

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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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Regents
University System of Maryland

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 years ended June 30, 2006 and 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.

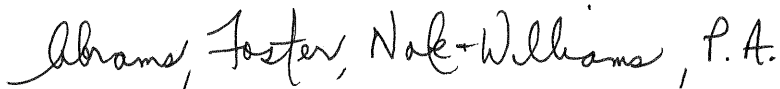
We only audited the component unit financial statements of Coppin State College Development Foundation, Inc. We did not audit the other component unit financial statements. The component units we did not audit represent 99 percent of total assets, net assets and unrestricted revenues of the total component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System and of its discretely presented component units as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplemental data contained on pages 37 to 79 of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audits and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abrams, Foster, Nole & Williams, P.A.".

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

October 23, 2006

UNIVERSITY SYSTEM OF MARYLAND

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

The management of the University System of Maryland (System), provides the readers of the System's financial statements with this narrative overview and analysis of the financial activities of the System for the years ended June 30, 2006 and 2005.

Financial Highlights

- Unrestricted net assets increased by \$76,049,094 for the year ended June 30, 2006, compared to an increase of \$82,631,535 for the year ended June 30, 2005.
- State appropriations legislated for the System increased by 7.1% for the year ended June 30, 2006, to \$811,587,718. For the year ended June 30, 2005, State appropriations increased by 1.5% from the amount received in the year ended June 30, 2004.
- Tuition and fees, after deducting Scholarship allowances, increased by \$42,483,947, or just over 5%, for the year ended June 30, 2006. During the year ended June 30, 2005, net Tuition and fees increased by more than 10%, or \$72,613,185 .

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, the Statement of Revenues, Expenses and Changes in Net Assets, and the 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 consider in making decisions on expending assets. Over time, changes in 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 the 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 current 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, 2006, the System's financial health remains strong, with assets exceeding liabilities by \$3,077,725,790, shown on the Balance Sheet as Total Net Assets. This compares with Total Net Assets of \$2,923,424,012 as of June 30, 2005. As suggested earlier, when viewed over time, net assets may be useful as an indicator of financial health.

For the year ended June 30, 2006, total net assets increased by \$154,301,778. Net assets invested in capital assets, net of related debt, increased by \$92,341,896 while unrestricted net assets increased \$76,049,094, and restricted net asset categories decreased by \$14,089,212.

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 \$76,049,094 increase in unrestricted net assets for the year ended June 30, 2006 is attributable to institutional efforts to limit expenditures, as well as efforts to accumulate resources to provide for future facilities needs and renewal and renovation requirements.

For the year ended June 30, 2005, total 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.

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

	June 30,	
	2006	2005
ASSETS		
Current assets:		
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
	Total current assets	978,648,922
Noncurrent assets:		
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
	Total noncurrent assets	3,410,119,923
	Total assets	\$4,388,768,845
LIABILITIES		
Current liabilities:		
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
	Total current liabilities	441,501,239
Noncurrent liabilities:		
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
	Total noncurrent liabilities	1,023,843,594
	Total liabilities	1,465,344,833
NET ASSETS		
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
	Total net assets	2,923,424,012
	Total liabilities and net assets	\$4,388,768,845

See accompanying notes.

**UNIVERSITY SYSTEM OF MARYLAND
COMBINING BALANCE SHEET, COMPONENT UNITS
June 30, 2006**

	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
ASSETS																	
Current assets:																	
Cash	\$16,887,060	\$633,000	\$7,026,431	\$460,761	\$653,689	\$73,365	\$1,189,071	\$506,685	\$1,099,304	\$153,785	\$979,856	\$1,021,791	\$347,988	\$325,766	\$1,476,752		\$938,816
Accounts receivable	62,096,304	12,284,054	19,604,792	6,674,916	601,929		476,540	203,413	5,880,814	459,588	212,399	6,661,977	7,221,414	8,562	1,682,312	\$70,560	53,034
Investments	116,350,140				4,772,449	2,328,752	2,357,481	4,024,278	26,652,044	10,636,821		37,163,097	26,526,766				1,888,452
Other assets	952,401	173,000	100,611		164,348	3,594	6,249	18,718		353,705	2,464	71,106		4,969	53,637		
Total current assets	196,285,905	13,090,054	26,731,834	7,135,677	6,192,415	2,405,711	4,029,341	4,753,094	33,632,162	11,603,899	1,194,719	44,917,971	34,096,168	339,297	3,212,701	70,560	2,880,302
Investments:																	
Investments	800,135,264	481,938,706	210,405,114	93,855,116			292,720				7,925,663	3,959,987		1,757,958			
Total investments	800,135,264	481,938,706	210,405,114	93,855,116			292,720				7,925,663	3,959,987		1,757,958			
Other assets:																	
Accounts receivable	72,320,633	13,717,000	50,183,957	8,292,682									126,994				
Capital assets, net	17,814,902	7,187,000			25,781				1,774,809	183	54,399	1,250,512	4,397,670	155,880	1,552	4,478	2,962,638
Assets held for sale	1,945,000	1,945,000															
Other assets	11,511,927	350,000		5,388,337		18,285						5,755,305					
Total other assets	103,592,462	23,199,000	50,183,957	13,681,019	25,781	18,285			1,774,809	183	54,399	1,250,512	10,279,969	155,880	1,552	4,478	2,962,638
Total assets	\$1,100,013,631	\$518,227,760	\$287,320,905	\$114,671,812	\$6,218,196	\$2,423,996	\$4,322,061	\$4,753,094	\$35,406,971	\$11,604,082	\$9,174,781	\$50,128,470	\$44,376,137	\$2,253,135	\$3,214,253	\$75,038	\$5,842,940
LIABILITIES																	
Current liabilities:																	
Accounts payable & accrued expenses	\$12,376,870	\$5,375,000	\$935,763	\$2,820,959	\$443,430	\$55,000	\$209,472	\$14,438	\$167,770	\$29,090	\$67,496	\$333,690	\$1,122,957	\$218,849	\$485,421	\$41,001	\$56,534
Long term debt, current	174,932											100,000			25,000		49,932
Deferred income	4,545,127	86,000	1,220,326		15,596							19,808		50,312	912		3,152,173
Total current liabilities	17,096,929	5,461,000	2,156,089	2,820,959	459,026	55,000	209,472	14,438	167,770	29,090	67,496	333,690	1,242,765	218,849	535,733	66,913	3,258,639
Other liabilities:																	
Other payables	23,029,614	11,908,760	2,105,604	1,565,533		105,000				7,054	174,937		4,273,675		2,471,356		417,695
Due to primary government	213,588,000	213,588,000															
Long term debt, noncurrent	1,376,804												690,971				685,833
Total other liabilities	237,994,418	225,496,760	2,105,604	1,565,533		105,000				7,054	174,937		4,964,646		2,471,356		1,103,528
Total liabilities	255,091,347	230,957,760	4,261,693	4,386,492	459,026	160,000	209,472	14,438	167,770	36,144	242,433	333,690	6,207,411	218,849	3,007,089	66,913	4,362,167
NET ASSETS																	
Unrestricted	102,212,675	57,641,000	1,986,741	14,704,811	1,006,056	2,263,996	3,715,939	256,790	2,717,425	300,328	79,690	12,594,370	3,008,329	241,138	207,164	8,125	1,480,773
Temporarily restricted:																	
Scholarships & fellowships	58,010,998	12,264,000	35,539,092	4,833,926					3,060,442			1,360,246	953,292				
Research	19,314,088	9,713,000	3,631,959	5,947,452					8,602				13,075				
Other	191,635,137	34,495,000	89,121,125	32,960,969	4,753,114		396,650	384,774	6,633,613	11,267,610	996,536	4,080,213	6,279,756	265,777			
Permanently restricted:																	
Scholarships & fellowships	175,344,201	88,197,000	39,325,147	11,707,838					10,484,169			13,281,623	12,147,116	201,308			
Research	2,713,984	1,112,000	931,328	106,918					8,570				555,168				
Other	295,691,201	83,848,000	112,523,820	40,023,406			4,097,092	4,097,092	12,326,380		7,856,122	18,478,328	15,211,990	1,326,063			
Total net assets	844,922,284	287,270,000	283,059,212	110,285,320	5,759,170	2,263,996	4,112,589	4,738,656	35,239,201	11,567,938	8,932,348	49,794,780	38,168,726	2,034,286	207,164	8,125	1,480,773
Total liabilities & net assets	\$1,100,013,631	\$518,227,760	\$287,320,905	\$114,671,812	\$6,218,196	\$2,423,996	\$4,322,061	\$4,753,094	\$35,406,971	\$11,604,082	\$9,174,781	\$50,128,470	\$44,376,137	\$2,253,135	\$3,214,253	\$75,038	\$5,842,940

See accompanying notes.

**UNIVERSITY SYSTEM OF MARYLAND
COMBINING BALANCE SHEET, COMPONENT UNITS
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
ASSETS																	
Current assets:																	
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		
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
Investments:																	
Investments	499,744,976	262,757,000	143,461,606	80,655,785		242,888					7,496,698	3,503,596		1,627,403			
Total investments	499,744,976	262,757,000	143,461,606	80,655,785		242,888					7,496,698	3,503,596		1,627,403			
Other assets:																	
Accounts receivable	69,518,363	11,855,000	49,234,656	8,372,017									56,690				
Capital assets, net	17,797,950	6,948,000			27,228			1,829,545	408			1,289,724	4,555,238	167,910	2,587	3,733	2,973,577
Assets held for sale	2,754,000	2,754,000															
Other assets	8,931,119	332,000		2,849,973		18,822							5,730,324				
Total other assets	99,001,432	21,889,000	49,234,656	11,221,990	27,228	18,822		1,829,545	408			1,289,724	10,342,252	167,910	2,587	3,733	2,973,577
Total assets	\$786,482,344	\$309,606,000	\$224,879,496	\$97,918,283	\$5,469,593	\$2,252,596	\$3,859,032	\$4,302,029	\$31,903,404	\$9,906,381	\$8,624,632	\$44,975,879	\$32,456,240	\$2,096,351	\$5,011,410	\$45,218	\$3,175,800
LIABILITIES																	
Current liabilities:																	
Accounts payable & accrued expenses	\$14,835,730	\$5,145,000	\$1,905,327	\$246,089	\$6,836	\$55,000	\$287,508	\$44,486	\$179,195	\$28,374	\$55,514	\$672,377	\$1,163,622	\$198,927	\$4,829,401	\$9,911	\$8,163
Long term debt, current	171,252												100,000		25,000		46,252
Deferred income	2,585,827	79,000	1,569,376	40,440			36,020						19,563		75,000	6,269	760,159
Total current liabilities	17,592,809	5,224,000	3,474,703	246,089	47,276	55,000	323,528	44,486	179,195	28,374	55,514	672,377	1,283,185	198,927	4,904,401	41,180	814,574
Other liabilities:																	
Other payables	17,704,065	10,913,000	1,971,246	569,011		160,000							3,712,695				378,113
Long term debt, noncurrent	1,526,736												790,971				735,765
Total other liabilities	19,230,801	10,913,000	1,971,246	569,011		160,000							4,503,666				1,113,878
Total liabilities	36,823,610	16,137,000	5,445,949	815,100	47,276	215,000	323,528	44,486	179,195	28,374	55,514	672,377	5,786,851	198,927	4,904,401	41,180	1,928,452
NET ASSETS																	
Unrestricted	94,554,572	54,044,000	2,318,993	13,979,420	1,407,538	2,037,596	3,335,504	193,224	2,626,255	147,105	90,261	10,104,924	2,601,646	309,711	107,009	4,038	1,247,348
Temporarily restricted:																	
Scholarships & fellowships	50,593,177	12,358,000	29,925,118	4,666,927					2,065,062			879,308	698,762				
Research	17,853,279	8,593,000	3,403,704	5,834,906					7,595				14,074				
Other	169,896,520	40,952,000	69,007,186	30,716,230	4,014,779		200,000	440,827	5,207,062	9,730,902	960,522	4,105,801	4,475,735	85,476			
Permanently restricted:																	
Scholarships & fellowships	150,395,739	85,520,000	31,308,636	7,842,472					10,661,964			9,885,176	5,028,499	148,992			
Research	2,583,472	1,098,000	845,338	92,770					6,710				540,654				
Other	263,781,975	90,904,000	82,624,572	33,970,458				3,623,492	11,149,561		7,518,335	19,328,293	13,310,019	1,353,245			
Total net assets	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
Total liabilities & net assets	\$786,482,344	\$309,606,000	\$224,879,496	\$97,918,283	\$5,469,593	\$2,252,596	\$3,859,032	\$4,302,029	\$31,903,404	\$9,906,381	\$8,624,632	\$44,975,879	\$32,456,240	\$2,096,351	\$5,011,410	\$45,218	\$3,175,800

See accompanying notes.

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

	Year ended June 30,		
	2006	2005	
OPERATING REVENUES:			
Tuition and fees	\$959,992,177		\$910,670,248
Less: scholarship allowances	<u>(139,374,189)</u>	\$820,617,988	<u>(132,536,207)</u>
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	<u>(7,859,517)</u>	93,590,703	<u>(8,448,041)</u>
Dining facilities	79,772,306		77,674,356
Less: scholarship allowances	<u>(4,574,093)</u>	75,198,213	<u>(3,967,338)</u>
Intercollegiate athletics	66,870,353		64,840,167
Less: scholarship allowances	<u>(2,506,725)</u>	64,363,628	<u>(1,992,526)</u>
Bookstores	31,576,233		32,940,776
Less: scholarship allowances	<u>(75,287)</u>	31,500,946	<u>(70,390)</u>
Parking facilities		32,418,295	31,486,749
Other auxiliary enterprises revenues	83,314,239		76,242,553
Less: scholarship allowances	<u>(2,882)</u>	83,311,357	<u>(6,506)</u>
Other operating revenues		<u>47,358,609</u>	<u>41,540,587</u>
Total operating revenues		<u>2,342,248,618</u>	<u>2,249,738,108</u>
OPERATING EXPENSES:			
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		<u>98,265,173</u>	<u>87,717,976</u>
Total operating expenses		<u>3,148,332,309</u>	<u>2,922,268,635</u>
Operating loss		<u>(806,083,691)</u>	<u>(672,530,527)</u>
NONOPERATING REVENUES (EXPENSES):			
State appropriations		811,587,718	757,697,687
Gifts		21,637,805	14,009,916
Investment income	70,777,590		40,992,676
Less: Investment expense	<u>(493,616)</u>	70,283,974	<u>(915,966)</u>
Interest on indebtedness		(42,455,505)	(43,750,396)
Other nonoperating revenues (expenses)		<u>3,740,664</u>	<u>(774,092)</u>
Total nonoperating revenue (expenses)		<u>864,794,656</u>	<u>767,259,825</u>
Income before other revenues, expenses, gains and losses		<u>58,710,965</u>	<u>94,729,298</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:			
Capital appropriations		89,185,874	130,931,582
Capital gifts and grants		9,079,426	10,829,965
Additions to permanent endowments		48,372	439,649
Other gains and losses		<u>(2,722,859)</u>	<u>(4,341,429)</u>
Total other revenues, expenses, gains and losses		<u>95,590,813</u>	<u>137,859,767</u>
Increase in net assets		154,301,778	232,589,065
Net assets - beginning of year		<u>2,923,424,012</u>	<u>2,690,834,947</u>
Net assets - end of year		<u>\$3,077,725,790</u>	<u>\$2,923,424,012</u>

See accompanying notes.

UNIVERSITY SYSTEM OF MARYLAND
COMBINING STATEMENT OF ACTIVITIES, COMPONENT UNITS
YEAR ENDED JUNE 30, 2006

	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
CHANGES IN UNRESTRICTED NET ASSETS																	
Revenues:																	
Contributions & grants	\$16,293,557	\$4,752,000	\$339,239	\$5,448,327	\$1,232,877	\$12,100	\$19,196	\$16,572	\$713,769	\$141,516	\$90,621	\$2,679,892	\$231,552	\$21,971	\$275,992	\$317,933	
Investment income	15,179,373	8,818,000	2,978,032	1,354,309	30,521	238,916	279,389	22,981	79,856	22,213	891	893,640	405,945	395			\$54,285
Other income	9,462,628	4,505,000	772,863	551,969	292,953	58,231	1,807,614		(36,765)	433,735	41,152	82,490	386,284	211,289	6,420		349,393
Assets released from restrictions	90,346,607	24,433,000	29,104,558	20,711,418	26,688			339,203	2,106,081	1,146,818	679,935	2,146,261	2,836,475	215,952	6,600,218		
Total revenues	131,282,165	42,508,000	33,194,692	28,066,023	1,583,039	309,247	2,106,199	378,756	2,862,941	1,744,282	812,599	5,802,283	3,860,256	449,607	6,882,630	317,933	403,678
Expenses:																	
Program	104,080,482	27,436,000	30,906,387	25,948,767	1,529,437	41,709	1,176,046	208,684	2,138,519	1,591,059	481,575	3,067,653	2,948,558	329,581	5,980,928	295,579	
General & administrative	9,806,357	5,412,000	564,532	930,835	261,821	41,138	451,594	106,506	345,005		272,520	35,416	376,577	188,599	801,547	18,267	
Fundraising	6,641,187	4,694,000	612,439	475,374	193,263				288,247		39,658	209,768	128,438				
Other expense	268,377						98,124										170,253
Total expenses	120,796,403	37,542,000	32,083,358	27,354,976	1,984,521	82,847	1,725,764	315,190	2,771,771	1,591,059	793,753	3,312,837	3,453,573	518,180	6,782,475	313,846	170,253
Transfer per Board Resolution	(1,354,656)	(1,369,000)		14,344													
Change in unrestricted net assets	9,131,106	3,597,000	1,111,334	725,391	(401,482)	226,400	380,435	63,566	91,170	153,223	18,846	2,489,446	406,683	(68,573)	100,155	4,087	233,425
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS																	
Revenues:																	
Contributions & grants	73,093,217	10,722,000	29,617,693	17,172,082	60,610		200,000	161,060	2,449,443	1,281,202	371,420	753,205	3,373,406	330,878	6,600,218		
Investment income	36,149,627	10,712,000	14,873,064	5,341,823	704,413			122,090	1,522,534	1,181,489	182,916	1,410,032	33,891	65,375			
Other income	2,023,117								557,043	220,835	127,742	433,466	684,031				
Assets released from restrictions	(90,049,260)	(24,433,000)	(29,614,818)	(20,711,418)	(26,688)			(339,203)	(2,106,081)	(1,146,818)	(679,935)	(2,141,353)	(2,033,776)	(215,952)	(6,600,218)		
Total revenues	21,216,701	(2,999,000)	14,875,939	1,802,487	738,335		200,000	(56,053)	2,422,939	1,536,708	2,143	455,350	2,057,552	180,301			
Expenses:																	
Program	3,350						3,350										
Other expense																	
Total expenses	3,350						3,350										
Transfer per Board Resolution	7,926,440	(2,432,000)	9,636,643	721,797													
Change in temporarily restricted net assets	29,139,791	(5,431,000)	24,512,582	2,524,284	738,335		196,650	(56,053)	2,422,939	1,536,708	2,143	455,350	2,057,552	180,301			
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS																	
Contributions & grants	48,073,542	11,750,000	18,024,066	7,811,845				103,623	854,080		189,750	462,400	8,875,119	2,659			
Investment income	18,264,984	10,158,000	1,681,909	1,338,734				369,977	13,816		764,066	2,088,990	1,827,017	22,475			
Other income	(1,342,923)								132,987		(611,575)		(864,335)				
Assets released from restrictions	(297,347)		510,260									(4,908)	(802,699)				
Transfer per Board Resolution	(7,705,603)	(26,273,000)	17,785,514	781,883													
Change in permanently restricted net assets	56,992,653	(4,365,000)	38,001,749	9,932,462				473,600	1,000,883		342,241	2,546,482	9,035,102	25,134			
Total change in net assets	95,263,550	(6,199,000)	63,625,665	13,182,137	336,853	226,400	577,085	481,113	3,514,992	1,689,931	363,230	5,491,278	11,499,337	136,862	100,155	4,087	233,425
Net assets - beginning 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
Net assets - end of year	\$844,922,284	\$287,270,000	\$283,059,212	\$110,285,320	\$5,759,170	\$2,263,996	\$4,112,589	\$4,738,656	\$35,239,201	\$11,567,938	\$8,932,348	\$49,794,780	\$38,168,726	\$2,034,286	\$207,164	\$8,125	\$1,480,773

See accompanying notes.

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

	Major Component Units-----				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	
Total																	
CHANGES IN UNRESTRICTED NET ASSETS																	
Revenues:																	
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
Expenses:																	
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)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS																	
Revenues:																	
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)			
Expenses:																	
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)			
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS																	
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**

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
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
Net cash used by operating activities	(649,087,439)	(501,732,583)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	811,587,718	757,697,687
Nonoperating gifts	21,627,805	13,789,162
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	48,372	439,649
Other nonoperating gains and losses	7,980,721	10,173,807
Net cash provided by noncapital financing activities	841,244,616	782,100,305
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		182,465,679
Capital appropriations	89,185,874	130,931,582
Capital grants and gifts received	4,774,483	6,061,893
Proceeds from sales of capital assets	325,893	649,991
Purchases of capital assets	(229,929,609)	(286,606,364)
Principal paid on debt and capital leases	(65,362,443)	(179,078,251)
Interest paid on debt and capital leases	(44,055,825)	(45,163,451)
Net cash used by capital and related financing activities	(245,061,627)	(190,738,921)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	199,721,369	163,371,843
Interest on investments	55,441,668	32,771,927
Investment expense	(489,191)	(912,599)
Purchases of investments	(197,401,749)	(167,218,581)
Net cash provided by investing activities	57,272,097	28,012,590
Net increase (decrease) in cash	4,367,647	117,641,391
Cash and cash equivalents - beginning of the year	794,057,728	676,416,337
Cash and cash equivalents - end of the year	\$798,425,375	\$794,057,728
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	(\$806,083,691)	(\$672,530,527)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	167,621,982	152,604,680
Changes in assets and liabilities:		
Accounts receivables, net	4,641,818	(50,970,343)
Inventories	139,970	1,000,185
Prepaid expenses and deferred charges	(908,706)	(296,466)
Notes receivable	8,220,364	(10,808,615)
Capital assets		1,501,829
Accounts payable and accrued liabilities	(31,463,195)	13,881,958
Deferred revenue	(1,535,550)	56,534,945
Accrued vacation	8,270,569	9,207,771
Accrued workers' compensation	2,009,000	(1,858,000)
Net cash used by operating activities	(\$649,087,439)	(\$501,732,583)

See accompanying notes.

UNIVERSITY SYSTEM OF MARYLAND

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

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 financial reporting entity. Based on the criteria in *GASB Statement #14, The Financial Reporting Entity*, each of the affiliated foundations are shown in a discrete presentation.

The University System of Maryland Foundation, Inc., the University of Maryland College Park Foundation, Inc., and the University of Maryland Baltimore Foundation, Inc. are considered major component units due to the significance of the financial statement amounts to the System and its financial statements.

The following affiliated foundations are considered nonmajor component units:

- Medical Alumni Association of the University of Maryland, Inc.
- The Robert H. Smith School of Business Foundation, Inc.
- M Club Foundation, University of Maryland, Inc.
- The Maryland 4-H Foundation, Inc.

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.

Reclassifications – Certain amounts for the year ended June 30, 2005 have been reclassified to conform with the presentation for the year ended June 30, 2006.

Pending change in accounting principles – In June 2004, *GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued. This statement will require employers to report systematic, accrual-based measurement and recognition of other post-employment benefit arrangements in the financial statements. 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, 2008 in accordance with the new requirements.

In December 2004, *GASB Statement #46, Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement #34*, was issued. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The 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, 2007 in accordance with the new requirements.

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 process of assessing the impact of this new accounting standard and will present its financial statements for the year ended June 30, 2007 in accordance with the new requirements.

1. CASH AND INVESTMENTS

Cash and cash equivalents

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

	<u>2006</u>	<u>2005</u>
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:

	2006	2005
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., in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the University System of Maryland Foundation, Inc. According to the terms of the agreement, the System is to pay a fee to the University System of Maryland Foundation, Inc., on an annual basis that amounts to .25% of the fair value of the assets invested on behalf of the System. The agreement is for a term of five years, with renewable two-year extensions at the option of the System, unless notice of intent to terminate the arrangement is provided within 180 days prior to the expiration of the term. In the event of termination of the arrangement, funds invested with individual investment managers that have commitments from the University System of Maryland Foundation, Inc. to maintain investments for certain minimum time periods may not be returned to the System until those constraints have been satisfied.

Investments in the University System of Maryland Foundation, Inc. are accounted for as an open-ended mutual fund. Asset values, investment gains and losses, and other portfolio-wide transactions are allocated based on the number of units or shares that each fund has relative to the total number of shares or units. Assets associated with the System's investments are reported as Endowment Investments on the Balance Sheet of the University System of Maryland, and Investments on the Balance Sheet of the University System of Maryland Foundation, Inc., with a corresponding liability reflecting the fair value of the System's interest in the investment portfolio.

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 managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk

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.

Endowment Investments managed by the University System of Maryland Foundation, Inc. are uninsured and are not registered in the name of the System, as they are a part of a commingled portfolio comprising proportionate interests of several different entities.

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, the credit quality of the System's securities investments is as follows (U.S. government and agency obligations are assumed to not present credit risk):

Moody's Rating	Fair Value as of June 30, 2005
Aaa	\$5,871,913
Aa3	1,333,486
A1	2,359,082
A2	3,054,081
A3	3,188,247
Baa1	2,973,748
Baa2	2,972,909
Baa3	351,959
B1	125,731
B2	37,450
B3	210,228
Caa1	36,050
Unrated	204,172
	<u>\$22,719,056</u>

As of June 30, 2005, investments consist of:

	Fair value	Investment maturities					More than 15 years
		Not applicable / Not stated	Less than 1 year	1 to 5 years	6 to 10 years	11 to 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					
Total	\$202,313,046	\$164,594,509	\$979,228	\$15,329,953	\$11,540,368	\$1,051,341	\$8,817,647

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The System is not exposed to any material amount of foreign currency risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in the securities of a single issuer.

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

	2005	
	Fair value	Portion of total
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

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>	<u>\$147,813,301</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.

Prior to entering into the arrangement with the University System of Maryland Foundation, Inc. to provide investment management services for the System's endowment investments, the System invested a portion of its endowment funds in various forms of asset-backed securities, as a means of enhancing portfolio-wide risk-adjusted returns. The values of asset-backed securities are generally based on the future cash flows associated with the underlying pools of assets. Accordingly, asset-backed securities are subject to market risk due to fluctuations in interest rates, prepayment risks, and various liquidity factors related to the specific underlying pools of assets. As of June 30, 2005 the System had investments in asset-backed securities of \$5,541,465, representing 3.8% of total Endowment investments, including collateralized mortgage obligations of \$2,339,331, respectively.

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% 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 \$166,267,000 and \$150,776,000 as of June 30, 2006 and 2005, 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, 2006 and 2005, investment income attributed to unrestricted funds and restricted funds was:

	<u>2006</u>	<u>2005</u>
Unrestricted funds	\$45,967,671	\$28,553,564
Restricted funds	24,809,919	12,439,112
Total investment income	<u>\$70,777,590</u>	<u>\$40,992,676</u>

Major component units

The University System of Maryland Foundation, Inc. invests funds on behalf of the System and 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, 2006 and 2005, major component unit investments, recorded at fair value, are:

	<u>2006</u>	<u>2005</u>
Money market funds and short-term investments	\$11,021,779	\$4,062,146
Corporate and foreign bonds	37,718,059	39,613,661
Equities	162,796,893	120,173,364
U.S. Treasury notes and bonds	35,657,208	9,906,829
U.S. Agencies	2,303,648	6,932,039
Collateral mortgage obligations and asset-backed securities	18,839,278	13,695,265
Absolute return and market neutral funds	163,132,273	95,072,305
Long and short equity hedge funds	238,857,179	109,794,215
Private capital	38,892,703	36,231,814
Real estate	76,979,916	51,392,753
Total	<u>\$786,198,936</u>	<u>\$486,874,391</u>

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 \$44,669,599, respectively. Interest expense of \$863,105 and \$919,203 associated with projects not yet completed was capitalized and recorded as construction in progress during the years ended June 30, 2006 and 2005, respectively. The remaining \$42,455,505 and 43,750,396 is reported as Interest on indebtedness for the years ended June 30, 2006 and 2005, respectively.

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

Accounts receivable as of June 30, 2006 and 2005 were comprised of:

	<u>2006</u>	<u>2005</u>
Tuition and fees	\$85,787,082	\$96,329,995
Contracts and grants	166,253,018	162,140,548
Other	21,458,577	17,745,382
	<hr/>	<hr/>
Subtotal	273,498,677	276,215,925
Allowance for doubtful accounts	(20,797,272)	(18,872,702)
	<hr/>	<hr/>
Accounts receivable, net	<u>\$252,701,405</u>	<u>\$257,343,223</u>

Notes receivable as of June 30, 2006 and 2005 were comprised of:

	<u>2006</u>	<u>2005</u>
Student loans	\$74,257,900	\$74,630,137
Business development loans	6,514,584	13,298,513
	<hr/>	<hr/>
Subtotal	80,772,484	87,928,650
Allowance for doubtful notes	(11,073,546)	(10,009,348)
	<hr/>	<hr/>
Notes receivable, net	<u>\$69,698,938</u>	<u>\$77,919,302</u>

UNIVERSITY SYSTEM OF MARYLAND

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

	June 30, 2004			June 30, 2005			June 30, 2006
	Balance	Additions	Decreases	Balance	Additions	Decreases	Balance
Capital assets being depreciated:							
Infrastructure & Land Improvements	\$183,268,664	\$8,680,317		\$191,948,981	\$9,392,082	\$620,817	\$200,720,246
Buildings & Improvements	3,245,447,854	205,713,935	\$2,906,637	3,448,255,152	146,373,355	13,728,623	3,580,899,884
Contents	708,686,674	85,079,832	2,207,592	791,558,914	70,020,765	28,745,043	832,834,636
Facilities recorded under capital lease agreements	4,136,104			4,136,104			4,136,104
Total capital assets being depreciated	4,141,539,296	299,474,084	5,114,229	4,435,899,151	225,786,202	43,094,483	4,618,590,870
Less accumulated depreciation for:							
Infrastructure & Land Improvements	83,487,390	7,695,983		91,183,373	7,896,647	620,817	98,459,203
Buildings & Improvements	1,092,112,328	89,983,396	2,901,223	1,179,194,501	95,876,236	4,871,277	1,270,199,460
Contents	478,028,619	54,787,426	11,959,849	520,856,196	63,711,224	22,605,650	561,961,770
Facilities recorded under capital lease agreements	1,930,250	137,875		2,068,125	137,875		2,206,000
Total accumulated depreciation	1,655,558,587	152,604,680	14,861,072	1,793,302,195	167,621,982	28,097,744	1,932,826,433
Total capital assets being depreciated, net	2,485,980,709	146,869,404	(9,746,843)	2,642,596,956	58,164,220	14,996,739	2,685,764,437
Capital assets not being depreciated:							
Land	97,594,604	5,557,778	37,229	103,115,153	605,867		103,721,020
Contents	19,464,266	2,448,510	11,144,842	10,767,934	1,114,178	165,631	11,716,481
Construction in progress	303,043,277	140,848,669	156,736,347	287,155,599	135,108,286	120,055,893	302,207,992
Total capital assets not being depreciated	420,102,147	148,854,957	167,918,418	401,038,686	136,828,331	120,221,524	417,645,493
Capital assets, net	\$2,906,082,856	\$295,724,361	\$158,171,575	\$3,043,635,642	\$194,992,551	\$135,218,263	\$3,103,409,930

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 of money.

As of June 30, 2006 and 2005, contributions receivable are due as follows:

University System of Maryland Foundation, Inc.

<u>Due</u>	<u>Discount rates</u>	<u>2006</u>	<u>2005</u>
Within one year		\$7,894,000	\$12,145,000
Two to five years	1.125% – 6.5%	12,349,000	10,899,000
More than five years	4.38% - 6.75%	1,470,000	800,000
		<hr/>	<hr/>
Subtotal		21,713,000	23,844,000
Pledge discount		(1,461,000)	(1,352,000)
		<hr/>	<hr/>
Net contributions receivable		<u>\$20,252,000</u>	<u>\$22,492,000</u>

University of Maryland College Park Foundation, Inc.

<u>Due</u>		<u>2006</u>	<u>2005</u>
Within one year		\$20,027,261	\$16,688,052
Two to five years		44,964,336	39,276,944
More than five years		14,450,615	18,473,112
		<hr/>	<hr/>
Subtotal		79,442,212	74,438,108
Allowance for doubtful accounts		(2,690,916)	(2,350,390)
Pledge discount		(7,425,148)	(6,849,183)
		<hr/>	<hr/>
Net contributions receivable		<u>\$69,326,148</u>	<u>\$65,238,535</u>

University of Maryland Baltimore Foundation, Inc.

Due	Discount rates	2006	2005
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:

	2006	2005
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:

	Interest Rates	Maturity Dates	Principal Outstanding
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.

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 of auction reset securities, meaning that interest is calculated on outstanding Revolving Loan Program Bonds using rates of interest determined through a periodic auction process. The Revolving Loan Program Bonds, 2003 Series A mature on July 1, 2023, and may be converted to fixed interest rate instruments at the option of the System.

As of June 30, 2006 and 2005, cash and cash equivalents in the amount of \$27,520,836 and \$18,371,095, respectively, was held by the trustee as unspent proceeds of the Revolving Loan Program Bonds.

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 are made annually on June 1 from 2003 through 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,	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:

<u>Year ending June 30,</u>	<u>Minimum Annual Lease Payments</u>
2007	\$9,124,643
2008	6,789,020
2009	5,530,912
2010	4,673,002
2011	3,073,884
2012-2016	10,999,047
2017-2021	10,999,047
2022– 2026	<u>8,799,237</u>
Total	<u><u>\$59,988,792</u></u>

Operating lease expenditures for the years ended June 30, 2006 and 2005 were \$6,747,595 and \$6,465,119, 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, 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, 2006			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
Operation and maintenance of plant	87,231,458	125,971,801	35,239,454	248,442,713	81,043,641	93,455,613	29,525,192	204,024,446
Scholarships and fellowships	4,665,567	54,375,238	75,720	59,116,525	4,883,594	42,725,579	76,265	47,685,438
Auxiliary enterprises:								
Residence facilities	31,293,790	40,441,034	13,626,111	85,360,935	31,275,408	39,055,555	12,649,223	82,980,186
Dining facilities	25,090,537	44,993,998	3,424,421	73,508,956	22,592,725	40,572,277	1,629,482	64,794,484
Intercollegiate athletics	32,217,648	32,279,587	5,162,348	69,659,583	28,610,876	29,120,167	4,713,864	62,444,907
Bookstores	4,427,963	22,299,232	2,185,027	28,912,222	3,572,750	26,848,150	159,873	30,580,773
Parking facilities	7,123,839	14,617,184	1,483,682	23,224,705	6,239,305	11,372,722	3,170,488	20,782,515
Other auxiliary enterprises	35,235,733	21,253,606	17,062,708	73,552,047	32,618,223	15,752,658	17,352,323	65,723,204
Hospital	95,826,963	2,432,843	5,367	98,265,173	87,152,854	565,122		87,717,976
Total	\$2,068,899,298	\$911,811,029	\$167,621,982	\$3,148,332,309	\$1,934,400,686	\$835,263,269	\$152,604,680	\$2,922,268,635

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 \$35,532,199 and \$27,765,293 for the years ended June 30, 2006 and 2005, 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, Suite 1600, 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 highest three consecutive years compensation. Retirement benefits are paid on a monthly basis.

All four State Systems plans provide retirement, death and disability benefits in accordance with State statutes.

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% for participants in the State Systems retirement plans (with a 5%

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.

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, 2006 and 2005. Settlement amounts have not exceeded insurance coverage levels for the years ended June 30, 2006, 2005, or 2004.

As of June 30, 2006 and 2005, the System has recorded \$25,965,000 and \$23,956,000 in liabilities associated with workers' compensation, respectively.

13. SUBSEQUENT EVENTS

On July 19, 2006, the System issued \$80,000,000 of 2006 Series A University System of Maryland Auxiliary Facility and Tuition Revenue Bonds. The 2006 Series A bonds consist of serial bonds maturing through the year ended June 30, 2027 with stated rates of interest from 4% to 5%, and were issued at an aggregate premium of \$2,929,597.

On September 29, 2006, the University System of Maryland entered into an agreement in which the University of Maryland Baltimore transferred title to 5 buildings and land, on a single city block with a carrying value of \$14,394,793, to the University of Maryland Medical System in exchange for \$25,000,000. The purchase price is considered to be fair value of the land and facilities at that point in time. The University of Maryland Baltimore will use the proceeds of the transaction, along with other university funds, to construct or acquire other facilities to house the offices displaced in the 5 buildings sold.

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	199,355,363	13,639,855	206,730,574	12,794,419
Noncurrent assets:				
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
Total noncurrent assets	692,390,384	137,138,546	678,453,551	119,181,368
Total assets	\$891,745,747	\$150,778,401	\$885,184,125	\$131,975,787
LIABILITIES				
Current liabilities:				
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
Total current liabilities	92,893,287	3,449,651	103,171,041	338,243
Noncurrent liabilities:				
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	
Total noncurrent liabilities	126,984,951	1,588,235	117,963,740	569,011
Total liabilities	219,878,238	5,037,886	221,134,781	907,254
NET ASSETS				
Unrestricted	98,881,205	20,273,141	96,385,116	19,498,974
Invested in capital assets, net	473,718,169		474,301,691	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	5,445,962	22,454,793	5,439,113	17,527,123
Research	144,440	242,417	145,990	217,112
Other	10,353,834	50,240,427	10,367,952	44,264,817
Expendable:				
Scholarships and fellowships	31,792,460	5,710,048	20,540,445	5,530,880
Research	1,491,863	6,641,334	11,794,002	6,435,646
Loans	29,810,637		28,194,451	
Capital projects	299,254		267,868	
Other	19,929,685	40,178,355	16,612,716	37,593,981
Total net assets	671,867,509	145,740,515	664,049,344	131,068,533
Total liabilities and net assets	\$891,745,747	\$150,778,401	\$885,184,125	\$131,975,787

UNIVERSITY OF MARYLAND, BALTIMORE
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
OPERATING REVENUES:				
Tuition and fees	\$72,178,663		\$67,897,187	
Less: scholarship allowances	(17,709,077)	\$54,469,586	(14,192,083)	\$53,705,104
Federal grants and contracts		209,502,388		197,403,169
State and local grants and contracts		45,044,676		37,835,691
Nongovernmental grants and contracts		51,031,387		66,487,240
Sales and services of educational departments		154,774,648		134,600,900
Auxiliary enterprises:				
Residential facilities		688,264		674,025
Bookstores		173,820		185,627
Parking facilities		10,853,963		11,751,085
Other auxiliary enterprises revenues		6,915,963		6,352,447
Total operating revenues		533,454,695		508,995,288
OPERATING EXPENSES:				
Instruction		153,147,646		139,068,790
Research		267,135,531		265,158,949
Public service		4,176,840		6,599,698
Academic support		35,742,532		30,816,677
Student services		4,374,892		2,952,252
Institutional support		61,070,959		42,219,820
Operation and maintenance of plant		60,176,704		39,993,107
Scholarships and fellowships		926,849		928,108
Auxiliary enterprises:				
Residential facilities		793,389		627,015
Bookstores		68,232		54,548
Parking facilities		10,599,406		9,383,589
Other auxiliary enterprises expenses		9,254,430		5,407,718
Hospital		98,265,173		87,717,976
Total operating expenses		705,732,583		630,928,247
Operating income (loss)		(172,277,888)		(121,932,959)
NONOPERATING REVENUES (EXPENSES):				
State appropriations		145,702,081		133,497,622
Gifts		7,241,460	\$31,875,198	1,302,777
Investment income	16,372,926		12,171,921	9,820,470
Less: Investment expense	(109,526)	16,263,400	(325,808)	9,494,662
Interest on indebtedness		(3,633,486)		(3,924,857)
Other affiliated foundation revenue				880,931
Other affiliated foundation expense			(30,221,084)	(26,808,062)
Transfers (to) from other University System of Maryland institutions		9,655,110		(2,629,430)
Total nonoperating revenues (expenses)		175,228,565	14,671,982	137,740,774
Income before other revenues, expenses, gains and losses		2,950,677	14,671,982	15,807,815
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		3,728,097		33,662,230
Capital gifts and grants		1,109,148		
Additions to permanent endowments		30,243		278,121
Other gains and losses				(3,933,339)
Total other revenues, expenses, gains and losses		4,867,488		30,007,012
Increase (decrease) in net assets		7,818,165	14,671,982	45,814,827
Net assets - beginning of year		664,049,344	131,068,533	618,234,517
Net assets - end of year		\$671,867,509	\$145,740,515	\$664,049,344

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$53,525,525	\$53,740,633
Research contracts and grants	304,854,988	291,012,415
Payments to employees	(485,654,197)	(432,251,897)
Payments to suppliers and contractors	(191,592,273)	(163,962,132)
Loans issued to students	(6,229,054)	(7,640,306)
Collections of loans to students	4,786,691	4,615,311
Auxiliary enterprises:		
Residential facilities	688,264	674,025
Bookstores	173,820	185,627
Parking facilities	10,853,963	11,751,085
Other	647,517	5,362,562
Other receipts (payments)	160,720,165	134,600,900
Net cash provided (used) by operating activities	(147,224,591)	(101,911,777)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	145,702,081	133,497,622
Nonoperating gifts	7,241,460	1,082,023
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	30,243	278,121
Other nonoperating gains and losses		(3,575,209)
Net cash provided (used) by noncapital financing activities	152,973,784	131,282,557
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		13,342,501
Capital appropriations	3,728,097	33,662,230
Capital grants and gifts received		220,754
Purchases of capital assets	(45,044,688)	(64,097,305)
Principal paid on debt and capital leases	(4,971,504)	(17,739,154)
Interest paid on debt and capital leases	(3,670,862)	(4,106,182)
Transfers (to) from other University System of Maryland institutions	21,120,691	10,011,102
Net cash provided (used) by capital and related financing activities	(28,838,266)	(28,706,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	58,149,857	64,715,095
Interest on investments	10,231,554	6,528,528
Investment expense	(109,526)	(325,808)
Purchases of investments	(78,190,966)	(45,705,542)
Net cash provided (used) by investing activities	(9,919,081)	25,212,273
Net increase (decrease) in cash	(33,008,154)	25,876,999
Cash and cash equivalents - beginning of the year	148,310,465	122,433,466
Cash and cash equivalents - end of the year	\$115,302,311	\$148,310,465

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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	
Prepaid expenses	1,144,257	257,303	1,034,648	516,710
Inter-institutional balances	411,354		627,124	
Total current assets	382,055,606	39,939,272	366,465,309	53,801,797
Noncurrent assets:				
Restricted cash and cash equivalents	3,062,516		29,137,148	
Endowment investments	111,266,853	335,493,521	76,958,633	282,451,944
Other investments	3,281,840		2,170,173	
Notes receivable, net	7,441,079	55,055,406	5,955,971	52,481,732
Other assets		202,171		1,426,191
Capital assets, net	1,135,366,766	1,500,544	1,122,046,054	1,489,925
Total noncurrent assets	1,260,419,054	392,251,642	1,236,267,979	337,849,792
Total assets	\$1,642,474,660	\$432,190,914	\$1,602,733,288	\$391,651,589
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$48,405,686	\$5,170,865	\$62,700,817	\$9,712,794
Accrued workers' compensation, current portion	1,496,680		1,514,195	
Accrued vacation costs, current portion	20,565,746		18,390,980	
Revenue bonds and notes payable, current portion	26,221,525		31,614,111	
Deferred revenue	49,933,862	1,356,638	47,207,096	1,759,364
Total current liabilities	146,623,499	6,527,503	161,427,199	11,472,158
Noncurrent liabilities:				
Accrued workers' compensation	8,159,320		8,254,805	
Accrued vacation costs	25,414,366		23,584,860	
Other payables		5,464,064		2,131,246
Revenue bonds and notes payable	344,525,579		370,098,479	
Noncurrent liabilities	378,099,265	5,464,064	401,938,144	2,131,246
Total liabilities	524,722,764	11,991,567	563,365,343	13,603,404
NET ASSETS				
Unrestricted	232,784,434	40,168,885	206,114,039	39,656,903
Invested in capital assets, net	764,619,662		720,333,464	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	4,612,135	74,654,276	4,606,177	73,609,824
Research	3,498,962	1,374,224	3,541,921	1,386,534
Other	3,479,082	147,245,549	3,488,013	128,783,748
Expendable:				
Scholarships and fellowships	14,815,253	41,576,799	13,816,640	36,311,377
Research	69,005,570	8,413,780	63,994,127	7,844,320
Loans	11,394,020		11,315,938	
Capital projects	2,910,268		2,419,009	
Other	10,632,510	106,765,834	9,738,617	90,455,479
Total net assets	1,117,751,896	420,199,347	1,039,367,945	378,048,185
Total liabilities and net assets	\$1,642,474,660	\$432,190,914	\$1,602,733,288	\$391,651,589

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
OPERATING REVENUES:				
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>
Total operating revenues		<u>838,235,828</u>		<u>784,050,212</u>
OPERATING EXPENSES:				
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>
Total operating expenses		<u>1,162,735,315</u>		<u>1,064,648,454</u>
Operating income (loss)		<u>(324,499,487)</u>		<u>(280,598,242)</u>
NONOPERATING REVENUES (EXPENSES):				
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)
Total nonoperating revenues (expenses)		<u>361,666,641</u>	<u>42,151,162</u>	<u>313,080,457</u>
Income before other revenues, expenses, gains and losses		<u>37,167,154</u>	<u>42,151,162</u>	<u>32,482,215</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
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>
Total other revenues, expenses, gains and losses		<u>41,216,797</u>		<u>23,560,096</u>
Increase (decrease) in net assets		78,383,951	42,151,162	56,042,311
Net assets - beginning of year		<u>1,039,367,945</u>	<u>378,048,185</u>	<u>983,325,634</u>
Net assets - end of year		<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
CASH FLOWS FROM OPERATING ACTIVITIES:		
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 facilities	36,647,534	36,348,506
Dining facilities	35,187,404	32,876,128
Intercollegiate athletics	42,482,274	40,711,027
Parking facilities	12,872,508	12,031,572
Other	32,519,467	31,541,537
Other receipts (payments)	54,865,268	44,670,983
	<u>(276,703,412)</u>	<u>(217,191,960)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	328,809,523	310,281,793
Nonoperating gifts	13,829,533	12,345,926
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	18,129	136,528
Other nonoperating gains and losses	(81,677)	7,617,229
	<u>342,575,508</u>	<u>330,381,476</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		66,378,705
Capital appropriations	34,889,618	18,265,060
Capital grants and gifts received	4,390,717	5,269,279
Proceeds from sales of capital assets	187,571	243,275
Purchases of capital assets	(72,539,163)	(75,649,493)
Principal paid on debt and capital leases	(32,282,926)	(88,445,483)
Interest paid on debt and capital leases	(18,340,943)	(19,489,319)
Transfers (to) from other University System of Maryland institutions	5,168,831	27,143,937
	<u>(78,526,295)</u>	<u>(66,284,039)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	77,452,147	85,357,850
Interest on investments	26,072,509	14,114,083
Investment expense	(144,458)	(429,494)
Purchases of investments	(103,132,235)	(60,284,649)
	<u>247,963</u>	<u>38,757,790</u>
Net cash provided (used) by investing activities		
	<u>247,963</u>	<u>38,757,790</u>
Net increase (decrease) in cash	(12,406,236)	85,663,267
Cash and cash equivalents - beginning of the year	<u>325,284,149</u>	<u>239,620,882</u>
Cash and cash equivalents - end of the year	<u>\$312,877,913</u>	<u>\$325,284,149</u>

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	\$2,019,690	\$506,685		\$567,355
Investments		4,024,278		3,512,851
Accounts receivable, net	6,684,934	273,973	\$6,306,075	252,701
Notes receivable, current portion	245,293		234,310	
Prepaid expenses		18,718		10,607
Inter-institutional balances	(250,741)		(924,176)	
Total current assets	8,699,176	4,823,654	5,616,209	4,343,514
Noncurrent assets:				
Restricted cash and cash equivalents	1,258,080		1,236,852	
Notes receivable, net	453,612		546,722	
Capital assets, net	72,564,464	4,478	71,855,900	3,733
Total noncurrent assets	74,276,156	4,478	73,639,474	3,733
Total assets	\$82,975,332	\$4,828,132	\$79,255,683	\$4,347,247
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$3,949,746	\$55,439	\$3,210,249	\$54,397
Accrued workers' compensation, current portion	70,835		63,860	
Accrued vacation costs, current portion	793,837		600,338	
Revenue bonds and notes payable, current portion	552,194	25,000	1,261,374	25,000
Deferred revenue	2,535,670	912	360,971	6,269
Total current liabilities	7,902,282	81,351	5,496,792	85,666
Noncurrent liabilities:				
Accrued workers' compensation	386,165		348,140	
Accrued vacation costs	970,247		1,067,059	
Revenue bonds and notes payable	11,731,615		14,241,736	
Total noncurrent liabilities	13,088,027		15,656,935	
Total liabilities	20,990,309	81,351	21,153,727	85,666
NET ASSETS				
Unrestricted	(658,496)	264,915	(497,581)	197,262
Invested in capital assets, net	60,280,655		56,352,790	
Restricted:				
Nonexpendable:				
Other		4,097,092		3,623,492
Expendable:				
Loans	1,104,784		1,009,895	
Capital projects	1,258,080		1,236,852	
Other		384,774		440,827
Total net assets	61,985,023	4,746,781	58,101,956	4,261,581
Total liabilities and net assets	\$82,975,332	\$4,828,132	\$79,255,683	\$4,347,247

BOWIE 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
OPERATING REVENUES:				
Tuition and fees	\$27,677,321		\$26,678,824	
Less: scholarship allowances	<u>(6,318,461)</u>	\$21,358,860	<u>(6,529,456)</u>	\$20,149,368
Federal grants and contracts		10,838,038		11,132,231
State and local grants and contracts		2,513,616		3,217,306
Nongovernmental grants and contracts		187,146		138,635
Sales and services of educational departments		150,519		180,289
Auxiliary enterprises:				
Residential facilities	3,480,374		3,102,904	
Less: scholarship allowances	<u>(172,114)</u>	3,308,260	<u>(652,946)</u>	2,449,958
Dining facilities	2,160,813		2,030,730	
Less: scholarship allowances	<u>(216,423)</u>	1,944,390	<u>(72,550)</u>	1,958,180
Intercollegiate athletics	2,007,171		1,931,605	
Less: scholarship allowances	<u>(155,898)</u>	1,851,273		1,931,605
Parking facilities		301,391		356,972
Other auxiliary enterprises revenues		2,594,192		2,063,865
Other operating revenues		29,958		
Total operating revenues	<u>45,077,643</u>		<u>43,578,409</u>	
OPERATING EXPENSES:				
Instruction		24,538,417		23,392,887
Research		2,322,184		2,603,704
Public service		256,167		196,170
Academic support		6,259,446		6,707,903
Student services		3,865,703		3,701,384
Institutional support		13,116,536		11,829,543
Operation and maintenance of plant		5,800,004		7,264,403
Scholarships and fellowships		1,507,673		413,142
Auxiliary enterprises:				
Residential facilities		2,682,277		2,730,597
Dining facilities		2,084,641		1,563,797
Intercollegiate athletics		2,705,253		2,431,468
Other auxiliary enterprises expenses		<u>933,551</u>		<u>619,034</u>
Total operating expenses		<u>66,071,852</u>		<u>63,454,032</u>
Operating income (loss)		<u>(20,994,209)</u>		<u>(19,875,623)</u>
NONOPERATING REVENUES (EXPENSES):				
State appropriations		22,269,547		21,006,128
Gifts			\$599,188	\$1,029,716
Investment income		19,875	515,048	410,215
Interest on indebtedness		(553,997)		(467,431)
Other nonoperating revenues		94,886		
Other affiliated foundation revenue				20,994
Other affiliated foundation expense			(629,036)	(1,034,564)
Transfers (to) from other University System of Maryland institutions		<u>(725,239)</u>		<u>(1,107,141)</u>
Total nonoperating revenues (expenses)		<u>21,105,072</u>	<u>485,200</u>	<u>19,431,556</u>
Income before other revenues, expenses, gains and losses		<u>110,863</u>	<u>485,200</u>	<u>(444,067)</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		3,772,204		1,672,909
Other gains and losses				<u>494,004</u>
Total other revenues, expenses, gains and losses		<u>3,772,204</u>		<u>2,166,913</u>
Increase (decrease) in net assets		<u>3,883,067</u>	<u>485,200</u>	<u>1,722,846</u>
Net assets - beginning of year		<u>58,101,956</u>	<u>4,261,581</u>	<u>56,379,110</u>
Net assets - end of year		<u>\$61,985,023</u>	<u>\$4,746,781</u>	<u>\$58,101,956</u>

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$22,135,326	\$19,104,824
Research contracts and grants	14,872,245	14,874,810
Payments to employees	(40,652,734)	(39,571,317)
Payments to suppliers and contractors	(20,013,778)	(20,409,464)
Loans issued to students	(167,205)	(120,278)
Collections of loans to students	275,012	325,397
Auxiliary enterprises:		
Residential facilities	3,716,260	1,379,689
Dining facilities	1,944,390	1,958,180
Intercollegiate athletics	1,851,273	1,931,605
Bookstores		
Parking facilities	301,391	
Other	1,872,121	2,777,809
Other receipts (payments)	(83,454)	(923,085)
Net cash provided (used) by operating activities	(13,949,153)	(18,671,830)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	22,269,547	21,006,128
Other nonoperating gains and losses	89,081	308,787
Net cash provided (used) by noncapital financing activities	22,358,628	21,314,915
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		670,931
Capital appropriations	3,772,204	1,672,909
Purchases of capital assets	(4,968,789)	(2,369,143)
Principal paid on debt and capital leases	(1,223,296)	(2,048,518)
Interest paid on debt and capital leases	(560,287)	(480,621)
Transfers (to) from other University System of Maryland institutions	(3,388,389)	(1,973,959)
Net cash provided (used) by capital and related financing activities	(6,368,557)	(4,528,401)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments		
Net cash provided (used) by investing activities		
Net increase (decrease) in cash	2,040,918	(1,885,316)
Cash and cash equivalents - beginning of the year	1,236,852	3,122,168
Cash and cash equivalents - end of the year	\$3,277,770	\$1,236,852

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	93,014,052	33,632,162	76,072,421	30,073,859
Noncurrent assets:				
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
Total noncurrent assets	269,166,943	1,774,809	262,074,084	1,829,545
Total assets	\$362,180,995	\$35,406,971	\$338,146,505	\$31,903,404
LIABILITIES				
Current liabilities:				
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	
Total current liabilities	31,288,152	167,770	28,909,264	179,195
Noncurrent liabilities:				
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	
Total noncurrent liabilities	91,031,285		94,876,619	
Total liabilities	122,319,437	167,770	123,785,883	179,195
NET ASSETS				
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
Total net assets	239,861,558	35,239,201	214,360,622	31,724,209
Total liabilities and net assets	\$362,180,995	\$35,406,971	\$338,146,505	\$31,903,404

TOWSON 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
OPERATING REVENUES:				
Tuition and fees	\$115,471,847		\$108,422,406	
Less: scholarship allowances	<u>(19,297,368)</u>	\$96,174,479	<u>(18,655,636)</u>	\$89,766,770
Federal grants and contracts		9,384,481		9,145,475
State and local grants and contracts		3,459,311		2,219,925
Nongovernmental grants and contracts		968,043		217,948
Sales and services of educational departments		3,512,347		3,502,444
Auxiliary enterprises:				
Residential facilities	14,659,017		14,386,468	
Less: scholarship allowances	<u>(688,132)</u>	13,970,885	<u>(719,930)</u>	13,666,538
Dining facilities	13,187,409		12,114,150	
Less: scholarship allowances	<u>(279,483)</u>	12,907,926	<u>(291,336)</u>	11,822,814
Intercollegiate athletics	10,838,075		10,001,019	
Less: scholarship allowances	<u>(1,307,464)</u>	9,530,611	<u>(1,030,312)</u>	8,970,707
Bookstores	10,711,016		10,618,528	
Less: scholarship allowances	<u>(61,557)</u>	10,649,459	<u>(59,746)</u>	10,558,782
Parking facilities		4,108,930		3,732,090
Other auxiliary enterprises revenues		19,374,743		16,465,547
Other operating revenues		<u>7,076</u>		<u>32,021</u>
Total operating revenues		<u>184,048,291</u>		<u>170,101,061</u>
OPERATING EXPENSES:				
Instruction		70,828,985		66,475,009
Research		3,274,938		2,821,844
Public service		11,689,116		9,987,881
Academic support		26,138,564		26,479,989
Student services		12,606,594		12,152,692
Institutional support		28,057,610		22,433,470
Operation and maintenance of plant		20,668,204		17,503,490
Scholarships and fellowships		6,034,247		5,366,058
Auxiliary enterprises:				
Residential facilities		9,769,539		10,509,373
Dining facilities		11,180,769		11,061,515
Intercollegiate athletics		10,577,679		9,189,962
Bookstores		9,538,864		10,315,270
Parking facilities		1,908,892		2,014,163
Other auxiliary enterprises expenses		<u>11,038,978</u>		<u>12,301,436</u>
Total operating expenses		<u>233,312,979</u>		<u>218,612,152</u>
Operating income (loss)		<u>(49,264,688)</u>		<u>(48,511,091)</u>
NONOPERATING REVENUES (EXPENSES):				
State appropriations		63,121,550		58,945,915
Gifts		10,000	\$4,017,292	\$12,724,462
Investment income	4,481,556		1,616,206	1,304,298
Less: Investment expense	<u>(5,229)</u>	4,476,327	<u>(15,542)</u>	2,232,829
Interest on indebtedness		(4,379,500)		(4,498,825)
Other nonoperating revenues (expenses)		5,675,555		5,911,500
Other affiliated foundation revenue			653,265	588,678
Other affiliated foundation expense			(2,771,771)	(2,682,715)
Transfers (to) from other University System of Maryland institutions		<u>(241,410)</u>		<u>(4,220,249)</u>
Total nonoperating revenues (expenses)		<u>68,662,522</u>	<u>3,514,992</u>	<u>58,371,170</u>
Income before other revenues, expenses, gains and losses		<u>19,397,834</u>	<u>3,514,992</u>	<u>9,860,079</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		6,279,596		27,746,037
Capital gifts and grants		386,143		2,895,053
Other gains and losses		<u>(562,637)</u>		<u>103,882</u>
Total other revenues, expenses, gains and losses		<u>6,103,102</u>		<u>30,744,972</u>
Increase (decrease) in net assets		<u>25,500,936</u>	<u>3,514,992</u>	<u>40,605,051</u>
Net assets - beginning of year		<u>214,360,622</u>	<u>31,724,209</u>	<u>173,755,571</u>
Net assets - end of year		<u>\$239,861,558</u>	<u>\$35,239,201</u>	<u>\$214,360,622</u>

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
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	12,906,699	11,863,990
Intercollegiate athletics	9,660,763	8,705,725
Bookstores	10,641,643	9,810,801
Parking facilities	4,106,307	3,624,084
Other	19,702,153	15,854,472
Other receipts (payments)	2,986,709	7,868,131
Net cash provided (used) by operating activities	(29,365,925)	(33,870,935)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	63,121,550	58,945,915
Other nonoperating gains and losses	5,122,918	6,015,382
Net cash provided (used) by noncapital financing activities	68,244,468	64,961,297
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		9,379,322
Capital appropriations	6,279,596	27,746,037
Capital grants and gifts received	173,620	560,956
Purchases of capital assets	(24,016,451)	(34,316,112)
Principal paid on debt and capital leases	(7,246,372)	(15,307,323)
Interest paid on debt and capital leases	(4,378,726)	(4,716,764)
Transfers (to) from other University System of Maryland institutions	2,506,089	(1,724,032)
Net cash provided (used) by capital and related financing activities	(26,682,244)	(18,377,916)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	2,795,178	3,081,369
Interest on investments	4,106,496	2,064,353
Investment expense	(804)	(15,542)
Purchases of investments	(3,733,382)	(2,182,302)
Net cash provided (used) by investing activities	3,167,488	2,947,878
Net increase (decrease) in cash	15,363,787	15,660,324
Cash and cash equivalents - beginning of the year	61,269,351	45,609,027
Cash and cash equivalents - end of the year	\$76,633,138	\$61,269,351

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	\$11,793,444		\$10,198,861	
Accounts receivable, net	7,534,931	\$435,804	7,367,336	\$714,372
Notes receivable, current portion	4,436,617		953,365	
Prepaid expenses		1,570		24,838
Inter-institutional balances	(118,077)		(236,746)	
Total current assets	23,646,915	437,374	18,282,816	739,210
Noncurrent assets:				
Restricted cash and cash equivalents	196,391		367,097	
Endowment investments	511,381	15,866,348	350,474	13,638,090
Notes receivable, net	1,419,839	400,710	11,640,266	875,233
Capital assets, net	178,139,563	267,255	181,008,559	272,592
Total noncurrent assets	180,267,174	16,534,313	193,366,396	14,785,915
Total assets	\$203,914,089	\$16,971,687	\$211,649,212	\$15,525,125
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$3,363,422	\$57,877	\$5,222,185	\$72,566
Accrued workers' compensation, current portion	105,245		102,300	
Accrued vacation costs, current portion	1,314,621		1,730,069	
Revenue bonds and notes payable, current portion	4,515,447		4,182,333	
Deferred revenue	465,945		335,918	
Total current liabilities	9,764,680	57,877	11,572,805	72,566
Noncurrent liabilities:				
Accrued workers' compensation	573,755		557,700	
Accrued vacation costs	1,971,932		1,359,341	
Revenue bonds and notes payable	59,797,038		63,061,983	
Total noncurrent liabilities	62,342,725		64,979,024	
Total liabilities	72,107,405	57,877	76,551,829	72,566
NET ASSETS				
Unrestricted	8,868,991	614,780	7,259,648	641,227
Invested in capital assets, net	113,827,078		113,764,243	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	28,009	7,977,353	20,100	6,855,191
Research		100,580		88,015
Other		7,583,989	8,002	7,286,768
Expendable:				
Scholarships and fellowships	152,947	138,360	103,269	116,059
Research	2,815,308	109,581	236,101	80,701
Loans	5,917,960		13,417,881	
Capital projects	196,391		246,307	
Other		389,167	41,832	384,598
Total net assets	131,806,684	16,913,810	135,097,383	15,452,559
Total liabilities and net assets	\$203,914,089	\$16,971,687	\$211,649,212	\$15,525,125

UNIVERSITY OF MARYLAND EASTERN SHORE
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
OPERATING REVENUES:				
Tuition and fees	\$22,351,994		\$20,211,941	
Less: scholarship allowances	<u>(3,386,621)</u>	\$18,965,373	<u>(2,795,316)</u>	\$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	<u>(366,137)</u>	7,115,718	<u>(714,858)</u>	5,555,673
Dining facilities	3,959,587		4,739,998	
Less: scholarship allowances	<u>(366,814)</u>	3,592,773	<u>(85,013)</u>	4,654,985
Intercollegiate athletics		1,824,272		1,815,766
Parking facilities		108,709		88,563
Other auxiliary enterprises revenues		2,781,902		3,384,025
Other operating revenues		<u>398,925</u>		<u>197,855</u>
Total operating revenues		<u>65,949,407</u>		<u>68,997,123</u>
OPERATING EXPENSES:				
Instruction		24,599,654		25,457,600
Research		13,991,190		11,191,854
Public service		466,451		492,279
Academic support		8,724,749		8,826,066
Student services		3,762,096		3,745,086
Institutional support		8,110,807		8,044,925
Operation and maintenance of plant		9,481,405		8,010,041
Scholarships and fellowships		4,774,599		4,555,617
Auxiliary enterprises:				
Residential facilities		3,738,207		4,587,812
Dining facilities		2,669,865		1,904,982
Intercollegiate athletics		1,049,465		1,816,469
Other auxiliary enterprises expenses		<u>3,876,628</u>		<u>3,878,663</u>
Total operating expenses		<u>85,245,116</u>		<u>82,511,394</u>
Operating income (loss)		<u>(19,295,709)</u>		<u>(13,514,271)</u>
NONOPERATING REVENUES (EXPENSES):				
State appropriations		23,321,709		21,829,549
Gifts			\$498,240	\$2,326,206
Investment income	482,579		1,764,445	2,346,956
Less: Investment expense	<u>(659)</u>	481,920	183,213	181,223
Interest on indebtedness		(2,977,199)	<u>(1,990)</u>	(2,785,086)
Other nonoperating revenues (expenses)		(1,256)		(811,006)
Other affiliated foundation revenue			29,678	(1,224)
Other affiliated foundation expense			(831,112)	(1,657,361)
Transfers (to) from other University System of Maryland institutions		1,471,211		577,170
Total nonoperating (revenues) expenses		<u>22,296,385</u>	<u>1,461,251</u>	<u>18,991,850</u>
Income before other revenues, expenses, gains and losses		<u>3,000,676</u>	<u>1,461,251</u>	<u>5,477,579</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		847,796		2,730,740
Other gains and losses		<u>(7,139,171)</u>		
Total other revenues, expenses, gains and losses		<u>(6,291,375)</u>		<u>2,730,740</u>
Increase (decrease) in net assets		<u>(3,290,699)</u>	<u>1,461,251</u>	<u>8,208,319</u>
Net assets - beginning of year		<u>135,097,383</u>	<u>15,452,559</u>	<u>126,889,064</u>
Net assets - end of year		<u>\$131,806,684</u>	<u>\$16,913,810</u>	<u>\$135,097,383</u>

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
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
Net cash provided (used) by operating activities	(15,151,735)	(6,418,332)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	23,321,709	21,829,549
Other nonoperating gains and losses	(1,253)	13,244
Net cash provided (used) by noncapital financing activities	23,320,456	21,842,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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
Net cash provided (used) by capital and related financing activities	(7,067,334)	(7,155,040)
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)
Net cash provided (used) by investing activities	322,490	252,943
Net increase (decrease) in cash	1,423,877	8,522,364
Cash and cash equivalents - beginning of the year	10,565,958	2,043,594
Cash and cash equivalents - end of the year	\$11,989,835	\$10,565,958

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	15,518,563	11,603,899	15,137,036	9,905,973
Noncurrent assets:				
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
Total noncurrent assets	73,178,773	183	73,332,386	408
Total assets	\$88,697,336	\$11,604,082	\$88,469,422	\$9,906,381
LIABILITIES				
Current liabilities:				
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	
Revenue bonds and notes payable, current portion	1,310,890		1,465,696	
Deferred revenue	995,324		1,154,667	
Total current liabilities	10,201,161	29,090	10,334,008	28,374
Noncurrent liabilities:				
Accrued workers' compensation	676,845		556,010	
Other payables		7,054		
Revenue bonds and notes payable	18,309,311		20,844,623	
Total noncurrent liabilities	18,986,156	7,054	21,400,633	
Total liabilities	29,187,317	36,144	31,734,641	28,374
NET ASSETS				
Unrestricted	6,174,327	300,328	5,764,812	147,105
Invested in capital assets, net	51,020,832		48,632,658	
Restricted:				
Expendable:				
Scholarships and fellowships	3,274		2,100	
Research	321,615		424,710	
Loans	1,135,669		1,212,661	
Capital projects	854,302		697,840	
Other		11,267,610		9,730,902
Total net assets	59,510,019	11,567,938	56,734,781	9,878,007
Total liabilities and net assets	\$88,697,336	\$11,604,082	\$88,469,422	\$9,906,381

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
OPERATING REVENUES:				
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
Total operating revenues		48,987,241		49,207,498
OPERATING EXPENSES:				
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
Total operating expenses		75,753,276		70,950,805
Operating income (loss)		(26,766,035)		(21,743,307)
NONOPERATING REVENUES (EXPENSES):				
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
Total nonoperating revenue (expenses)		28,999,772	1,689,931	25,453,347
Income before other revenues, expenses, gains and losses		2,233,737	1,689,931	3,710,040
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital gifts and grants		551,693		1,740,854
Other gains and losses		(10,192)		(69,565)
Total other revenues, expenses, gains and losses		541,501		1,671,289
Increase (decrease) in net assets		2,775,238	1,689,931	5,381,329
Net assets - beginning of year		56,734,781	9,878,007	51,353,452
Net assets - end of year		\$59,510,019	\$11,567,938	\$56,734,781

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$24,070,716	\$23,763,219
Research contracts and grants	5,823,657	5,794,571
Payments to employees	(48,659,190)	(46,635,724)
Payments to suppliers and contractors	(22,887,470)	(20,034,868)
Loans issued to students	(303,990)	(266,197)
Collections of loans to students	416,903	348,209
Auxiliary enterprises:		
Residential facilities	4,838,438	4,602,725
Dining facilities	5,262,194	5,336,799
Intercollegiate athletics	2,004,237	1,992,643
Bookstores	2,965,692	3,018,078
Other	3,170,650	2,677,211
Other receipts (payments)	1,026,728	1,470,042
Net cash provided (used) by operating activities	(22,271,435)	(17,933,292)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	26,434,454	24,838,529
Nonoperating gifts	347,291	361,213
Other nonoperating gains and losses	(10,192)	(69,565)
Net cash provided (used) by noncapital financing activities	26,771,553	25,130,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		1,339,310
Capital grants and gifts received		12,643
Purchases of capital assets	(3,161,858)	(2,624,473)
Principal paid on debt and capital leases	(2,037,389)	(2,671,379)
Interest paid on debt and capital leases	(911,955)	(889,072)
Transfers (to) from other University System of Maryland institutions	1,332,052	442,132
Net cash provided (used) by capital and related financing activities	(4,779,150)	(4,390,839)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	599,325	666,990
Interest on investments	765,618	417,646
Investment expense	(1,129)	101
Purchases of investments	(805,880)	(471,067)
Net cash provided (used) by investing activities	557,934	613,670
Net increase (decrease) in cash	278,902	3,419,716
Cash and cash equivalents - beginning of the year	13,489,540	10,069,824
Cash and cash equivalents - end of the year	\$13,768,442	\$13,489,540

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	9,088,492	1,194,719	3,759,215	1,127,934
Noncurrent assets:				
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	
Total noncurrent assets	68,960,605	7,980,062	58,955,101	7,496,698
Total assets	\$78,049,097	\$9,174,781	\$62,714,316	\$8,624,632
LIABILITIES				
Current liabilities:				
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	
Total current liabilities	5,620,650	67,496	7,874,396	55,514
Noncurrent liabilities:				
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	
Total noncurrent liabilities	23,847,610	174,937	24,100,305	
Total liabilities	29,468,260	242,433	31,974,701	55,514
NET ASSETS				
Unrestricted	2,172,138	79,690	(5,410,673)	90,261
Invested in capital assets, net	43,872,692		33,697,480	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	307,333		307,552	
Other	240,125	7,856,122	240,125	7,518,335
Expendable:				
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
Total net assets	48,580,837	8,932,348	30,739,615	8,569,118
Total liabilities and net assets	\$78,049,097	\$9,174,781	\$62,714,316	\$8,624,632

COPPIN 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
OPERATING REVENUES:				
Tuition and fees	\$15,293,580		\$13,183,541	
Less: scholarship allowances	<u>(8,269,500)</u>	\$7,024,080	<u>(5,110,500)</u>	\$8,073,041
Federal grants and contracts		13,996,973		15,914,635
State and local grants and contracts		3,812,716		2,065,936
Nongovernmental grants and contracts		224,243		126,929
Sales and services of educational departments		358,111		1,162,481
Auxiliary enterprises:				
Residential facilities		3,824,148		3,716,839
Intercollegiate athletics	2,012,243		2,974,708	
Less: scholarship allowances	<u>(1,008,661)</u>	1,003,582	<u>(940,318)</u>	2,034,390
Other auxiliary enterprises revenues		2,380,241		
Other operating revenues		<u>61,459</u>		<u>19,541</u>
Total operating revenues		<u>32,685,553</u>		<u>33,113,792</u>
OPERATING EXPENSES:				
Instruction		17,960,000		18,081,733
Research		195,960		124,022
Academic support		3,433,940		3,394,254
Student services		5,369,621		5,343,192
Institutional support		13,948,804		14,008,804
Operation and maintenance of plant		6,829,900		7,211,899
Auxiliary enterprises:				
Residential facilities		2,690,792		4,349,651
Dining facilities		274,702		548,101
Intercollegiate athletics		2,332,884		1,852,641
Other auxiliary enterprises expenses		<u>756,535</u>		<u>2,415,351</u>
Total operating expenses		<u>53,793,138</u>		<u>57,329,648</u>
Operating income (loss)		<u>(21,107,585)</u>		<u>(24,215,856)</u>
NONOPERATING REVENUES (EXPENSES):				
State appropriations		20,802,188		19,068,318
Gifts			\$651,791	\$1,984,365
Investment income	248,366		947,873	856,536
Less: Investment expense	<u>(862)</u>	247,504	<u>(2,584)</u>	14,185
Interest on indebtedness		(1,075,460)		(1,078,352)
Other affiliated foundation revenue			(442,681)	157,903
Other affiliated foundation expense			(793,753)	(1,452,139)
Transfers (to) from other University System of Maryland institutions		<u>(340,183)</u>		<u>(539,575)</u>
Total nonoperating revenues (expenses)		<u>19,634,049</u>	<u>363,230</u>	<u>17,464,576</u>
Income before other revenues, expenses, gains and losses		<u>(1,473,536)</u>	<u>363,230</u>	<u>(6,751,280)</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		13,022,901		10,505,951
Additions to permanent endowments				25,000
Other gains and losses		<u>6,291,857</u>		<u>(45,597)</u>
Total other revenues, expenses, gains and losses		<u>19,314,758</u>		<u>10,485,354</u>
Increase (decrease) in net assets		<u>17,841,222</u>	<u>363,230</u>	<u>3,734,074</u>
Net assets - beginning of year		<u>30,739,615</u>	<u>8,569,118</u>	<u>27,005,541</u>
Net assets - end of year		<u>\$48,580,837</u>	<u>\$8,932,348</u>	<u>\$30,739,615</u>

**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:		
Tuition and fees	\$5,737,328	\$10,933,699
Research contracts and grants	18,033,932	17,982,682
Payments to employees	(30,116,418)	(30,431,616)
Payments to suppliers and contractors	(22,108,487)	(20,968,278)
Loans issued to students	(58,812)	(327,793)
Collections of loans to students		306,474
Auxiliary enterprises:		
Residential facilities	3,824,148	3,716,839
Intercollegiate athletics	1,003,582	2,034,390
Other receipts (payments)	2,799,811	1,127,662
Net cash provided (used) by operating activities	(20,884,916)	(15,625,941)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	20,802,188	19,068,318
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes		25,000
Other nonoperating gains and losses	6,291,857	247,208
Net cash provided (used) by noncapital financing activities	27,094,045	19,340,526
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		4,431,112
Capital appropriations	13,022,901	10,505,951
Purchases of capital assets	(13,585,486)	(10,982,106)
Principal paid on debt and capital leases	(1,144,670)	(5,837,590)
Interest paid on debt and capital leases	(1,079,012)	(1,098,826)
Transfers (to) from other University System of Maryland institutions	(505,093)	868,555
Net cash provided (used) by capital and related financing activities	(3,291,360)	(2,112,904)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	458,131	509,856
Interest on investments	174,366	(25,276)
Investment expense	(862)	(2,584)
Purchases of investments	(616,029)	(360,090)
Net cash provided (used) by investing activities	15,606	121,906
Net increase (decrease) in cash	2,933,375	1,723,587
Cash and cash equivalents - beginning of the year	514,830	(1,208,757)
Cash and cash equivalents - end of the year	\$3,448,205	\$514,830

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	15,173,884	44,917,971	18,174,454	40,182,559
Noncurrent assets:				
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
Total noncurrent assets	68,238,877	5,210,499	59,586,385	4,793,320
Total assets	\$83,412,761	\$50,128,470	\$77,760,839	\$44,975,879
LIABILITIES				
Current liabilities:				
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	
Total current liabilities	8,437,328	333,690	7,192,212	672,377
Noncurrent liabilities:				
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	
Total noncurrent liabilities	29,288,384		21,500,638	
Total liabilities	37,725,712	333,690	28,692,850	672,377
NET ASSETS				
Unrestricted	5,737,110	12,594,370	9,483,233	10,104,924
Invested in capital assets, net	36,267,302		35,520,528	
Restricted:				
Nonexpendable:				
Scholarships and fellowships		13,281,623		9,885,176
Other		18,478,328		19,328,293
Expendable:				
Scholarships and fellowships		1,360,246		879,308
Loans	3,128,779		3,627,257	
Capital projects	553,858		436,971	
Other		4,080,213		4,105,801
Total net assets	45,687,049	49,794,780	49,067,989	44,303,502
Total liabilities and net assets	\$83,412,761	\$50,128,470	\$77,760,839	\$44,975,879

UNIVERSITY OF BALTIMORE
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
OPERATING REVENUES:				
Tuition and fees	\$42,928,428		\$38,111,530	
Less: scholarship allowances	<u>(3,929,888)</u>	\$38,998,540	<u>(3,760,471)</u>	\$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:				
Parking facilities		690,747		229,484
Other auxiliary enterprises revenues		1,604,847		3,416,879
Other operating revenues				<u>2,496,428</u>
Total operating revenues		<u>49,535,454</u>		<u>48,313,459</u>
OPERATING EXPENSES:				
Instruction		25,032,227		27,155,738
Research		4,677,252		5,695,232
Academic support		9,367,722		9,876,922
Student services		5,147,683		4,562,527
Institutional support		16,834,689		11,381,907
Operation and maintenance of plant		5,442,036		4,796,485
Scholarships and fellowships		1,235,341		670,919
Auxiliary enterprises:				
Parking facilities		859,647		1,133,607
Other auxiliary enterprises expenses		<u>2,258,550</u>		<u>903,812</u>
Total operating expenses		<u>70,855,147</u>		<u>66,177,149</u>
Operating income (loss)		<u>(21,319,693)</u>		<u>(17,863,690)</u>
NONOPERATING REVENUES (EXPENSES):				
State appropriations		22,709,573		21,297,219
Gifts		\$3,895,497		\$5,296,503
Investment income		629,578	4,392,662	322,499
Interest on indebtedness		(1,160,929)		(484,932)
Other nonoperating revenues (expenses)		(2,964,156)		8,379
Other affiliated foundation revenue			515,956	1,406,327
Other affiliated foundation expense			(3,312,837)	(3,580,390)
Transfers (to) from other University System of Maryland institutions		<u>(1,972,653)</u>		<u>(2,454,211)</u>
Total nonoperating revenues (expenses)		<u>17,241,413</u>	<u>5,491,278</u>	<u>18,688,954</u>
Income before other revenues, expenses, gains and losses		<u>(4,078,280)</u>	<u>5,491,278</u>	<u>825,264</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		697,340		32,486
Other gains and losses				<u>425,805</u>
Total other revenues, expenses, gains and losses		<u>697,340</u>		<u>458,291</u>
Increase (decrease) in net assets		<u>(3,380,940)</u>	<u>5,491,278</u>	<u>1,283,555</u>
Net assets - beginning of year		<u>49,067,989</u>	<u>44,303,502</u>	<u>47,784,434</u>
Net assets - end of year		<u>\$45,687,049</u>	<u>\$49,794,780</u>	<u>\$49,067,989</u>

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$42,587,135	\$33,800,459
Research contracts and grants	8,602,621	8,318,415
Payments to employees	(51,683,371)	(45,358,391)
Payments to suppliers and contractors	(15,057,854)	(17,017,950)
Loans issued to students	(728,561)	(848,451)
Collections of loans to students	1,459,494	936,805
Auxiliary enterprises:		
Parking facilities	690,747	229,484
Other	1,604,847	5,424,705
Other receipts (payments)	1,030,235	1,254,593
Net cash provided (used) by operating activities	<u>(11,494,707)</u>	<u>(13,260,331)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	22,709,573	21,297,219
Other nonoperating gains and losses	(2,964,156)	(703,911)
Net cash provided (used) by noncapital financing activities	<u>19,745,417</u>	<u>20,593,308</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		328,962
Capital appropriations	697,340	32,486
Purchases of capital assets	(14,124,348)	(10,218,911)
Principal paid on debt and capital leases	(961,553)	(1,244,506)
Interest paid on debt and capital leases	(1,076,123)	(605,814)
Transfers (to) from other University System of Maryland institutions	7,717,268	5,758,439
Net cash provided (used) by capital and related financing activities	<u>(7,747,416)</u>	<u>(5,949,344)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	629,578	348,435
Net cash provided (used) by investing activities	<u>629,578</u>	<u>348,435</u>
Net increase (decrease) in cash	1,132,872	1,732,068
Cash and cash equivalents - beginning of the year	<u>9,574,461</u>	<u>7,842,393</u>
Cash and cash equivalents - end of the year	<u>\$10,707,333</u>	<u>\$9,574,461</u>

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	\$33,928,019	\$347,988	\$24,157,564	\$228,385
Investments		26,526,766		21,789,829
Accounts receivable, net	1,092,964	7,221,414	981,429	95,774
Notes receivable, current portion	302,445		269,666	
Inventories	975,782		944,631	
Prepaid expenses	120,976		59,234	
Inter-institutional balances	(1,239,865)		(1,893,159)	
Total current assets	35,180,321	34,096,168	24,519,365	22,113,988
Noncurrent assets:				
Restricted cash and cash equivalents	480,569		431,622	
Endowment investments				
Notes receivable, net	921,106	126,994	895,449	56,690
Other assets		5,755,305		5,730,324
Capital assets, net	120,630,501	4,397,670	123,863,344	4,555,238
Total noncurrent assets	122,032,176	10,279,969	125,190,415	10,342,252
Total assets	\$157,212,497	\$44,376,137	\$149,709,780	\$32,456,240
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$6,175,019	\$1,122,957	\$5,707,604	\$1,163,622
Accrued workers' compensation, current portion	112,995		107,570	
Accrued vacation costs, current portion	1,584,323		1,596,162	
Revenue bonds and notes payable, current portion	2,890,634	100,000	3,220,377	100,000
Deferred revenue	2,298,850	19,808	1,408,864	19,563
Total current liabilities	13,061,821	1,242,765	12,040,577	1,283,185
Noncurrent liabilities:				
Accrued workers' compensation	616,005		586,430	
Accrued vacation costs	1,244,601		1,227,874	
Other payables		4,273,675		3,712,695
Revenue bonds and notes payable	29,381,158	690,971	32,343,952	790,971
Total noncurrent liabilities	31,241,764	4,964,646	34,158,256	4,503,666
Total liabilities	44,303,585	6,207,411	46,198,833	5,786,851
NET ASSETS				
Unrestricted	22,347,639	3,008,329	12,503,029	2,601,646
Invested in capital assets, net	88,358,709		88,299,015	
Restricted:				
Nonexpendable:				
Scholarships and fellowships		12,147,116		5,028,499
Research		555,168		540,654
Other				13,310,019
Expendable:		15,211,990		
Scholarships and fellowships		953,292		698,762
Research	377,280	13,075	988,209	14,074
Loans	1,344,715		1,289,072	
Capital projects	480,569		431,622	
Other		6,279,756		4,475,735
Total net assets	112,908,912	38,168,726	103,510,947	26,669,389
Total liabilities and net assets	\$157,212,497	\$44,376,137	\$149,709,780	\$32,456,240

SALISBURY 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
OPERATING REVENUES:				
Tuition and fees	\$42,086,104		\$38,965,402	
Less: scholarship allowances	(4,994,599)	\$37,091,505	(4,708,318)	\$34,257,084
Federal grants and contracts		3,122,554		3,335,379
State and local grants and contracts		1,812,204		2,240,615
Nongovernmental grants and contracts		361,816		208,338
Sales and services of educational departments		738,405		606,467
Auxiliary enterprises:				
Residential facilities	12,430,278		11,067,311	
Less: scholarship allowances	(234,294)	12,195,984	(100,122)	10,967,189
Dining facilities	9,642,812		9,086,568	
Less: scholarship allowances	(17,899)	9,624,913	(2,380)	9,084,188
Intercollegiate athletics	2,739,252		2,251,085	
Less: scholarship allowances	(30,442)	2,708,810	(11,816)	2,239,269
Bookstores	4,995,602		4,799,845	
Less: scholarship allowances	(579)	4,995,023	(85)	4,799,760
Parking facilities		509,544		249,895
Other auxiliary enterprises revenues		985,260		1,214,784
Total operating revenues	74,146,018		69,202,968	
OPERATING EXPENSES:				
Instruction		31,252,697		29,277,856
Research		1,872,457		2,164,516
Public service		2,365,908		1,632,007
Academic support		7,390,562		6,880,115
Student services		3,893,368		4,049,715
Institutional support		11,405,386		10,712,443
Operation and maintenance of plant		10,418,013		9,508,627
Scholarships and fellowships		79,700		101,857
Auxiliary enterprises				
Residential facilities		6,530,374		6,238,306
Dining facilities		9,054,362		8,536,295
Intercollegiate athletics		2,204,574		2,105,873
Bookstores		4,302,891		4,333,035
Parking facilities		204,572		125,684
Other auxiliary enterprises expenses		2,965,697		2,518,158
Total operating expenses		93,940,561		88,184,487
Operating income (loss)		(19,794,543)		(18,981,519)
NONOPERATING REVENUES (EXPENSES):				
State appropriations		27,570,519		25,995,091
Gifts			\$12,480,077	\$1,742,786
Investment income		1,659,434	2,266,853	694,026
Interest on indebtedness		(1,632,451)		(1,848,893)
Other affiliated foundation revenue			205,980	641,090
Other affiliated foundation expense			(3,453,573)	(3,068,586)
Transfers (to) from other University System of Maryland institutions		64,617		503,423
Total nonoperating revenues (expenses)		27,662,119	11,499,337	25,343,647
Income before other revenues, expenses, gains and losses		7,867,576	11,499,337	6,362,128
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		1,450,330		1,895,067
Capital gifts and grants		52,721		180,132
Other gains and losses		27,338		(119,763)
Total other revenues, expenses, gains and losses		1,530,389		1,955,436
Increase (decrease) in net assets		9,397,965	11,499,337	8,317,564
Net assets, beginning of year		103,510,947	26,669,389	95,193,383
Net assets, end of year		\$112,908,912	\$38,168,726	\$103,510,947

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
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:		
Residential facilities	12,195,984	11,064,359
Dining facilities	9,536,928	9,272,224
Intercollegiate athletics	2,708,810	2,256,829
Bookstores	4,995,023	4,801,881
Parking facilities	509,544	249,895
Other	988,455	1,224,671
Other receipts (payments)	1,089,625	95,819
Net cash provided (used) by operating activities	<u>(13,167,673)</u>	<u>(12,111,477)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	27,570,519	25,995,091
Other nonoperating gains and losses	27,338	(119,763)
Net cash provided (used) by noncapital financing activities	<u>27,597,857</u>	<u>25,875,328</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		3,856,343
Capital appropriations	1,450,330	1,895,067
Capital grants and gifts received	243	
Purchases of capital assets	(2,164,580)	(2,845,982)
Principal paid on debt and capital leases	(2,697,766)	(6,742,907)
Interest paid on debt and capital leases	(1,644,655)	(2,034,270)
Transfers (to) from other University System of Maryland institutions	(1,213,788)	(225,848)
Net cash provided (used) by capital and related financing activities	<u>(6,270,216)</u>	<u>(6,097,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	1,659,434	694,026
Net cash provided (used) by investing activities	<u>1,659,434</u>	<u>694,026</u>
Net increase (decrease) in cash	9,819,402	8,360,280
Cash and cash equivalents - beginning of the year	<u>24,589,186</u>	<u>16,228,906</u>
Cash and cash equivalents - end of the year	<u>\$34,408,588</u>	<u>\$24,589,186</u>

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	134,514,144	816,747	135,257,915	1,368,762
Noncurrent assets:				
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
Total noncurrent assets	87,137,538	18,745,521	81,302,362	17,310,975
Total assets	\$221,651,682	\$19,562,268	\$216,560,277	\$18,679,737
LIABILITIES				
Current liabilities:				
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	
Total current liabilities	43,776,484	223,334	46,749,433	115,338
Noncurrent liabilities:				
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	
Total noncurrent liabilities	24,193,519		25,228,618	
Total liabilities	67,970,003	223,334	71,978,051	115,338
NET ASSETS				
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
Total net assets	153,681,679	19,338,934	144,582,226	18,564,399
Total liabilities and net assets	\$221,651,682	\$19,562,268	\$216,560,277	\$18,679,737

**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,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
OPERATING REVENUES:				
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
Total operating revenues		208,549,737		208,828,633
OPERATING EXPENSES:				
Instruction		75,311,897		74,361,230
Research		614,099		478,727
Public service		15,198,475		11,522,260
Academic support		25,162,751		20,996,851
Student services		40,706,513		35,245,985
Institutional support		37,865,624		38,127,427
Operation and maintenance of plant		10,651,979		13,148,548
Scholarships and fellowships		5,478,418		3,901,359
Auxiliary enterprises:				
Residential facilities				181,685
Bookstores		5,627,012		6,564,920
Parking facilities		726,275		733,991
Total operating expenses		217,343,043		205,262,983
Operating income (loss)		(8,793,306)		3,565,650
NONOPERATING REVENUES (EXPENSES):				
State appropriations		15,191,125		14,633,278
Gifts			\$415,733	\$2,818,480
Investment income	3,346,922		1,584,876	2,211,960
Less: Investment expense	(226)	3,346,696	1,865,638	1,864,966
Interest on indebtedness		(992,753)	(672)	(923,285)
Other affiliated foundation revenue			(1,239)	71
Other affiliated foundation expense			(1,224,835)	(1,352,369)
Transfers (to) from other University System of Maryland institutions		422,899		(304,129)
Total nonoperating revenues (expenses)		17,967,967	774,535	15,270,830
Income before other revenues, expenses, gains and losses		9,174,661	774,535	18,836,480
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Other gains and losses		(75,208)		189,455
Total other revenues, expenses, gains and losses		(75,208)		189,455
Increase (decrease) in net assets		9,099,453	774,535	19,025,935
Net assets - beginning of period		144,582,226	18,564,399	125,556,291
Net assets - end of period		\$153,681,679	\$19,338,934	\$144,582,226

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
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)	<u>24,043,707</u>	<u>27,037,422</u>
Net cash provided (used) by operating activities	(1,904,864)	9,560,701
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	15,191,125	14,633,278
Other nonoperating gains and losses	<u>(75,208)</u>	
Net cash provided (used) by noncapital financing activities	15,115,917	14,633,278
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		4,973
Capital grants and gifts received	(800)	(1,739)
Proceeds from sales of capital assets	138,322	406,716
Purchases of capital assets	(12,512,868)	(14,893,869)
Principal paid on debt and capital leases	(657,493)	(584,298)
Interest paid on debt and capital leases	(1,028,001)	(853,669)
Transfers (to) from other University System of Maryland institutions	<u>21,692</u>	<u>(248,111)</u>
Net cash provided (used) by capital and related financing activities	(14,039,148)	(16,169,997)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	120,203	133,775
Interest on investments	3,334,753	1,860,341
Investment expense	(226)	(672)
Purchases of investments	<u>(161,628)</u>	<u>(94,480)</u>
Net cash provided (used) by investing activities	3,293,102	1,898,964
Net increase (decrease) in cash	2,465,007	9,922,946
Cash and cash equivalents - beginning of the year	89,976,022	80,053,076
Cash and cash equivalents - end of the year	<u>\$92,441,029</u>	<u>\$89,976,022</u>

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	\$14,708,297	\$939,336	\$18,549,917	\$202,443
Investments		1,888,452		
Accounts receivable, net	19,905,632	7,311,546	24,234,811	8,869,008
Notes receivable, current portion	235,354		263,722	
Inventories	982,403		712,685	
Prepaid expenses	493,970	33,361	898,952	33,202
Inter-institutional balances	108,163		(185,681)	
Total current assets	36,433,819	10,172,695	44,474,406	9,104,653
Noncurrent assets:				
Restricted cash and cash equivalents	1,660,503		1,744,789	
Endowment investments	969,531	51,454,482	503,491	41,219,846
Notes receivable, net	1,839,489	7,511,294	1,712,663	6,682,033
Capital assets, net	265,743,296	2,962,638	269,621,188	2,973,576
Total noncurrent assets	270,212,819	61,928,414	273,582,131	50,875,455
Total assets	\$306,646,638	\$72,101,109	\$318,056,537	\$59,980,108
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$10,399,780	\$802,884	\$12,411,560	\$1,985,165
Accrued workers' compensation, current portion	308,915		258,850	
Accrued vacation costs, current portion	5,358,974		3,256,000	
Revenue bonds and notes payable, current portion	6,262,829	49,932	5,801,886	46,252
Deferred revenue	3,863,584	3,152,173	9,484,415	760,159
Total current liabilities	26,194,082	4,004,989	31,212,711	2,791,576
Noncurrent liabilities:				
Accrued workers' compensation	1,684,085		1,411,150	
Accrued vacation costs	2,039,234		4,789,400	
Other payables		417,695		378,113
Revenue bonds and notes payable	97,544,490	685,833	102,440,046	735,765
Total noncurrent liabilities	101,267,809	1,103,528	108,640,596	1,113,878
Total liabilities	127,461,891	5,108,517	139,853,307	3,905,454
NET ASSETS				
Unrestricted	13,207,289	6,094,344	11,864,438	4,927,990
Invested in capital assets, net	161,935,977		161,379,256	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	20,783	24,427,616	20,783	17,810,195
Research		307,987		228,667
Other		23,223,088		18,931,455
Expendable:				
Scholarships and fellowships	27,529	2,810,078	34,739	2,830,094
Research		2,225,562	874,022	1,967,875
Loans	2,332,666		2,458,719	
Capital projects	1,660,503		1,571,273	
Other		7,903,917		9,378,378
Total net assets	179,184,747	66,992,592	178,203,230	56,074,654
Total liabilities and net assets	\$306,646,638	\$72,101,109	\$318,056,537	\$59,980,108

UNIVERSITY OF MARYLAND, BALTIMORE COUNTY
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
OPERATING REVENUES:				
Tuition and fees	\$83,700,317		\$78,508,915	
Less: scholarship allowances	(21,753,780)	\$61,946,537	(17,150,226)	\$61,358,689
Federal grants and contracts		56,088,153		54,051,302
State and local grants and contracts		25,638,928		23,337,338
Nongovernmental grants and contracts		13,236,769		17,680,495
Sales and services of educational departments		3,691,310		4,010,953
Auxiliary enterprises:				
Residential facilities	13,322,392		14,176,590	
Less: scholarship allowances	(2,823,164)	10,499,228	(3,140,359)	11,036,231
Dining facilities	8,512,416		9,726,040	
Less: scholarship allowances	(1,692,558)	6,819,858	(1,822,092)	7,903,948
Intercollegiate athletics		4,478,898		4,632,973
Bookstores	6,673,325		6,749,050	
Less: scholarship allowances	(11,791)	6,661,534	(9,245)	6,739,805
Parking facilities		2,065,861		2,153,053
Other auxiliary enterprises revenues		10,965,579		9,067,110
Other operating revenues		823,910		1,950,448
Total operating revenues	202,916,565		203,922,345	
OPERATING EXPENSES:				
Instruction		79,932,705		78,419,559
Research		50,613,976		50,646,003
Public service		22,375,288		18,283,644
Academic support		19,818,891		19,299,568
Student services		8,897,279		9,208,901
Institutional support		25,672,950		26,271,394
Operation and maintenance of plant		21,463,949		19,690,614
Scholarships and fellowships		5,996,166		7,767,722
Auxiliary enterprises:				
Residential facilities		9,913,293		11,418,715
Dining facilities		7,955,652		8,946,022
Intercollegiate athletics		6,265,601		5,002,687
Bookstores		6,336,701		6,233,759
Other auxiliary enterprises expenses		6,478,238		4,076,186
Total operating expenses		271,720,689		265,264,774
Operating income (loss)		(68,804,124)		(61,342,429)
NONOPERATING REVENUES (EXPENSES):				
State appropriations		70,490,730		66,376,510
Gifts		209,521	\$11,807,931	\$6,129,152
Investment income	1,327,944		4,810,476	6,319,030
Less: Investment expense	(949)	1,326,995	(2,829)	474,732
Interest on indebtedness		(4,778,000)		(4,700,714)
Other nonoperating revenues (expenses)		(2,658)		1,541,035
Other affiliated foundation revenue			484,875	148,098
Other affiliated foundation expense			(6,185,344)	(6,608,942)
Transfers (to) from other University System of Maryland institutions		(717,657)		(1,207,098)
Total nonoperating revenues (expenses)		66,528,931	10,917,938	62,484,465
Income before other revenues, expenses, gains and losses		(2,275,193)	10,917,938	1,142,036
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations		3,652,474		8,274,725
Capital gifts and grants		362,076		564,303
Other gains and losses		(757,840)		(171,339)
Total other revenues, expenses, gains and losses		3,256,710		8,667,689
Increase (decrease) in net assets		981,517	10,917,938	9,809,725
Net assets - beginning of year		178,203,230	56,074,654	168,393,505
Net assets - end of year		\$179,184,747	\$66,992,592	\$178,203,230

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
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
Net cash provided (used) by operating activities	(55,378,196)	(36,924,810)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
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
Net cash provided (used) by noncapital financing activities	70,697,593	67,921,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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
Net cash provided (used) by capital and related financing activities	(20,106,260)	(19,715,334)
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)
Net cash provided (used) by investing activities	860,957	604,712
Net increase (decrease) in cash	(3,925,906)	11,885,683
Cash and cash equivalents - beginning of the year	20,294,706	8,409,023
Cash and cash equivalents - end of the year	\$16,368,800	\$20,294,706

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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)	
Total current assets	7,523,732	46,489	9,099,188	166,977
Noncurrent assets:				
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	
Total noncurrent assets	59,434,809	1,106,680	62,021,208	818,041
Total assets	\$66,958,541	\$1,153,169	\$71,120,396	\$985,018
LIABILITIES				
Current liabilities:				
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	
Total current liabilities	2,201,957	130,313	4,027,544	23,596
Noncurrent liabilities:				
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	
Total noncurrent liabilities	9,005,220		9,843,081	
Total liabilities	11,207,177	130,313	13,870,625	23,596
NET ASSETS				
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
Total net assets	55,751,364	1,022,856	57,249,771	961,422
Total liabilities and net assets	\$66,958,541	\$1,153,169	\$71,120,396	\$985,018

**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		2005	
	Institution	Component Units	Institution	Component Units
OPERATING REVENUES:				
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	
Total operating revenues	21,067,985		23,869,331	
OPERATING EXPENSES:				
Research	37,565,115		39,982,175	
Operation and maintenance of plant	530,722		263,542	
Total operating expenses	38,095,837		40,245,717	
Operating income (loss)	(17,027,852)		(16,376,386)	
NONOPERATING REVENUES (EXPENSES):				
State appropriations	14,053,768		13,151,931	
Gifts		\$251,419		\$194,855
Investment income	229,497	95,159	119,020	27,512
Interest on indebtedness	(342,683)		(334,433)	
Other affiliated foundation revenue		(13,836)		1,683
Other affiliated foundation expense		(271,308)		(112,910)
Transfers (to) from other University System of Maryland institutions	1,061,496		833,721	
Total nonoperating revenues (expenses)	15,002,078	61,434	13,770,239	111,140
Income before other revenues, expenses, gains and losses	(2,025,774)	61,434	(2,606,147)	111,140
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations	527,367		271,985	
Total other revenues, expenses, gains and losses	527,367		271,985	
Increase (decrease) in net assets	(1,498,407)	61,434	(2,334,162)	111,140
Net assets - beginning of year	57,249,771	961,422	59,583,933	850,282
Net assets - end of year	\$55,751,364	\$1,022,856	\$57,249,771	\$961,422

**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:		
Research contracts and grants	\$19,668,704	\$19,290,467
Payments to employees	(22,628,900)	(20,838,139)
Payments to suppliers and contractors	(13,878,755)	(15,425,628)
Other receipts (payments)	2,647,366	2,736,972
	<u>(14,191,585)</u>	<u>(14,236,328)</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	14,053,768	13,151,931
	<u>14,053,768</u>	<u>13,151,931</u>
Net cash provided (used) by noncapital financing activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		630,276
Capital appropriations	527,367	271,985
Purchases of capital assets	(1,273,467)	(999,066)
Principal paid on debt and capital leases	(503,961)	(1,302,413)
Interest paid on debt and capital leases	(355,809)	(259,612)
Transfers (to) from other University System of Maryland institutions	1,127,882	1,722,497
	<u>(477,988)</u>	<u>63,667</u>
Net cash provided (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	229,497	119,020
	<u>229,497</u>	<u>119,020</u>
Net cash provided by investing activities		
Net increase (decrease) in cash	(386,308)	(901,710)
Cash and cash equivalents - beginning of the year	4,518,742	5,420,452
Cash and cash equivalents - end of the year	<u>\$4,132,434</u>	<u>\$4,518,742</u>

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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	
Total current assets	14,704,369	100,002	15,928,452	329,210
Noncurrent assets:				
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	
Total noncurrent assets	99,472,080	3,908,638	91,202,577	3,362,637
Total assets	\$114,176,449	\$4,008,640	\$107,131,029	\$3,691,847
LIABILITIES				
Current liabilities:				
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			
Total current liabilities	6,276,156	211,745	5,248,525	129,052
Noncurrent liabilities:				
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	
Total noncurrent liabilities	8,222,253		7,065,087	
Total liabilities	14,498,409	211,745	12,313,612	129,052
NET ASSETS				
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
Total net assets	99,678,040	3,796,895	94,817,417	3,562,795
Total liabilities and net assets	\$114,176,449	\$4,008,640	\$107,131,029	\$3,691,847

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE
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
OPERATING REVENUES:				
Federal grants and contracts	\$20,500,721		\$19,540,930	
State and local grants and contracts	9,488,373		10,042,019	
Nongovernmental grants and contracts	3,241,606		4,396,473	
Sales and services of educational departments	1,203,675		1,576,264	
Total operating revenues	34,434,375		35,555,686	
OPERATING EXPENSES:				
Research	58,473,765		53,087,195	
Total operating expenses	58,473,765		53,087,195	
Operating income (loss)	(24,039,390)		(17,531,509)	
NONOPERATING REVENUES (EXPENSES):				
State appropriations	17,400,955		15,028,511	
Gifts		\$1,181,872		\$1,092,555
Investment income	401,529	366,429	262,874	226,336
Interest on indebtedness	(351,501)		(338,429)	
Other nonoperating revenues	938,293			
Other affiliated foundation revenue		124,792		92,500
Other affiliated foundation expense		(1,438,993)		(1,326,516)
Transfers (to) from other University System of Maryland institutions	785,125		1,265,131	
Total nonoperating revenues (expenses)	19,174,401	234,100	16,218,087	84,875
Income before other revenues, expenses, gains and losses	(4,864,989)	234,100	(1,313,422)	84,875
OTHER REVENUES, EXPENSES, GAINS AND LOSSES:				
Capital appropriations	9,709,397		22,374,330	
Capital gifts and grants	16,215		180,344	
Total other revenues, expenses, gains and losses	9,725,612		22,554,674	
Increase (decrease) in net assets	4,860,623	234,100	21,241,252	84,875
Net assets - beginning of year	94,817,417	3,562,795	73,576,165	3,477,920
Net assets - end of year	\$99,678,040	\$3,796,895	\$94,817,417	\$3,562,795

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
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
Net cash provided (used) by operating activities	(16,506,827)	(12,902,788)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	17,400,955	15,028,511
Net cash provided (used) by noncapital financing activities	17,400,955	15,028,511
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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
Net cash provided (used) by capital and related financing activities	(401,405)	(2,939,913)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	401,529	262,874
Net cash provided (used) by investing activities	401,529	262,874
Net increase (decrease) in cash	894,252	(551,316)
Cash and cash equivalents - beginning of the year	9,109,115	9,660,431
Cash and cash equivalents - end of the year	\$10,003,367	\$9,109,115

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

	June 30,			
	2006		2005	
	Institution	Component Units	Institution	Component Units
ASSETS				
Current assets:				
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	
Total current assets	46,346,094	864,898	39,131,562	1,683,081
Noncurrent assets:				
Restricted cash and cash equivalents	48,971,672		42,062,615	
Endowment investments	10,346,024	242,097,254	7,159,808	25,824,370
Restricted investments			52,143,202	
Notes receivable, net		268,044		297,384
Other assets		2,088,412		1,678,631
Capital assets, net	50,481,527	2,410,262	39,780,249	2,295,884
Total noncurrent assets	109,799,223	246,863,972	141,145,874	30,096,269
Total assets	\$156,145,317	\$247,728,870	\$180,277,436	\$31,779,350
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$7,671,635	\$569,355	\$4,046,332	\$345,969
Accrued workers' compensation, current portion	18,135		14,880	
Accrued vacation costs, current portion	513,856		470,015	
Revenue bonds and notes payable, current portion	1,248,791		1,713,505	
Total current liabilities	9,452,417	569,355	6,244,732	345,969
Noncurrent liabilities:				
Accrued workers' compensation	98,865		81,120	
Accrued vacation costs	792,711		674,331	
Endowments invested on behalf of Primary Government		213,588,000		
Other payables		11,103,954		10,913,000
Revenue bonds and notes payable	46,330,851		75,736,467	
Total noncurrent liabilities	47,222,427	224,691,954	76,491,918	10,913,000
Total liabilities	56,674,844	225,261,309	82,736,650	11,258,969
NET ASSETS				
Unrestricted	54,342,837	10,319,415	40,399,353	8,787,403
Invested in capital assets, net	38,379,171		31,158,657	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	347,579	3,953,487	366,765	3,788,858
Research		49,846		48,645
Other	441,998	3,758,541	528,278	4,027,389
Expendable:				
Scholarships and fellowships	710,453	952,566	670,238	772,204
Research		754,424		536,944
Capital projects	3,389,179		22,466,668	
Other	1,859,256	2,679,282	1,950,827	2,558,938
Total net assets	99,470,473	22,467,561	97,540,786	20,520,381
Total liabilities and net assets	\$156,145,317	\$247,728,870	\$180,277,436	\$31,779,350

**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
OPERATING REVENUES:				
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)	
Total operating revenues	3,159,826		2,002,303	
OPERATING EXPENSES:				
Academic support	3,177,924		2,954,196	
Institutional support	12,081,084		12,657,402	
Total operating expenses	15,259,008		15,611,598	
Operating income (loss)	(12,099,182)		(13,609,295)	
NONOPERATING REVENUES (EXPENSES):				
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	
Total nonoperating revenues (expenses)	3,624,741	1,947,180	24,949,873	351,548
Income before other revenues, expenses, gains and losses	(8,474,441)	1,947,180	11,340,578	351,548
OTHER REVENUES, EXPENSES, GAINS AND LOSSES				
Capital appropriations	10,608,754		3,500,062	
Capital gifts and grants	210,703			
Other gains and losses	(415,329)		(1,104,201)	
Total other revenues, expenses, gains and losses	10,404,128		2,395,861	
Increase (decrease) in net assets	1,929,687	1,947,180	13,736,439	351,548
Net assets - beginning of year	97,540,786	20,520,381	83,804,347	20,168,833
Net assets - end of year	\$99,470,473	\$22,467,561	\$97,540,786	\$20,520,381

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

	Year ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Research contracts and grants	\$3,093,548	\$2,524,618
Payments to employees	(10,226,885)	(9,151,967)
Payments to suppliers and contractors	(3,510,507)	(3,445,351)
Other receipts (payments)	(248,576)	(160,783)
Net cash provided (used) by operating activities	(10,892,420)	(10,233,483)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	13,709,996	11,747,293
Other nonoperating gains and losses	(415,329)	(1,104,200)
Net cash provided (used) by noncapital financing activities	13,294,667	10,643,093
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds of capital debt		53,732,087
Capital appropriations	10,608,754	3,500,062
Capital grants and gifts received	210,703	
Purchases of capital assets	(7,792,971)	(8,643,422)
Principal paid on debt and capital leases	(1,852,815)	(377,913)
Interest paid on debt and capital leases	(2,768,811)	(2,599,748)
Transfers (to) from other University System of Maryland institutions	(38,870,848)	(53,986,276)
Net cash provided (used) by capital and related financing activities	(40,465,988)	(8,375,210)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	59,292,593	7,956,561
Interest on investments	6,356,974	5,804,579
Investment expense	(230,578)	(133,780)
Purchases of investments	(9,613,389)	(57,449,261)
Net cash provided (used) by investing activities	55,805,600	(43,821,901)
Net increase (decrease) in cash	17,741,859	(51,787,501)
Cash and cash equivalents - beginning of the year	75,324,351	127,111,852
Cash and cash equivalents - end of the year	\$93,066,210	\$75,324,351

UNIVERSITY SYSTEM OF MARYLAND

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

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.