			
Other income	7,685								7,685								
Assets released from restrictions	(1,007,222)												(1,007,222)				
Change in permanently restricted net assets	49,607,934	17,805,000	9,805,727	8,010,843				492,997	10,580,545		923,181	1,511,757	343,744	134,140			
Total change in net assets	109,604,065	21,211,000	55,456,881	11,160,619	490,782	271,642	772,147	410,148	11,934,723	(722,716)	1,546,665	6,326,215	1,128,397	147,539	(516,692)	16,213	(29,498)
Net assets(deficit) - beginning of year	640,054,669	272,258,000	163,976,666	85,942,564	4,931,535	1,765,954	2,763,357	3,847,395	19,789,486	10,600,723	7,022,453	37,977,287	25,540,992	1,749,885	623,701	(12,175)	1,276,846
Net assets - end of year	\$749,658,734	\$293,469,000	\$219,433,547	\$97,103,183	\$5,422,317	\$2,037,596	\$3,535,504	\$4,257,543	\$31,724,209	\$9,878,007	\$8,569,118	\$44,303,502	\$26,669,389	\$1,897,424	\$107,009	\$4,038	\$1,247,348

See accompanying notes.  
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**UNIVERSITY SYSTEM OF MARYLAND  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>Year ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$818,260,745	\$785,480,525
Research contracts and grants	903,729,255	879,045,479
Payments to employees	(2,107,727,665)	(1,914,027,631)
Payments to suppliers and contractors	(895,218,706)	(836,140,131)
Loans issued to students	(14,257,318)	(25,895,622)
Collections of loans to students	14,996,633	14,839,968
Auxiliary enterprises:		
Residential facilities	93,918,408	88,209,116
Dining facilities	75,339,898	73,992,960
Intercollegiate athletics	64,248,715	62,265,192
Bookstores	31,579,886	32,216,638
Parking facilities	32,411,672	33,572,647
Other	75,438,997	77,042,742
Other receipts	258,192,041	227,665,534
<b>Net cash used by operating activities</b>	<b>(649,087,439)</b>	<b>(501,732,583)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	811,587,718	757,697,687
Nos711,587,718		



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

During the years ended June 30, 2006 and 2005, the foundations distributed approximately \$66,000,000 and \$59,000,000, 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.

**Special provisions** - Special provisions are provided for the replacement of capital assets. The provisions are based on the original cost of the asset and are provided for the replacement of capital assets. The provisions are provided for the replacement of capital assets.

### **Cash and cash equivalents**

As of June 30, Cash and cash equivalents consist of the following:

	<b>2006</b>	<b>2005</b>
Cash and short-term investments on deposit with the State Treasurer	\$712,215,812	\$672,149,356
Demand and time deposits	26,753,869	16,263,889
Money market accounts	59,455,694	105,644,483
Total	<u>\$798,425,375</u>	<u>\$794,057,728</u>

The System does not have a formal policy addressing custodial credit risk.

As of June 30, 2006, and 2005 the carrying amount of the System's demand and time deposits was \$26,753,869 and \$16,263,889, as compared to bank balances of \$29,110,598 and \$21,768,379, respectively. The difference is primarily caused by items in-transit. Of the bank balances, \$28,111,574 and \$20,326,451 was covered by Federal, private or foreign national government depository insurance, or was collateralized by a pledge of United States Treasury obligations held by the System's agents in the name of the System, and \$999,024 and \$1,441,928 was uninsured and uncollateralized as of June 30, 2006 and 2005, respectively.

The Annotated Code of Maryland requires the System to maintain its cash balances on deposit with the State Treasurer, except for demand and time deposit accounts established to satisfy urgent cash requirements, assets associated with endowment funds or proceeds of System financing arrangements. The State Treasurer maintains these and other State funds on a pooled basis in accordance with the Annotated Code of Maryland.

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>2006</b>	<b>2005</b>
Money market accounts –		
Endowment funds uninvested cash	\$509,852	\$51,403,848
Money market accounts – unspent proceeds of debt	58,515,846	48,313,339
Total	<u>\$59,025,698</u>	<u>\$99,717,187</u>

### **Investments**

In July 2005, the System transferred title to its endowment investments, approximately \$202 million in fair market value at the time of the transfer, to the University System of Maryland Foundation, Inc.,

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

As of June 30, 2005, investments consist of:



## Endowment investments

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

	<u>2006</u>	<u>2005</u>
U.S. government and agency obligations		\$15,132,068
Collateralized mortgage obligations		2,339,331
Asset-backed securities		3,202,134
Corporate debt	\$103,932	17,177,591
Corporate equities	694,351	109,962,177
Assets invested with University System of Maryland Foundation, Inc.	<u>213,470,360</u>	
Total	<u>\$214,268,643</u>	\$147,813,301



## **2. CAPITAL ASSETS**

Changes in net capital assets for the years ended June 30, 2006 and 2005 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, 2006 and 2005 was \$43,318,610 and

UNIVERSITY SYSTEM OF MARYLAND

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2006 AND 2005

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Accounts payable and accrued liabilities as of June 30, 2006 and 2005 were comprised of:

	<u>2006</u>	<u>2005</u>
Payroll and benefits	\$52,932,348	\$99,630,464
Suppliers and contractors	75,002,939	56,964,075
Accrued interest payable	8,104,199	9,979,654
Other	26,445,329	25,583,824
	<hr/>	<hr/>
Accounts payable and accrued liabilities	<u>\$162,484,815</u>	<u>\$192,158,017</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

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

<b>Due</b>	<b>Discount rates</b>	<b>2006</b>	<b>2005</b>
Within one year		\$6,965,887	\$6,580,622
Two to five years	2.76% - 3.64%	9,501,511	9,044,639
Subtotal		16,467,398	15,625,261
Allowance for doubtful accounts		(662,503)	(596,051)
Pledge discount		(1,018,091)	(790,518)
Net contributions receivable		\$14,786,804	\$14,238,692

**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 \$1,050,000,000.

Revenue bonds and notes payable consist of the following as of June 30, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Revenue Bonds, net	\$845,637,835	\$901,140,734
Revolving Loan Program Bonds	65,000,000	65,000,000
Certificates of Participation	14,500,000	15,800,000
Other	4,996,283	13,907,257
Revenue bonds and notes payable, net	\$930,134,118	\$995,847,991

## Auxiliary Facility and Tuition Revenue Bonds

As of June 30, 2006, Auxiliary Facility and Tuition Revenue Bonds (Revenue Bonds) consisted of the following:

	<b>Interest Rates</b>	<b>Maturity Dates</b>	<b>Principal Outstanding</b>
1997 Series A	5.0% - 5.1%	2007-2018	\$14,175,000
1998 Series A	5.0%	2007-2019	35,780,000
1999 Series A	4.0% - 4.5%	2006-2019	73,975,000
1999 Refunding Series B	4.6% - 4.8%	2006-2008	1,695,000
2000 Series A	4.7% - 5.7%	2006-2020	23,350,000
2001 Series A	4.0% - 5.0%	2007-2021	62,025,000
2001 Series B	3.5% - 4.6%	2007-2022	50,700,000
2002 Series A	4.0% - 5.2%	2007-2023	131,635,000
2003 Series A & B	2.5% - 5.0%	2007-2024	197,110,000
2004 Series A & B	4.0% - 6.0%	2007-2024	61,230,000
2005 Series A	2.5% - 5.0%	2007-2021	171,265,000
			822,940,000
Unamortized discounts, premiums and refunding adjustments			22,697,835
Revenue bonds, net			\$845,637,835

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, 2006 and 2005, 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)
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, 2006, previously issued debt removed from the System's financial statements through advance refunding transactions still outstanding was \$170,045,000.

As of June 30, 2006 and 2005, cash and cash equivalents are restricted by the terms of the Indenture of Trust in the amount of \$30,995,010 and \$29,942,244, 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.



Future principal and interest payments are as follows:

Year ending June 30,	Auxiliary Facility and Tuition Revenue Bonds		Notes Payable and Other Long-term Debt		Total Payments
	Principal	Interest	Principal	Interest	
2007	\$58,830,000	\$38,381,814	\$1,700,864	\$4,613,493	\$103,526,171
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	4,327,450	97,928,524
2011	58,990,000	27,255,914	2,192,013	4,217,863	92,655,790
2012 – 2016	242,960,000	100,562,316	9,768,223	19,239,417	372,529,956
2017 – 2021	208,920,000	44,161,257		17,875,000	270,956,257
2022 – 2026	66,590,000	6,123,619	65,000,000	7,150,000	144,863,619
Total	\$822,940,000	\$314,885,516	\$84,496,283	\$66,379,321	\$1,288,701,120

## 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:

Year ending June 30,	Total
2007	\$511,986
2008	511,986
2009	511,986
2010	511,986
2011	511,986
2012 – 2016	2,559,930
2017 – 2021	2,303,937
Total future lease payments	7,423,797
Interest component	(2,731,644)
Obligations under capital lease agreements	<u>\$4,692,153</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:

UNIVERSITY SYSTEM OF MARYLAND

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2006 AND 2005

6. CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the years ended June 30, 2006 and 2005 were as follows:

	June 30, 2004			June 30, 2005			June 30, 2006	Due Within
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	One Year
Accrued vacation costs	\$119,956,012	\$68,725,466	\$59,517,695	\$129,163,783	\$79,505,273	\$71,234,704	\$137,434,352	\$68,649,597
Accrued workers' compensation	25,814,000	1,964,766	3,822,766	23,956,000	5,653,318	3,644,318	25,965,000	4,024,575
Revenue bonds and notes payable, net	993,019,839	182,662,633	179,834,481	995,847,991		65,713,873	930,134,118	60,530,860
Obligations under capital lease agreements	5,053,055		174,476	4,878,579		186,426	4,692,153	199,196
Total long-term liabilities	\$1,143,842,906	\$253,352,865	\$243,349,418	\$1,153,846,353	\$85,158,591	\$140,779,321	\$1,098,225,623	\$133,404,228

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, 2006 and 2005 by grouping of object classification are:

	2006				2005			
	Employee Costs	Payments to Suppliers, Contractors and Others	Depreciation	Total	Employee Costs	Payments to Suppliers, Contractors and Others	Depreciation	Total
Instruction	\$725,615,857	\$110,748,760	\$24,825,634	\$861,190,251	\$687,330,516	\$110,537,780	\$21,687,400	\$819,555,696
Research	459,654,281	238,234,516	21,178,749	719,067,546	436,683,113	237,627,804	20,046,869	694,357,786
Public service	71,886,189	48,230,492	2,790,939	122,907,620	62,258,147	48,039,089	1,059,456	111,356,692
Academic support	172,286,014	67,269,629	19,668,541	259,224,184	155,177,214	60,587,200	23,456,078	239,220,492
Student services	83,415,617	39,060,673	2,955,241	125,431,531	78,808,498	32,819,430	3,156,085	114,784,013
Institutional support	232,927,842	49,602,436	17,938,040	300,468,318	216,153,822	46,184,123	13,922,082	276,260,027



limit on the annual cost of living allowance and 7% for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index); and 2% 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, 2006, 2005, and 2004 of \$32,045,644, \$26,641,689, and \$26,867,274, 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% of covered employees' total salaries each month and that the employee may elect to contribute 5% 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, 2006 were \$115,827,661, which consisted of \$54,175,247 from the System and \$61,652,414 from employees. 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

### **Major component units**

The University System of Maryland Foundation, Inc. maintains a defined contribution plan for certain personnel provided by TIAA-CREF. The University System 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, 2006 and 2005 was approximately \$120,215 and \$141,812, respectively.

## **10. CONSTRUCTION COMMITMENTS**

The estimated costs to complete construction in progress as of June 30, 2006 is \$162,205,000, of which \$21,097,000 is to be funded from Revenue Bond proceeds, \$104,113,000 is to be derived from State appropriations and grants, and \$36,995,000 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, 2006 and 2005, the institution had entered into open contracts for the purchase of \$18,398,694 and \$10,725,296, respectively, of natural gas, to be delivered monthly through May 2009.

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.

**amount of that loss**

**UNIVERSITY OF MARYLAND, BALTIMORE**  
**BALANCE SHEET**  
**JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$114,937,624	\$1,114,450	\$127,675,838	\$425,893
Investments		4,772,449		4,312,452
Accounts receivable, net	82,414,349	7,588,608	77,759,993	7,860,938
Notes receivable, current portion	1,973,526		1,867,272	
Prepaid expenses		164,348		195,136
Inter-institutional balances	29,864		(572,529)	
<b>Total current assets</b>	<b>199,355,363</b>	<b>13,639,855</b>	<b>206,730,574</b>	<b>12,794,419</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	364,687		20,634,627	
Endowment investments	84,577,315	123,294,843	58,149,857	107,773,970
Other investments	186,370		186,370	
Notes receivable, net	28,264,240	8,406,883	26,928,131	8,530,197
Other assets		5,411,039		2,849,973
Capital assets, net	578,997,772	25,781	572,554,566	27,228
<b>Total noncurrent assets</b>	<b>692,390,384</b>	<b>137,138,546</b>	<b>678,453,551</b>	<b>119,181,368</b>
<b>Total assets</b>	<b>\$891,745,747</b>	<b>\$150,778,401</b>	<b>\$885,184,125</b>	<b>\$131,975,787</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$35,088,705	\$3,434,055	\$44,561,069	\$297,803
Accrued workers' compensation, current portion	949,995		816,695	
Accrued vacation costs, current portion	23,629,234		22,143,513	
Revenue bonds and notes payable, current portion	6,432,504		5,820,278	
Deferred revenue	26,792,849	15,596	29,829,486	40,440
<b>Total current liabilities</b>	<b>92,893,287</b>	<b>3,449,651</b>	<b>103,171,041</b>	<b>338,243</b>
<b>Noncurrent liabilities:</b>				
Accrued workers' compensation	5,179,005		4,452,305	
Accrued vacation costs	22,958,847		21,078,838	
Other payables		1,588,235		569,011
Revenue bonds and notes payable	98,847,099		92,432,597	
<b>Total noncurrent liabilities</b>	<b>126,984,951</b>	<b>1,588,235</b>	<b>117,963,740</b>	<b>569,011</b>
<b>Total liabilities</b>	<b>219,878,238</b>	<b>5,037,886</b>	<b>221,134,781</b>	<b>907,254</b>
<b>NET ASSETS</b>				
Acc2/TT4	1		Tf256	

UNIVERSITY OF MARYLAND, BALTIMORE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2006 AND 2005

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UNIVERSITY OF MARYLAND, BALTIMORE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	Year ended June 30,	
	2006	2005
Tuition and fees	\$53,525,525	\$53,740,633
Research contracts and grants	304,854,988	291,012,415

**UNIVERSITY OF MARYLAND, COLLEGE PARK  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
<b>ASSETS</b>	Institution	Component Units	Institution	Component Units
<b>Current assets:</b>				
Cash and cash equivalents	\$309,815,397	\$10,254,285	\$296,147,001	\$17,802,071
Investments		4,686,233		3,639,347
Accounts receivable, net	65,862,892	24,741,451	62,098,424	31,843,669
Notes receivable, current portion	2,775,720		4,738,256	
Inventories	2,045,986		1,819,856	
Capital assets, net				1,135,366,7
				Other assets
				1,260,419,0
				Total noncurrent assets
				Total assets
				\$1,642,474,6

**LIABILITIE**

**S**  
**Current liabilities**

**UNIVERSITY OF MARYLAND, COLLEGE PARK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$334,695,758		\$312,538,727	
Less: scholarship allowances	<u>(44,164,474)</u>	\$290,531,284	<u>(49,498,161)</u>	\$263,040,566
Federal grants and contracts		246,194,646		239,540,626
State and local grants and contracts		41,452,940		34,389,033
Nongovernmental grants and contracts		47,900,429		50,119,076
Sales and services of educational departments		28,031,809		26,054,113
Auxiliary enterprises:				
Residential facilities	40,762,448		39,203,935	
Less: scholarship allowances	<u>(3,565,694)</u>	37,196,754	<u>(3,100,696)</u>	36,103,239
Dining facilities	37,187,697		34,567,885	
Less: scholarship allowances	<u>(2,000,293)</u>	35,187,404	<u>(1,691,757)</u>	32,876,128
Intercollegiate athletics		40,982,274		39,211,027
Parking facilities		12,872,508		12,031,572
Other auxiliary enterprises revenues		32,519,467		31,541,537
Other operating revenues		<u>25,366,313</u>		<u>19,143,295</u>
<b>Total operating revenues</b>		<u>838,235,828</u>		<u>784,050,212</u>
<b>OPERATING EXPENSES:</b>				
Instruction		332,489,337		312,306,619
Research		278,331,079		260,403,565
Public service		63,903,452		60,349,386
Academic support		106,638,821		96,691,307
Student services		33,056,458		30,443,267
Institutional support		64,374,058		70,802,713
Operation and maintenance of plant		90,565,557		71,056,876
Scholarships and fellowships		29,372,655		20,899,097
Auxiliary enterprises:				
Residential facilities		43,170,388		37,022,221
Dining facilities		36,136,511		28,162,641
Intercollegiate athletics		42,181,496		37,835,914
Parking facilities		8,925,913		7,391,481
Other auxiliary enterprises expenses		<u>33,589,590</u>		<u>31,283,367</u>
<b>Total operating expenses</b>		<u>1,162,735,315</u>		<u>1,064,648,454</u>
<b>Operating income (loss)</b>		<u>(324,499,487)</u>		<u>(280,598,242)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		328,809,523		310,281,793
Gifts		13,829,533	\$66,902,703	12,345,926
Investment income	33,487,273		35,307,782	\$99,117,963
Less: Investment expense	<u>(144,458)</u>	33,342,815		38,188,933
Interest on indebtedness		<u>(17,781,381)</u>		18,267,144
Other nonoperating revenues (expenses)			<u>(429,494)</u>	17,837,650
Other affiliated foundation revenue				(18,955,032)
Other affiliated foundation expense				(7,424,000)
Transfers (to) from other University System of Maryland institutions		<u>3,466,151</u>	5,848,049	8,201,241
			<u>(65,907,372)</u>	(81,134,635)
<b>Total nonoperating revenues (expenses)</b>		<u>361,666,641</u>	<u>42,151,162</u>	<u>313,080,457</u>
<b>Income before other revenues, expenses, gains and losses</b>		<u>37,167,154</u>	<u>42,151,162</u>	<u>64,373,502</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital appropriations		34,889,618		18,265,060
Capital gifts and grants		6,390,727		5,269,279
Additions to permanent endowments		18,129		136,528
Other gains and losses		<u>(81,677)</u>		<u>(110,771)</u>
<b>Total other revenues, expenses, gains and losses</b>		<u>41,216,797</u>		<u>23,560,096</u>
<b>Increase (decrease) in net assets</b>		78,383,951	42,151,162	56,042,311
<b>Net assets - beginning of year</b>		<u>1,039,367,945</u>	<u>378,048,185</u>	<u>983,325,634</u>
<b>Net assets - end of year</b>		<u>\$1,117,751,896</u>	<u>\$420,199,347</u>	<u>\$1,039,367,945</u>

**UNIVERSITY OF MARYLAND, COLLEGE PARK  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$290,838,143	\$265,305,816
Research contracts and grants	333,111,098	321,869,285
Payments to employees	(804,110,312)	(729,164,283)
Payments to suppliers and contractors	(311,594,224)	(273,753,546)
Loans issued to students	(2,561,432)	(2,579,800)
Collections of loans to students	3,038,860	2,950,815
Auxiliary enterprises:		
Residential-University		



**BOWIE STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**Year ended June 30,**  
**Componen**

BOWIE STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005

	Year ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees		

**TOWSON UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$75,704,523	\$1,099,304	\$59,331,638	\$1,116,458
Investments		26,652,044		21,452,469
Accounts receivable, net	10,071,970	5,880,814	10,423,045	7,504,932
Notes receivable, current portion	3,423,820		3,556,791	
Inventories	2,292,336		2,133,275	
Prepaid expenses	1,632,948		1,360,437	
Inter-institutional balances	(111,545)		(732,765)	
<b>Total current assets</b>	<b>93,014,052</b>	<b>33,632,162</b>	<b>76,072,421</b>	<b>30,073,859</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	928,615		1,937,713	
Endowment investments	4,822,217		3,513,378	
Notes receivable, net	10,022,810		11,235,100	
Capital assets, net	253,393,301	1,774,809	245,387,893	1,829,545
<b>Total noncurrent assets</b>	<b>269,166,943</b>	<b>1,774,809</b>	<b>262,074,084</b>	<b>1,829,545</b>
<b>Total assets</b>	<b>\$362,180,995</b>	<b>\$35,406,971</b>	<b>\$338,146,505</b>	<b>\$31,903,404</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$16,287,521	\$167,770	\$15,406,935	\$179,195
Accrued workers' compensation, current portion	314,805		299,770	
Accrued vacation costs, current portion	3,096,265		3,234,278	
Revenue bonds and notes payable, current portion	6,601,840		6,101,705	
Deferred revenue	4,987,721		3,866,576	
<b>Total current liabilities</b>	<b>31,288,152</b>	<b>167,770</b>	<b>28,909,264</b>	<b>179,195</b>
<b>Noncurrent liabilities:</b>				
Accrued workers' compensation	1,716,195		1,634,230	
Accrued vacation costs	4,136,959		3,734,647	
Revenue bonds and notes payable	85,178,131		89,507,742	
<b>Total noncurrent liabilities</b>	<b>91,031,285</b>		<b>94,876,619</b>	
<b>Total liabilities</b>	<b>122,319,437</b>	<b>167,770</b>	<b>123,785,883</b>	<b>179,195</b>
<b>NET ASSETS</b>				
Unrestricted	55,173,596	2,717,425	40,549,152	2,626,255
Invested in capital assets, net	161,613,330		149,778,446	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	238,038	10,484,169	233,038	10,661,964
Research		8,570		6,710
Other		12,326,380	5,000	11,149,561
Expendable:				
Scholarships and fellowships	628	3,060,442		2,065,062
Research	3,491,279	8,602	4,464,639	7,595
Loans	15,501,991		15,689,978	
Capital projects	928,616		933,532	
Other	2,914,080	6,633,613	2,706,837	5,207,062
<b>Total net assets</b>	<b>239,861,558</b>	<b>35,239,201</b>	<b>214,360,622</b>	<b>31,724,209</b>
<b>Total liabilities and net assets</b>	<b>\$362,180,995</b>	<b>\$35,406,971</b>	<b>\$338,146,505</b>	<b>\$31,903,404</b>



**TOWSON UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		Year ended June 30,		2005	
		Component	Component		Component	
		Units	Units		Units	
<b>OPERATING REVENUES:</b>						
Tuition and fees	\$115,471,847			\$108,422,406		
Less: scholarship allowances	(19,297,368)	\$96,174,479		(18,655,636)	\$89,766,770	
Federal grants and contracts						

**TOWSON UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>Year ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$95,992,131	\$89,862,533
Research contracts and grants	14,801,259	8,046,422
Payments to employees	(144,819,313)	(137,197,730)
Payments to suppliers and contractors	(70,679,803)	(65,533,064)
Loans issued to students	(2,720,554)	(3,273,153)
Collections of loans to students	4,065,815	2,841,436
Auxiliary enterprises:		
Residential facilities	13,990,266	13,655,418
Dining facilities		

UNIVERSITY OF MARYLAND EASTERN SHORE  
BALANCE SHEET  
JUNE 30, 2006 AND 2005

	June 30,		2005	
	2006	Component	Institution	Component
	Institution	Units		Units
ASSETS				
Current Assets: Total	1,490			
Units				

**UNIVERSITY OF MARYLAND EASTERN SHORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		Year ended June 30,		2005	
			Component		Component	
			Units		Units	
<b>OPERATING REVENUES:</b>						
Tuition and fees	\$22,351,994			\$20,211,941		
Less: scholarship allowances	(3,386,621)	\$18,965,373		(2,795,316)	\$17,416,625	
Federal grants and contracts		18,295,440			26,376,501	
State and local grants and contracts		11,136,796			8,342,164	
Nongovernmental grants and contracts		1,471,152			1,012,669	
Sales and services of educational departments		258,347			152,297	
Auxiliary enterprises:						
Residential facilities	7,481,855			6,270,531		
Less: scholarship allowances	(366,137)	7,115,718		(714,858)	5,555,673	
Dining facilities	3,959,587			4,739,998		
Less: scholarship allowances	(366,814)	3,592,773		(85,013)	4,654,985	
Intercollegiate athletics		1,824,272			1,815,766	

**UNIVERSITY OF MARYLAND EASTERN SHORE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>Year ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$17,252,492	\$21,964,476
Research contracts and grants	33,210,818	38,164,885
Payments to employees	(54,128,811)	(48,169,472)
Payments to suppliers and contractors	(26,531,287)	(25,875,089)
Loans issued to students	(499,441)	(10,404,992)
Collections of loans to students	97,445	2,023,271
Auxiliary enterprises:		
Residential facilities	7,295,396	5,273,792
Dining facilities	3,592,773	4,654,985
Parking facilities	108,709	88,563
Other	3,792,902	5,511,097
Other receipts (payments)	657,269	350,152
<b>Net cash provided (used) by operating activities</b>	<b>(15,151,735)</b>	<b>(6,418,332)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	23,321,709	21,829,549
Other nonoperating gains and losses	(1,253)	13,244
<b>Net cash provided (used) by noncapital financing activities</b>	<b>23,320,456</b>	<b>21,842,793</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of capital debt		11,357,535
Capital appropriations	847,796	2,730,740
Purchases of capital assets	(3,300,644)	(10,766,923)
Principal paid on debt and capital leases	(4,015,187)	(14,815,410)
Interest paid on debt and capital leases	(3,081,771)	(2,914,656)
Transfers (to) from other University System of Maryland institutions	2,482,472	7,253,674
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(7,067,334)</b>	<b>(7,155,040)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	350,474	390,044
Interest on investments	443,938	140,360
Investment expense	(659)	(1,990)
Purchases of investments	(471,263)	(275,471)
<b>Net cash provided (used) by investing activities</b>	<b>322,490</b>	<b>252,943</b>
<b>Net increase (decrease) in cash</b>	<b>1,423,877</b>	<b>8,522,364</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>10,565,958</b>	<b>2,043,594</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$11,989,835</b>	<b>\$10,565,958</b>

**FROSTBURG STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006	Component	2005	Component
<b>ASSETS</b>	Institution	Units	Institution	Units
<b>Current assets:</b>				
Cash and cash equivalents	\$12,914,140	\$153,785	\$12,585,145	\$86,932
Investments		10,636,821		9,003,694
Accounts receivable, net	1,100,291	459,588	1,654,636	461,642
Notes receivable, current portion	245,901		245,068	
Inventories	1,118,139		713,001	
Prepaid expenses	179,088	353,705	232,782	353,705
Inter-institutional balances	(38,996)		(293,596)	
<b>Total current assets</b>	<b>15,518,563</b>	<b>11,603,899</b>	<b>15,137,036</b>	<b>9,905,973</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	854,302		904,395	
Endowment investments	911,495		599,325	
Notes receivable, net	771,943		885,689	
Capital assets, net	70,641,033	183	70,942,977	408
<b>Total noncurrent assets</b>	<b>73,178,773</b>	<b>183</b>	<b>73,332,386</b>	<b>408</b>
<b>Total assets</b>	<b>\$88,697,336</b>	<b>\$11,604,082</b>	<b>\$88,469,422</b>	<b>\$9,906,381</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$5,432,601	\$29,090	\$5,312,820	\$28,374
Accrued workers' compensation, current portion	124,155		101,990	
Accrued vacation costs, current portion	2,338,191		2,298,835	

**FROSTBURG STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$27,510,549		\$27,264,796	
Less: scholarship allowances	(3,225,576)	\$24,284,973	(3,449,423)	\$23,815,373
Federal grants and contracts		4,140,075		4,556,886
State and local grants and contracts		1,279,676		1,391,654
Nongovernmental grants and contracts		175,190		256,884
Sales and services of educational departments		796,974		898,536
Auxiliary enterprises:				
Residential facilities	4,716,573		4,726,319	
Less: scholarship allowances	(9,982)	4,706,591	(19,130)	4,707,189
Dining facilities	5,121,572		5,408,985	
Less: scholarship allowances	(623)	5,120,949	(2,210)	5,406,775
Intercollegiate athletics	1,988,168		2,021,984	
Less: scholarship allowances	(4,260)	1,983,908	(10,080)	2,011,904
Bookstores	2,967,866		3,013,440	
Less: scholarship allowances	(1,360)	2,966,506	(1,314)	3,012,126
Other auxiliary enterprises revenues	3,192,045		2,736,329	
Less: scholarship allowances	(2,882)	3,189,163	(6,506)	2,729,823
Other operating revenues		343,236		420,348
<b>Total operating revenues</b>		<b>48,987,241</b>		<b>49,207,498</b>
<b>OPERATING EXPENSES:</b>				
Instruction		26,096,686		25,558,675
Public service		2,475,923		2,293,367
Academic support		7,368,282		6,296,644
Student services		3,751,324		3,379,012
Institutional support		7,929,811		7,770,179
Operation and maintenance of plant		6,414,240		5,576,814
Scholarships and fellowships		3,710,877		3,081,559
Auxiliary enterprises:				
Residential facilities		6,072,676		5,314,811
Dining facilities		4,152,454		4,071,131
Intercollegiate athletics		2,342,631		2,209,893
Bookstores		3,038,522		3,079,241
Other auxiliary enterprises expenses		2,399,850		2,319,479
<b>Total operating expenses</b>		<b>75,753,276</b>		<b>70,950,805</b>
<b>Operating income (loss)</b>		<b>(26,766,035)</b>		<b>(21,743,307)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		26,434,454		24,838,529
Gifts		347,291	\$1,422,718	361,213
Investment income	868,708		1,203,702	493,333
Less: Investment expense	(1,129)	867,579	(3,267)	490,066
Interest on indebtedness		(884,544)		(862,028)
Other affiliated foundation revenue			654,570	589,100
Other affiliated foundation expense			(1,591,059)	(3,516,848)
Transfers (to) from other University System of Maryland institutions		2,234,992		625,567
<b>Total nonoperating revenue (expenses)</b>		<b>28,999,772</b>	<b>1,689,931</b>	<b>25,453,347</b>
<b>Income before other revenues, expenses, gains and losses</b>		<b>2,233,737</b>	<b>1,689,931</b>	<b>3,710,040</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital gifts and grants		551,693		1,740,854
Other gains and losses		(10,192)		(69,565)
<b>Total other revenues, expenses, gains and losses</b>		<b>541,501</b>		<b>1,671,289</b>
<b>Increase (decrease) in net assets</b>		<b>2,775,238</b>	<b>1,689,931</b>	<b>5,381,329</b>
<b>Net assets - beginning of year</b>		<b>56,734,781</b>	<b>9,878,007</b>	<b>51,353,452</b>
<b>Net assets - end of year</b>		<b>\$59,510,019</b>	<b>\$11,567,938</b>	<b>\$56,734,781</b>





**COPPIN STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$3,074,362	\$979,856		\$1,018,737
Accounts receivable, net	5,752,545	212,399	\$4,346,777	106,702
Notes receivable, current portion	143,057		166,128	
Inventories	78,045		137,540	
Prepaid expenses		2,464	57,320	2,495
Inter-institutional balances	40,483		(948,550)	
<b>Total current assets</b>	<b>9,088,492</b>	<b>1,194,719</b>	<b>3,759,215</b>	<b>1,127,934</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	373,843		514,830	
Endowment investments	690,030	7,925,663	458,132	7,496,698
Notes receivable, net	838,591		756,708	
Capital assets, net	67,058,141	54,399	57,225,431	
<b>Total noncurrent assets</b>	<b>68,960,605</b>	<b>7,980,062</b>	<b>58,955,101</b>	<b>7,496,698</b>
<b>Total assets</b>	<b>\$78,049,097</b>	<b>\$9,174,781</b>	<b>\$62,714,316</b>	<b>\$8,624,632</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$3,002,915	\$67,496	\$5,527,091	\$55,514
Accrued workers' compensation, current portion	112,065		95,170	
Accrued vacation costs, current portion	755,598		702,468	
Revenue bonds and notes payable, current portion	1,389,207		1,307,818	
Deferred revenue	360,865		241,849	
<b>Total current liabilities</b>	<b>5,620,650</b>	<b>67,496</b>	<b>7,874,396</b>	<b>55,514</b>
<b>Noncurrent liabilities:</b>				
Accrued workers' compensation	610,935		518,830	
Accrued vacation costs	1,422,030		1,361,342	
Other payables		174,937		
Revenue bonds and notes payable	21,814,645		22,220,133	
<b>Total noncurrent liabilities</b>	<b>23,847,610</b>	<b>174,937</b>	<b>24,100,305</b>	
<b>Total liabilities</b>	<b>29,468,260</b>	<b>242,433</b>	<b>31,974,701</b>	<b>55,514</b>
<b>NET ASSETS</b>				
Unrestricted	2,172,138	79,690	(5,410,673)	90,261
Invested in capital assets, net	43,872,692		33,697,480	
<b>Restricted:</b>				
<b>Nonexpendable:</b>				
Scholarships and fellowships	307,333		307,552	
Other	240,125	7,856,122	240,125	7,518,335
<b>Expendable:</b>				
Scholarships and fellowships	47,931		29,322	
Loans	1,536,014		1,536,014	
Capital projects	373,843		339,795	
Other	30,761	996,536		960,522
<b>Total net assets</b>	<b>48,580,837</b>	<b>8,932,348</b>	<b>30,739,615</b>	<b>8,569,118</b>
<b>Total liabilities and net assets</b>	<b>\$78,049,097</b>	<b>\$9,174,781</b>	<b>\$62,714,316</b>	<b>\$8,624,632</b>



COPPIN STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		

**UNIVERSITY OF BALTIMORE  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	2006		June 30, 2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$10,153,475	\$1,021,791	\$9,137,490	\$1,741,575
Investments		37,163,097		28,611,440
Accounts receivable, net	3,577,302	6,661,977	8,152,428	9,829,544
Notes receivable, current portion	862,805		936,805	
Inventories	29,522			
Prepaid expenses, deferred charges and other assets	498,640	71,106		
Inter-institutional balances	52,140		(52,269)	
<b>Total current assets</b>	<b>15,173,884</b>	<b>44,917,971</b>	<b>18,174,454</b>	<b>40,182,559</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	553,858		436,971	
Endowment investments		3,959,987		3,503,596
Notes receivable, net	1,663,839		2,690,452	
Capital assets, net	66,021,180	1,250,512	56,458,962	1,289,724
<b>Total noncurrent assets</b>	<b>68,238,877</b>	<b>5,210,499</b>	<b>59,586,385</b>	<b>4,793,320</b>
<b>Total assets</b>	<b>\$83,412,761</b>	<b>\$50,128,470</b>	<b>\$77,760,839</b>	<b>\$44,975,879</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$3,218,579	\$333,690	\$3,936,152	\$672,377
Accrued workers' compensation, current portion	88,505		71,920	
Accrued vacation costs, current portion	1,725,030		613,752	
Revenue bonds and notes payable, current portion	1,546,907		1,176,993	
Deferred revenue	1,858,307		1,393,395	
<b>Total current liabilities</b>	<b>8,437,328</b>	<b>333,690</b>	<b>7,192,212</b>	<b>672,377</b>
<b>Noncurrent liabilities:</b>				
Accrued workers' compensation	482,495		392,080	
Accrued vacation costs	598,918		1,347,117	
Revenue bonds and notes payable	28,206,971		19,761,441	
<b>Total noncurrent liabilities</b>	<b>29,288,7ies</b>			

**UNIVERSITY OF BALTIMORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

			Year ended June 30,		
			Component		Component
			Units		Units
<b>OPERATING REVENUES:</b>					
Tuition and fees	\$42,928,428			\$38,111,530	
Less: scholarship allowances	(3,929,888)	\$38,998,540		(3,760,471)	\$34,351,059
Federal grants and contracts		2,618,928			3,853,833
State and local grants and contracts		4,375,636			3,030,728
Nongovernmental grants and contracts		1,159,655			796,507
Sales and services of educational departments		87,101			138,541
Auxiliary enterprises:					

UNIVERSITY OF BALTIMORE  
STATEMENT OF CASH FLOWS

**SALISBURY UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	2006		June 30,		2005	
	Institution	Component Units	Institution	Component Units		
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$33,928,019	\$347,988	\$24,157,564		\$228,385	
Investments		26,526,766			21,789,829	

**SALISBURY UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

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**SALISBURY UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$37,366,006	\$34,334,565
Research contracts and grants	5,703,306	6,133,418
Payments to employees	(63,009,688)	(59,352,023)
Payments to suppliers and contractors	(25,193,230)	(22,246,164)
Loans issued to students	(303,580)	(267,834)
Collections of loans to students	245,144	320,883
Auxiliary enterprises:		

**UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$92,143,946		\$89,680,342	
Accounts receivable, net	39,356,098	\$811,847	42,145,381	\$1,360,497
Notes receivable, current portion	240,270		233,871	
Inventories	1,656,725		2,857,920	
Prepaid expenses	564,613	4,900	141,510	8,265
Deferred charges	458,380		396,113	
Inter-institutional balances	94,112		(197,222)	
<b>Total current assets</b>	<b>134,514,144</b>	<b>816,747</b>	<b>135,257,915</b>	<b>1,368,762</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	297,083		295,680	
Endowment investments	173,797	15,027,848	120,203	13,655,786
Notes receivable, net	1,177,582	551,302	1,206,897	595,093
Capital assets, net	85,489,076	3,166,371	79,679,582	3,060,096
<b>Total noncurrent assets</b>	<b>87,137,538</b>	<b>18,745,521</b>	<b>81,302,362</b>	<b>17,310,975</b>
<b>Total assets</b>	<b>\$221,651,682</b>	<b>\$19,562,268</b>	<b>\$216,560,277</b>	<b>\$18,679,737</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$16,494,047	\$223,334	\$17,959,490	\$115,338
Accrued workers' compensation, current portion	251,565		192,200	
Accrued vacation costs, current portion	4,572,386		3,716,843	
Revenue bonds and notes payable, current portion	881,586		823,674	
Deferred revenue	21,576,900		24,057,226	
<b>Total current liabilities</b>	<b>43,776,484</b>	<b>223,334</b>	<b>46,749,433</b>	<b>115,338</b>
<b>Noncurrent liabilities:</b>				
Accrued workers' compensation	1,371,435		1,047,800	
Accrued vacation costs	3,033,759		3,538,696	
Revenue bonds and notes payable	19,788,325		20,642,122	
<b>Total noncurrent liabilities</b>	<b>24,193,519</b>		<b>25,228,618</b>	
<b>Total liabilities</b>	<b>67,970,003</b>	<b>223,334</b>	<b>71,978,051</b>	<b>115,338</b>
<b>NET ASSETS</b>				
Unrestricted	86,587,123	4,891,709	83,950,374	4,510,096
Invested in capital assets, net	64,819,165		58,213,786	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	23,080	5,695,853	23,177	4,996,476
Research		71,814		64,150
Other		5,414,990		5,311,034
Expendable:				
Scholarships and fellowships	111,944	708,964	104,016	735,185
Research	229,098	561,495	468,159	511,202
Loans	1,614,186		1,568,462	
Capital projects	297,083		254,252	
Other		1,994,109		2,436,256
<b>Total net assets</b>	<b>153,681,679</b>	<b>19,338,934</b>	<b>144,582,226</b>	<b>18,564,399</b>
<b>Total liabilities and net assets</b>	<b>\$221,651,682</b>	<b>\$19,562,268</b>	<b>\$216,560,277</b>	<b>\$18,679,737</b>

**UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,		Component Units	Component Units
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$176,097,616		\$178,886,979	
Less: scholarship allowances	(6,324,845)	\$169,772,771	(6,686,617)	\$172,200,362
Federal grants and contracts		6,821,285		7,134,592
State and local grants and contracts		1,391,587		1,023,983
Nongovernmental grants and contracts		522,462		286,222
Sales and services of educational departments		2,734,061		1,616,809
Auxiliary enterprises:				
Residential facilities		84,871		295,348
Bookstores		6,054,604		7,574,286
Parking facilities		906,642		894,035
Other auxiliary enterprises revenues				30
Other operating revenues		20,261,454		17,802,966
<b>Total operating revenues</b>		<b>208,549,737</b>		<b>208,828,633</b>
<b>OPERATING EXPENSES:</b>				
Instruction		75,311,897		74,361,230
Research		614,099		478,727
Public service		15,198,475		11,522,260
Academic support				

UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005

	Year ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$166,978,611	\$172,244,937
Research contracts and grants	11,088,962	6,457,750
Payments to employees	(135,149,359)	(122,973,703)
Payments to suppliers and contractors	(75,935,818)	(81,875,403)
Loans issued to students	(302,346)	
Collections of loans to students	325,262	(114,640)
Auxiliary enterprises:		
Residential facilities	84,871	295,348
Bookstores	6,054,604	7,574,286
Parking facilities	906,642	894,035
Other		20,669
Other receipts (payments)	24,043,707	27,037,422
<b>Net cash provided (used) by operating activities</b>	<b>(1,904,864)</b>	<b>9,560,701</b>

UNIVERSITY OF MARYLAND, BALTIMORE COUNTY  
BALANCE SHEET  
JUNE 30, 2006 AND 2005

June 30,

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UNIVERSITY OF MARYLAND, BALTIMORE COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

**UNIVERSITY OF MARYLAND, BALTIMORE COUNTY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>Year ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$61,777,332	\$60,425,364
Research contracts and grants	93,776,010	105,772,348
Payments to employees	(177,137,565)	(165,346,427)
Payments to suppliers and contractors	(80,249,240)	(85,895,691)
Loans issued to students	(382,343)	(166,818)
Collections of loans to students	286,007	286,007
Auxiliary enterprises:		
Residential facilities	10,637,247	11,198,415
Dining facilities	6,909,510	8,030,654
Intercollegiate athletics	4,537,776	4,632,973
Bookstores	6,749,104	6,825,965
Parking facilities	2,061,861	4,703,929
Other	11,140,885	6,648,009
Other receipts (payments)	4,515,220	5,960,462
<b>Net cash provided (used) by operating activities</b>	<b>(55,378,196)</b>	<b>(36,924,810)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	70,490,730	66,376,510
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	209,521	
Other nonoperating gains and losses	(2,658)	1,544,605
<b>Net cash provided (used) by noncapital financing activities</b>	<b>70,697,593</b>	<b>67,921,115</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds of capital debt		17,013,622
Capital appropriations	3,652,474	8,274,725
Purchases of capital assets	(13,536,618)	(22,649,656)
Principal paid on debt and capital leases	(5,578,174)	(21,786,883)
Interest paid on debt and capital leases	(4,802,693)	(4,834,803)
Transfers (to) from other University System of Maryland institutions	158,751	4,267,661
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(20,106,260)</b>	<b>(19,715,334)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	503,461	560,303
Interest on investments	1,035,422	442,958
Investment expense	(949)	(2,830)
Purchases of investments	(676,977)	(395,719)
<b>Net cash provided (used) by investing activities</b>	<b>860,957</b>	<b>604,712</b>
<b>Net increase (decrease) in cash</b>	<b>(3,928,000)</b>	<b>(6,629,522)</b>

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**UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$4,126,955		\$4,509,804	
Accounts receivable, net	3,467,261	\$40,257	4,727,346	\$164,538
Prepaid expenses		6,232		2,439
Inter-institutional balances	(70,484)		(137,962)	
<b>Total current assets</b>	<b>7,523,732</b>	<b>46,489</b>	<b>9,099,188</b>	<b>166,977</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	5,479		8,938	
Endowment investments		1,106,680		818,041
Capital assets, net	59,429,330		62,012,270	
<b>Total noncurrent assets</b>	<b>59,434,809</b>	<b>1,106,680</b>	<b>62,021,208</b>	<b>818,041</b>
<b>Total assets</b>	<b>\$66,958,541</b>	<b>\$1,153,169</b>	<b>\$71,120,396</b>	<b>\$985,018</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$952,778	\$130,313	\$2,641,444	\$23,596
Accrued workers' compensation, current portion	70,680		73,780	
Accrued vacation costs, current portion	504,977		628,972	
Revenue bonds and notes payable, current portion	673,522		683,348	
<b>Total current liabilities</b>	<b>2,201,957</b>	<b>130,313</b>	<b>4,027,544</b>	<b>23,596</b>
<b>Noncurrent liabilities:</b>				
Accrued workers' compensation	385,320		402,220	
Accrued vacation costs	1,843,754		2,296,479	
Revenue bonds and notes payable	6,776,146		7,144,382	
<b>Total noncurrent liabilities</b>	<b>9,005,220</b>		<b>9,843,081</b>	
<b>Total liabilities</b>	<b>11,207,177</b>	<b>130,313</b>	<b>13,870,625</b>	<b>23,596</b>
<b>NET ASSETS</b>				
Unrestricted	3,766,223	449,993	3,056,293	372,952
Invested in capital assets, net	51,979,662		54,184,540	
Restricted:				
Nonexpendable:				
Scholarships and fellowships		24,815		23,807
Research		313		306
Other		23,591		25,306
Expendable:				
Scholarships and fellowships		113,828		107,613
Research		90,151		74,828
Capital projects	5,479		8,938	
Other		320,165		356,610
<b>Total net assets</b>	<b>55,751,364</b>	<b>1,022,856</b>	<b>57,249,771</b>	<b>961,422</b>
<b>Total liabilities and net assets</b>	<b>\$66,958,541</b>	<b>\$1,153,169</b>	<b>\$71,120,396</b>	<b>\$985,018</b>



UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 YEARS ENDED JUNE 30, 2006 AND 2005

	Year ended June 30,			
	2006	Component	2005	Component
	Institution	Units	Institution	Units
<b>OPERATING REVENUES:</b>				
Federal grants and contracts	\$12,781,732		\$14,052,720	
State and local grants and contracts	4,749,611		5,766,520	
Nongovernmental grants and contracts	877,276		1,325,119	
Sales and services of educational departments	2,659,366		2,724,972	
<b>Total operating revenues</b>	<b>21,067,985</b>		<b>23,869,331</b>	
<b>OPERATING EXPENSES:</b>				
Research	37,565,115		39,982,175	
Operation and maintenance of plant	530,722		263,542	
<b>Total operating expenses</b>	<b>38,095,837</b>		<b>40,245,717</b>	
<b>Operating income (loss)</b>	<b>(17,027,852)</b>		<b>(16,376,386)</b>	
<b>NONOPERATING REVENUES (EXPENSES)</b>				

UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$9,985,267		\$9,105,205	
Accounts receivable, net	4,744,289	\$91,002	6,466,660	\$293,766
Prepaid expenses	(3,170)	9,000		35,444
Inter-institutional balances	(22,017)		356,587	
<b>Total current assets</b>	<b>14,704,369</b>	<b>100,002</b>	<b>15,928,452</b>	<b>329,210</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	18,100		3,910	
Endowment investments		3,908,638		3,362,637
Capital assets, net	99,453,980		91,198,667	
<b>Total noncurrent assets</b>	<b>99,472,080</b>	<b>3,908,638</b>	<b>91,202,577</b>	<b>3,362,637</b>
<b>Total assets</b>	<b>\$114,176,449</b>	<b>\$4,008,640</b>	<b>\$107,131,029</b>	<b>\$3,691,847</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$2,042,381	\$211,745	\$3,514,269	\$129,052
Accrued vacation costs, current portion	1,896,559		1,544,956	
Revenue bonds and notes payable, current portion	2,984		2,874	
Obligations under capital lease obligations, current portion	199,196		186,426	
Deferred revenue	2,135,036			
<b>Total current liabilities</b>	<b>6,276,156</b>	<b>211,745</b>	<b>5,248,525</b>	<b>129,052</b>
<b>Noncurrent liabilities:</b>				
Accrued vacation costs	2,357,397		2,176,618	
Revenue bonds and notes payable	1,371,899		196,316	
Obligations under capital lease agreements	4,492,957		4,692,153	
<b>Total noncurrent liabilities</b>	<b>8,222,253</b>		<b>7,065,087</b>	
<b>Total liabilities</b>	<b>14,498,409</b>	<b>211,745</b>	<b>12,313,612</b>	<b>129,052</b>
<b>NET ASSETS</b>				
Unrestricted	6,272,996	435,351	8,187,085	391,576
Invested in capital assets, net	93,386,944		86,120,898	
Restricted:				
Nonexpendable:				
Scholarships and fellowships		243,101		208,624
Research		3,065		2,679
Other		231,113		221,759
Expendable:				
Scholarships and fellowships		626,375		546,632
Research		496,084	505,524	380,094
Capital projects	18,100		3,910	
Other		1,761,806		1,811,431
<b>Total net assets</b>	<b>99,678,040</b>	<b>3,796,895</b>	<b>94,817,417</b>	<b>3,562,795</b>
<b>Total liabilities and net assets</b>	<b>\$114,176,449</b>	<b>\$4,008,640</b>	<b>\$107,131,029</b>	<b>\$3,691,847</b>



**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	<b>Year ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Research contracts and grants	\$37,088,107	\$32,803,393
Payments to employees	(39,750,922)	(27,584,942)
Payments to suppliers and contractors	(15,985,980)	(19,697,503)
Other receipts (payments)	2,141,968	1,576,264
	<u>(16,506,827)</u>	<u>(12,902,788)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	17,400,955	15,028,511
	<u>17,400,955</u>	<u>15,028,511</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	9,709,397	22,374,330
Purchases of capital assets	(11,907,678)	(25,549,903)
Principal paid on debt and capital leases	(189,337)	(174,474)
Interest paid on debt and capital leases	(356,177)	(280,095)
Transfers (to) from other University System of Maryland institutions	2,342,390	690,229
	<u>(401,405)</u>	<u>(2,939,913)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	401,529	262,874
	<u>401,529</u>	<u>262,874</u>
<b>Net increase (decrease) in cash</b>	894,252	(551,316)
<b>Cash and cash equivalents - beginning of the year</b>	9,109,115	9,660,431
<b>Cash and cash equivalents - end of the year</b>	<u>\$10,003,367</u>	<u>\$9,109,115</u>

**UNIVERSITY SYSTEM OF MARYLAND OFFICE  
BALANCE SHEET  
JUNE 30, 2006 AND 2005**

	June 30,			
	2006		2005	
ASSETS	Institution	Component Units	Institution	Component Units
<b>Current assets:</b>				
Cash and cash equivalents	\$44,094,538	\$469,580	\$33,261,736	\$382,575
Accounts receivable, net	1,135,947	365,624	678,882	1,199,558
Prepaid expenses		29,694		100,948
Inter-institutional balances	1,115,609		5,190,944	
<b>Total current assets</b>				

**UNIVERSITY SYSTEM OF MARYLAND OFFICE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2006 AND 2005**

	Year ended June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
<b>OPERATING REVENUES:</b>				
Federal grants and contracts	\$3,089,164		\$2,524,618	
State and local grants and contracts	4,384			
Other operating revenues	66,278		(522,315)	
<b>Total operating revenues</b>	<b>3,159,826</b>		<b>2,002,303</b>	
<b>OPERATING EXPENSES:</b>				
Academic support	3,177,924		2,954,196	
Institutional support	12,081,084		12,657,402	
<b>Total operating expenses</b>	<b>15,259,008</b>		<b>15,611,598</b>	
<b>Operating income (loss)</b>	<b>(12,099,182)</b>		<b>(13,609,295)</b>	
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations	13,709,996		11,747,293	
Gifts		\$1,460,657		\$243,913
Investment income	\$7,221,403	2,550,552	\$6,221,758	355,014
Less: Investment expense	(230,578)	6,990,825	(133,780)	6,087,978
Interest on indebtedness	(1,911,621)		(2,548,099)	
Other affiliated foundation revenue		1,237,466		606,950
Other affiliated foundation expense		(3,301,495)		(854,329)
Transfers (to) from other University System of Maryland institutions	(15,164,459)		9,662,701	
<b>Total nonoperating revenues (expenses)</b>	<b>3,624,741</b>	<b>1,947,180</b>	<b>24,949,873</b>	<b>351,548</b>
<b>Income before other revenues, expenses, gains and losses</b>	<b>(8,474,441)</b>	<b>1,947,180</b>	<b>11,340,578</b>	<b>351,548</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>				
Capital appropriations	10,608,754		3,500,062	
Capital gifts and grants	210,703			
Other gains and losses	(415,329)		(1,104,201)	
<b>Total other revenues, expenses, gains and losses</b>	<b>10,404,128</b>		<b>2,395,861</b>	
<b>Increase (decrease) in net assets</b>	<b>1,929,687</b>	<b>1,947,180</b>	<b>13,736,439</b>	<b>351,548</b>
<b>Net assets - beginning of year</b>	<b>97,540,786</b>	<b>20,520,381</b>	<b>83,804,347</b>	<b>20,168,833</b>
<b>Net assets - end of year</b>	<b>\$99,470,473</b>	<b>\$22,467,561</b>	<b>\$97,540,786</b>	<b>\$20,520,381</b>

UNIVERSITY OF MARYLAND OFFICE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2006 AND 2005



## UNIVERSITY SYSTEM OF MARYLAND

### NOTES TO SUPPLEMENTAL DATA YEARS ENDED JUNE 30, 2006 AND 2005

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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.