

**UNIVERSITY SYSTEM OF MARYLAND**

Financial Statements and Supplemental Data

For the Years Ended June 30, 2003 and 2002, together with  
Reports of Independent Auditors

	<u>Page</u>
<b>REPORT OF INDEPENDENT AUDITORS</b>	1
<b>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2003 AND 2002:</b>	
Balance Sheet	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	14
 <b>SUPPLEMENTAL DATA:</b>	
Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for:	
University of Maryland, Baltimore	30
University of Maryland, College Park	33
Bowie State University	36
Towson University	39
University of Maryland Eastern Shore	42
Frostburg State University	45
Coppin State College	48
University of Baltimore	51
Salisbury University	54
University of Maryland University College	57
University of Maryland, Baltimore County	60
University of Maryland Center for Environmental Science	63
University of Maryland Biotechnology Institute	66
University System of Maryland Office	69
Notes to Supplemental Data	72

## Report of Independent Auditors

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 unit, as of and for the years ended June 30, 2003 and 2002, 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 audits. We did not audit the financial statements of the component unit included as discretely presented amounts in the System's financial statements. The financial statements of the component unit 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 unit, is based solely on the reports of the other auditors.

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

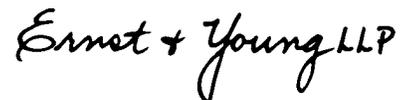
In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System and of its discretely presented component unit as of June 30, 2003 and 2002, and the respective changes 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.

As described in Note 1, the System has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2003, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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 opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplemental data contained on pages 30 to 72 of this report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.



October 28, 2003

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements  
In Accordance with *Government Auditing Standards***

Board of Regents  
University System of Maryland

We have audited the financial statements of the University System of Maryland (the System) and its discretely presented component unit as of and for the years ended June 30, 2003 and 2002, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 28, 2003 which expressed reliance on other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Compliance**

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

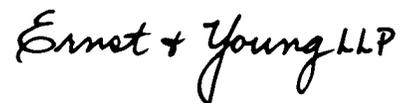
**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the System in a separate letter dated October 28, 2003.

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



October 28, 2003

## UNIVERSITY SYSTEM OF MARYLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED JUNE 30, 2003 AND 2002

---

As management of the University System of Maryland (System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the years ended June 30, 2003 and 2002. The System implemented the financial accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement #34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement #35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* for the year ended June 30, 2002, without restating the prior year financial statements. Instead, the cumulative effect of the required changes is shown as an adjustment to the beginning of the year net assets. Accordingly, extensive comparative data and analysis is not provided comparing the year ended June 30, 2002 to 2001.

#### Financial Highlights

- Unrestricted net assets increased by \$14,428,876 for the year ended June 30, 2003, after a decline of \$19,788,223 for the year ended June 30, 2002.
- State appropriations legislated for the System decreased by almost 11% to \$771,877,201 for the year ended June 30, 2003. For the year ended June 30, 2002, State appropriations increased \$66,072,827, or 8%, to \$864,765,235.
- Tuition and fees, after deducting Scholarship allowances, increased more than 12% to \$634,120,774 for the year ended June 30, 2003, a result of a 7% increase in enrollment, and a 12% tuition hike. For the year ended June 30, 2002, Tuition and fees, net of Scholarship allowances, totaled \$565,444,013. Gross Tuition and fees for the year ended June 30, 2002 increased by 13% from the year ended June 30, 2001, largely due to enrollment increases.

#### Overview of the Financial Statements

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

The Balance Sheet presents information on the System's assets, liabilities and net assets, all as of the end of the reporting period, June 30, 2003 and June 30, 2002. Net assets represents the difference between assets and liabilities, and is detailed into classifications that help readers understand the constraints that the System must recognize in decisions on expending assets. Over time, changes in the level of net assets can help in understanding whether the financial condition of the System is improving or deteriorating.

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

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

The System's financial statements include all accounts and balances of the System itself (considered the primary government in accounting terms), as well as a legally-separate and distinct entity for which the System is financially accountable, the University of Maryland Baltimore County Research Park Foundation, Inc. (considered a component unit).

## **Financial Analysis**

At June 30, 2003, the System's financial health remains strong, with assets exceeding liabilities by \$2,432,036,382, shown on the Balance Sheet as Total Net Assets. This compares with Total Net Assets of \$2,187,058,728 at June 30, 2002. As suggested earlier, when viewed over time, net assets may be a useful indicator of financial health.

For the year ended June 30, 2003, net assets increased by \$244,977,654. Net assets invested in capital assets, net of related debt, increased by \$267,801,732, while unrestricted net assets increased \$14,428,876, and temporarily restricted and permanently restricted net asset categories declined by \$37,252,954.

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 \$14,428,876 increase in unrestricted net assets is attributable to cost containment measures, combined with mid-year tuition increases, both in response to State reductions in State Appropriations. Another portion of the increase in unrestricted net assets is attributable to the portion of investment gains allocated to quasi-endowment funds, which are amounts invested at the discretion of the System. Investment gains on quasi-endowments amounted to \$1,247,604 for the fiscal year ended June 30, 2003.

For the year ended June 30, 2002, net assets increased by \$202,405,472. Net assets invested in capital assets, net of related debt, increased by \$226,852,483, while unrestricted net assets decreased \$19,788,223, and temporarily restricted and permanently restricted net asset categories declining \$4,658,788.

Some portion of the \$19,788,223 decline in unrestricted net assets for the year ended June 30, 2002, is attributable to a change in policy provisions for annual leave for faculty members, reflected in the \$15,178,951 increase in the liability for accrued annual leave. Another portion of the decline in unrestricted net assets is attributable to the portion of investment losses allocated to quasi-endowment funds, which are amounts invested at the discretion of the System. Investment losses on quasi-endowments amounted to \$5,891,556 for the fiscal year ended June 30, 2002.

The table below presents summary-level information of the System's assets, liabilities, and net assets at June 30, 2003 and 2002.

**University System of Maryland  
Condensed Balance Sheet  
June 30, 2003 and 2002**

	<b>2003</b>	<b>2002</b>
Current and other assets	\$958,261,692	\$979,498,491
Capital assets, net	2,719,784,359	2,387,575,459
Total assets	<u>\$3,678,046,051</u>	<u>\$3,367,073,950</u>
Debt and obligations under capital lease agreements	\$855,142,186	\$796,665,213
Other liabilities	390,867,483	383,350,009
Total liabilities	<u>1,246,009,669</u>	<u>1,180,015,222</u>
Net assets:		
Invested in capital assets, net of related debt	1,864,642,173	1,596,840,441
Restricted	250,306,526	287,559,480
Unrestricted	317,087,683	302,658,807
Total net assets	<u>2,432,036,382</u>	<u>2,187,058,728</u>
Net assets and liabilities	<u>\$3,678,046,051</u>	<u>\$3,367,073,950</u>

The table below presents summary-level information on the changes in the System's net assets for the years ended June 30, 2003 and 2002.

**University System of Maryland  
Condensed Statement of Revenues, Expenses and Changes in Net Assets  
Years ended June 30, 2003 and 2002**

	<b>2003</b>	<b>2002</b>
Operating revenues	\$1,933,031,744	\$1,792,254,675
Operating expenses	2,701,201,945	2,610,203,574
Operating loss	<u>(768,170,201)</u>	<u>(817,948,899)</u>
State appropriations	771,877,201	864,765,235
Other nonoperating revenues and expenses, net	23,873,102	(35,539,899)
Total nonoperating revenues and expenses	<u>795,750,303</u>	<u>829,225,336</u>
Income before other revenues, expenses, gains and losses	27,580,102	11,276,437
Other revenues, expenses, gains and losses	217,397,552	191,129,035
Increase in net assets	244,977,654	202,405,472
Net assets, beginning of year	2,187,058,728	3,296,703,746
Cumulative effect of changes in accounting principle		(1,312,050,490)
Net assets, end of year	<u>\$2,432,036,382</u>	<u>\$2,187,058,728</u>

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

For the years ended June 30, 2003 and 2002, Operating Revenues, which under the definitions used by GASB excludes State Appropriations, were recognized in the proportions shown below:

	2003		2002	
	\$	%	\$	%
Tuition and fees	\$634,120,774	32.8%	\$565,444,013	31.5%
Contracts and grants	820,017,889	42.4	792,275,851	44.2
Sales and services of educational departments	110,045,910	5.7	101,311,464	5.7
Auxiliary enterprises	322,256,423	16.7	303,383,149	16.9
Other operating	46,590,748	2.4	29,840,198	1.7
<b>Total</b>	<b>\$1,933,031,744</b>	<b>100.0%</b>	<b>\$1,792,254,675</b>	<b>100.0%</b>

Operating Expenses are detailed by Personnel costs, Other payments, and Depreciation Expense in the notes to the financial statements, in order to provide an alternative presentation of operating expenses. Personnel costs increased 5% for the year ended June 30, 2003 over the previous year, in large part due to a 12% increase in health care costs. For the year ended June 30, 2002, Personnel costs increased 10.4% over the previous year, in large part due the addition of approximately 5% in terms of number of employees, a 12% increase in health care costs, and a change in the provision for annual leave for faculty.

For the years ended June 30, 2003 and 2002, operating expenses were recognized in the proportions shown below:

	2003		2002	
	\$	%	\$	%
Instruction	\$807,051,018	29.9%	\$773,426,932	29.6%
Research	556,109,081	20.6	551,329,004	21.1
Public service	157,652,331	5.8	140,560,147	5.4
Academic support	232,637,110	8.6	211,809,069	8.1
Student services	102,421,943	3.8	99,855,958	3.8
Institutional support	258,672,693	9.5	252,444,607	9.7
Operation and maintenance of Plant	180,072,055	6.7	210,563,598	8.1
Scholarships and fellowships	47,721,086	1.8	41,515,115	1.6
Auxiliary enterprises	312,842,271	11.6	286,495,698	11.0
Hospital	46,022,357	1.7	42,203,446	1.6
<b>Total</b>	<b>\$2,701,201,945</b>	<b>100.0%</b>	<b>\$2,610,203,574</b>	<b>100.0%</b>

## Capital Asset and Debt Administration

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

During the year ended June 30, 2003, several major projects were completed and placed in service. At the University of Maryland, Baltimore the \$79 million Health Sciences Research Facility II was completed, while at UMCP a \$30 million Chemistry / Teaching facility was placed in service. At Bowie State University, a \$12 million Science building is a significant addition to the campus. Towson University benefited from the completion of improvements and renovations to Minnegan Stadium that cost more than \$31 million, as well as the addition of a \$23 million parking garage. Frostburg State University has added the Compton Science Center, costing more than \$33 million, while a replacement for the Devilbiss Science Building at Salisbury University represents a significant investment of more than \$38 million on the state's Eastern Shore. At the University of Maryland, Baltimore County a major Information Technology and Engineering facility costing more than \$40 million was also completed during the fiscal year.

The System added \$435,855,077 in new capital assets during the year ended June 30, 2002. Of these additions, \$179,970,229 was funded through the use of State of Maryland debt proceeds or cash balances, \$129,363,540 was funded from the proceeds of System debt obligations, with the balance, \$126,521,308 purchased using System cash balances or received as donations.

During the year ended June 30, 2002, major projects completed and placed in service included the Comcast Center, at the University of Maryland College Park, a state-of-the-art venue for intercollegiate athletic events costing more than \$125 million, which officially opened in October 2002. A \$28 million addition to the School of Business at UMCP, funded in large measure by a major gift, is well underway. A \$55 million addition to the School of Law at the University of Maryland, Baltimore was completed during fiscal year 2002, and work on a new Dental School facility expected to cost more than \$124 million began. At the University of Maryland, Baltimore County, the University Commons, a new student center costing more than \$30,000,000 opened.

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

The System continually pursues opportunities to reduce its overall effective cost of capital financing, and as conditions in the financial markets allow, refinances previously issued debt with new debt at lower interest costs. During the year ended June 30, 2003, the System refinanced approximately \$41,000,000 of previously issued Revenue Bonds, as a part of the \$142,350,000 of 2002 Series A Revenue Bonds issued in July 2002. During the year ended June 30, 2002, the System refinanced approximately \$27,000,000 of previously issued Revenue Bonds, as a part of the \$58,390,000 of 2001 Series B Revenue Bonds issued in November 2001.

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

The State of Maryland is currently experiencing similar fiscal changes that many other states are undergoing; namely flat or declining tax revenues combined with increasing outlays for unemployment claims, and other costs of state government. This environment increases the possibility that the System will have to identify new and innovative sources of funding, or pursue a strategy of increasing tuition, to fund increases in expenditures to accommodate expected enrollment growth. Enrollment projections show continuing increases through the balance of the decade. The steady improvement in the research capabilities of several System institutions, and the development of the Washington-Baltimore region as a national focus of biotechnology position the System well for continued increases in research contracts and grants, particularly in the health sciences.

## **Requests for Information**

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

**UNIVERSITY SYSTEM OF MARYLAND  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	2003		2002	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$523,345,058	\$45,380	\$537,326,082	\$65,263
Accounts receivable, net	160,404,763		180,857,207	
Notes receivable, current portion	15,695,392		12,135,433	
Inventories	9,889,567		9,858,676	
Prepaid expenses	2,413,951		2,930,772	
Deferred charges	15,752			
<b>Total current assets</b>	<b>711,764,483</b>	<b>45,380</b>	<b>743,108,170</b>	<b>65,263</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	12,185,550		7,947,566	
Endowment investments	167,561,104		172,456,224	
Other investments	17,397,858		2,345,489	
Notes receivable, net	49,352,697		53,641,042	
Capital assets, net	2,719,784,359	2,987,827	2,387,575,459	2,990,490
<b>Total noncurrent assets</b>	<b>2,966,281,568</b>	<b>2,987,827</b>	<b>2,623,965,780</b>	<b>2,990,490</b>
<b>Total assets</b>	<b>\$3,678,046,051</b>	<b>\$3,033,207</b>	<b>\$3,367,073,950</b>	<b>\$3,055,753</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$202,828,086	\$313,633	\$209,085,541	\$296,159
Accrued workers compensation, current portion	3,553,840		3,490,755	
Accrued vacation costs, current portion	41,899,298		43,452,145	
Revenue bonds and notes payable, current portion	49,606,998	57,501	51,876,661	96,124
Obligations under capital lease agreements, current portion	163,288		152,821	
Deferred revenue	47,472,788	581,527	38,050,359	506,453
<b>Total current liabilities</b>	<b>345,524,298</b>	<b>952,661</b>	<b>346,108,282</b>	<b>898,736</b>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	19,374,160		19,030,245	
Accrued vacation costs	75,739,311		70,240,964	
Revenue bonds and notes payable	800,318,846	831,549	739,419,389	860,559
Obligations under capital lease agreements	5,053,054		5,216,342	
<b>Total noncurrent liabilities</b>	<b>900,485,371</b>	<b>831,549</b>	<b>833,906,940</b>	<b>860,559</b>
<b>Total liabilities</b>	<b>1,246,009,669</b>	<b>1,784,210</b>	<b>1,180,015,222</b>	<b>1,759,295</b>
<b>NET ASSETS</b>				
Unrestricted	317,087,683	1,248,997	302,658,807	1,296,458
Invested in capital assets, net of related debt	1,864,642,173		1,596,840,441	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	37,696,858		42,276,589	
Research	49,916,286		53,307,071	
Other	37,620,491		39,821,908	
Expendable:				
Scholarships and fellowships	456,319			
Research	48,469,775		65,361,001	
Loans	71,213,392		65,927,528	
Capital projects	4,933,405		20,865,383	
<b>Total net assets</b>	<b>2,432,036,382</b>	<b>1,248,997</b>	<b>2,187,058,728</b>	<b>1,296,458</b>
<b>Total liabilities and net assets</b>	<b>\$3,678,046,051</b>	<b>\$3,033,207</b>	<b>\$3,367,073,950</b>	<b>\$3,055,753</b>

See accompanying notes.

**UNIVERSITY SYSTEM OF MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	2003		2002	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$743,567,588		\$671,672,333	
Less: scholarship allowances	(109,446,814)	\$634,120,774	(106,228,320)	\$565,444,013
Federal grants and contracts		492,038,197		478,137,292
State and local grants and contracts		145,810,816		159,306,651
Nongovernmental grants and contracts		182,168,876		154,831,908
Sales and services of educational departments		110,045,910		101,311,464
Auxiliary enterprises:				
Residential facilities	149,211,283		143,845,662	
Less: scholarship allowances	(12,411,972)	136,799,311	(10,902,863)	132,942,799
Intercollegiate athletics	53,537,965		52,354,039	
Less: scholarship allowances	(2,239,369)	51,298,596	(1,693,790)	50,660,249
Bookstores	31,300,637		29,768,362	
Less: scholarship allowances	(93,446)	31,207,191	(60,348)	29,708,014
Parking facilities		24,399,321		20,430,861
Other auxiliary enterprises revenues		78,552,004		69,641,226
Other operating revenues		46,590,748		29,840,198
<b>Total operating revenues</b>	<b>1,933,031,744</b>		<b>1,792,254,675</b>	
<b>OPERATING EXPENSES:</b>				
Instruction		807,051,018		773,426,932
Research		556,109,081		551,329,004
Public service		157,652,331		140,560,147
Academic support		232,637,110		211,809,069
Student services		102,421,943		99,855,958
Institutional support		258,672,693		252,444,607
Operation and maintenance of plant		180,072,055		210,563,598
Scholarships and fellowships		47,721,086		41,515,115
Auxiliary enterprises:				
Residential facilities		121,894,897		119,315,298
Intercollegiate athletics		66,108,074		66,240,433
Bookstores		30,105,414		27,293,571
Parking facilities		19,297,520		15,167,200
Other auxiliary enterprises expenses		75,436,366		58,479,196
Hospital		46,022,357		42,203,446
<b>Total operating expenses</b>		<b>2,701,201,945</b>		<b>2,610,203,574</b>
<b>Operating loss</b>		<b>(768,170,201)</b>		<b>(817,948,899)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		771,877,201		864,765,235
Gifts		24,402,376		7,118,289
Investment income	20,121,648		\$553	(13,044,928)
Less: Investment expense	(587,597)	19,534,051	(776,268)	(13,821,196)
Interest on indebtedness		(39,912,581)		(35,295,240)
Other nonoperating revenues (expenses)		19,849,256	(48,014)	6,458,248
<b>Total nonoperating revenue (expenses)</b>		<b>795,750,303</b>	<b>(47,461)</b>	<b>829,225,336</b>
<b>Income (loss) before other revenues, expenses, gains and losses</b>		<b>27,580,102</b>	<b>(47,461)</b>	<b>11,276,437</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>				
Capital appropriations		206,898,819		179,970,229
Capital gifts and grants		9,148,428		12,660,859
Additions to permanent endowments		2,852,466		344,160
Other gains and losses		(1,502,161)		(1,846,213)
<b>Total other revenues, expenses, gains and losses</b>		<b>217,397,552</b>		<b>191,129,035</b>
<b>Increase (decrease) in net assets</b>		<b>244,977,654</b>	<b>(47,461)</b>	<b>202,405,472</b>
<b>Net assets - beginning of year</b>		<b>2,187,058,728</b>	<b>1,296,458</b>	<b>3,296,703,746</b>
<b>Cumulative effect of changes in accounting principle (see note # 1)</b>				<b>(1,312,050,490)</b>
<b>Net assets - end of year</b>		<b>\$2,432,036,382</b>	<b>\$1,248,997</b>	<b>\$2,187,058,728</b>

See accompanying notes.

**UNIVERSITY SYSTEM OF MARYLAND  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003 Primary Government</b>	<b>2002 Primary Government</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$644,823,816	\$552,362,519
Research contracts and grants	846,950,121	785,041,547
Payments to employees	(1,792,501,401)	(1,713,899,851)
Payments to suppliers and contractors	(745,734,028)	(761,552,172)
Loans issued to students	(14,579,892)	(12,709,893)
Collections of loans to students	14,633,190	13,968,507
Auxiliary enterprises:		
Residence halls and dining facilities	136,039,401	130,258,968
Intercollegiate athletics	51,835,146	50,660,249
Bookstores	31,206,655	29,702,753
Parking facilities	24,561,899	25,079,830
Other	81,929,180	64,717,747
Other receipts	144,571,120	154,983,711
<b>Net cash used by operating activities</b>	<b>(576,264,793)</b>	<b>(681,386,085)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	771,877,201	864,765,235
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	2,852,466	7,264,764
Other nonoperating gains and losses	24,533,796	6,742,040
<b>Net cash provided by noncapital financing activities</b>	<b>799,263,463</b>	<b>878,772,039</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	145,381,622	36,540,640
Capital appropriations	206,898,818	179,917,366
Capital grants and gifts received	21,553,957	12,188,471
Proceeds from sales of capital assets	438,714	
Purchases of capital assets	(487,563,252)	(434,365,543)
Principal paid on debt and capital leases	(86,927,349)	(43,140,390)
Interest paid on debt and capital leases	(40,437,053)	(26,994,400)
<b>Net cash used by capital and related financing activities</b>	<b>(240,654,543)</b>	<b>(275,853,856)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	230,919,649	246,049,125
Interest on investments	13,396,607	37,840,719
Investment expense	(590,190)	(776,268)
Purchases of investments	(235,813,233)	(237,491,614)
<b>Net cash provided by investing activities</b>	<b>7,912,833</b>	<b>45,621,962</b>
<b>Net decrease in cash</b>	<b>(9,743,040)</b>	<b>(32,845,940)</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>545,273,648</b>	<b>578,119,588</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$535,530,608</b>	<b>\$545,273,648</b>
<b>RECONCILIATION OF NET OPERATING REVENUES(EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	(\$768,170,201)	(\$817,948,899)
<b>Adjustments to reconcile net loss to net cash used by operating activities:</b>		
Depreciation expense	128,682,424	108,601,794
<b>Changes in assets and liabilities:</b>		
Accounts receivables, net	20,452,444	(22,639,344)
Inventories	(30,891)	(503,702)
Prepaid expenses and deferred charges	(501,069)	3,945,363
Notes receivable	728,386	
Capital assets	32,193,658	
Accounts payable and accrued liabilities	(3,394,473)	16,080,190
Deferred revenue	9,422,429	(6,600,665)
Accrued vacation	3,945,500	15,178,951
Accrued workers compensation	407,000	22,500,227
<b>Net cash used by operating activities</b>	<b>(576,264,793)</b>	<b>(681,386,085)</b>

See accompanying notes.

## UNIVERSITY SYSTEM OF MARYLAND

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2003 AND 2002

---

#### 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 components 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 components 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 GASB Statement #14, *The Financial Reporting Entity*. 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, fifteen organizations created and operated in support of the interests of the System or any of the institutions that comprise the System. All of the members of the Board of Directors of one affiliated foundation, the University of Maryland Baltimore County Research Park Corporation, Inc., are selected by the System's Board of Regents, and the System is able to impose its will through the terms of a ground lease. As a result, this foundation meets the criteria for inclusion in the financial reporting entity. Complete financial statements of the University of Maryland Baltimore County Research Park Corporation, Inc. may be requested at UMBC Research Park Corporation, 1450 South Rolling Road, Baltimore, Maryland 21227. None of the other affiliated foundations satisfy the criteria for inclusion in the financial reporting entity.

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 Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, except for instances in which a pronouncement of the FASB conflicts with pronouncements of the Government Accounting Standards Board (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 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, 2002 have been reclassified to conform with the presentation of revenues, expenses and other changes in net assets for the year ended June 30, 2003.

**Pending change in accounting principles** - In May 2002, the GASB issued GASB Statement #39, *Determining Whether Certain Organizations Are Component Units*, which clarifies existing accounting guidance and provides greater consistency in accounting for organizations that are closely related to a primary government.

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, 2004 in accordance with the new requirements.

## 1. CHANGES IN ACCOUNTING PRINCIPLE

On July 1, 2001, the System implemented the requirements of GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement Number 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the System's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously used by governmental colleges and universities. These accounting standards require that depreciation expense and accumulated depreciation be recorded on certain fixed assets. Additionally, instructional sessions that span the year-end are to be allocated to each reporting period based on the proportions of the session falling into each year. The cumulative effect on Net Assets of making these changes is reported on the Statement of Revenues, Expenses, and Changes in Net Assets as Cumulative effect of change in accounting principle. The amount reported includes:

Accumulated depreciation	\$1,323,834,440
Change in treatment of summer instructional session	<u>(11,783,950)</u>
Cumulative effect of changes in accounting principle	<u><u>\$1,312,050,490</u></u>

## 2. CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2002</u>
Cash and short-term investments on deposit with the State Treasurer	\$502,820,896	\$501,720,081
Demand and time deposits	4,060,565	5,212,062
Mutual funds and money market funds, at fair value	<u>28,649,147</u>	<u>38,341,505</u>
Total	<u><u>\$535,530,608</u></u>	<u><u>\$545,273,648</u></u>

At June 30, 2003, and 2002 the carrying amount of the System's demand and time deposits was \$4,060,565 and \$5,212,062, as compared to bank balances of \$8,780,338 and \$6,367,857, respectively. The difference is primarily caused by items in-transit. Of the bank balances, \$7,881,929 and \$5,824,473 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 \$898,409 and \$543,384 was uninsured and uncollateralized at June 30, 2003 and 2002, respectively.

The Annotated Code of Maryland requires the System to maintain its cash balances, except for assets associated with endowment funds or proceeds of System financing arrangements, on deposit with the State Treasurer. The State Treasurer maintains these and other State funds on a pooled basis in accordance with the Annotated Code of Maryland. Thus, the System's share of this pool cannot be categorized in accordance with GASB Statement Number 3.

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.

At June 30, Restricted cash and cash equivalents includes:

	<b>2003</b>	<b>2002</b>
Endowment funds	\$7,252,145	\$7,947,566
Unspent proceeds of debt	4,933,405	
Total	<u>\$12,185,550</u>	<u>\$7,947,566</u>



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 as 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. Other Investments are categorized, in accordance with GASB Statement Number 3, as being insured or registered, or securities held by the System or its agent in the System's name.

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, 2003 and 2002, investment income attributed to unrestricted funds and restricted funds was:

	<u>2003</u>	<u>2002</u>
Unrestricted funds	\$16,286,479	\$15,401,472
Restricted funds	3,835,169	(28,446,400)
Total investment income	<u>\$20,121,648</u>	<u>\$(13,044,928)</u>

**4. CAPITAL ASSETS**

Changes in net capital assets for the years ended June 30, 2003 and 2002 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, 2003 and 2002 was \$43,002,720 and \$37,495,608, respectively. Interest expense of \$3,090,139 and \$2,200,368 associated with projects not yet completed was recorded as construction in progress during the years ended June 30, 2003 and 2002. The remaining \$39,912,581 and \$35,295,240 is reported as Interest on indebtedness for the years ended June 30, 2003 and 2002.

UNIVERSITY SYSTEM OF MARYLAND

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2003 AND 2002

	July 1, 2001			June 30, 2002			June 30, 2003
	Balance	Additions	Decreases	Balance	Additions	Decreases	Balance
<b>Capital assets being depreciated:</b>							
Infrastructure & Land Improvements	\$140,528,925	\$9,477,041	\$264,020	\$149,741,946	\$19,740,106	\$2,202,148	\$167,279,904
Buildings & Improvements	2,258,671,373	228,577,438	3,262,706	2,483,986,105	420,417,488	27,220,847	2,877,182,746
Contents	608,240,165	48,111,527	38,726,339	617,625,353	73,313,415	29,008,031	661,930,737
Facilities recorded under capital lease agreements	4,136,104	-	-	4,136,104	-	-	4,136,104
<b>Total capital assets being depreciated</b>	<b>3,011,576,567</b>	<b>286,166,006</b>	<b>42,253,065</b>	<b>3,255,489,508</b>	<b>513,471,009</b>	<b>58,431,026</b>	<b>3,710,529,491</b>
<b>Less accumulated depreciation for:</b>							
Infrastructure & Land Improvements	60,519,227	5,245,961	193,664	65,571,524	2,315,968	-	67,887,492
Buildings & Improvements	884,051,512	58,162,291	1,281,160	940,932,643	76,247,504	17,436,106	999,744,041
Contents	377,774,648	45,028,092	9,749,591	413,053,149	50,030,318	15,648,970	447,434,497
Facilities recorded under capital lease agreements	1,489,053	165,450	-	1,654,503	88,634	-	1,743,137
<b>Total accumulated depreciation</b>	<b>1,323,834,440</b>	<b>108,601,794</b>	<b>11,224,415</b>	<b>1,421,211,819</b>	<b>128,682,424</b>	<b>33,085,076</b>	<b>1,516,809,167</b>
<b>Total capital assets being depreciated, net</b>	<b>1,687,742,127</b>	<b>177,564,212</b>	<b>31,028,650</b>	<b>1,834,277,689</b>	<b>384,788,585</b>	<b>25,345,950</b>	<b>2,193,720,324</b>
<b>Capital assets not being depreciated:</b>							
Land	59,990,423	7,338,295	-	67,328,718	13,690,782	-	81,019,500
Infrastructure & Land Improvements	10,179,664	673,268	-	10,852,932	1,689,243	-	12,542,175
Contents	362,777	9,309,441	-	9,672,218	7,031,146	-	16,703,364
Construction in progress	333,075,835	292,138,488	159,770,421	465,443,902	286,031,580	335,676,486	415,798,996
<b>Total capital assets not being depreciated</b>	<b>403,608,699</b>	<b>309,459,492</b>	<b>159,770,421</b>	<b>553,297,770</b>	<b>308,442,751</b>	<b>335,676,486</b>	<b>526,064,035</b>
<b>Capital assets, net</b>	<b>\$2,091,350,826</b>	<b>\$487,023,704</b>	<b>\$190,799,071</b>	<b>\$2,387,575,459</b>	<b>\$693,231,336</b>	<b>\$361,022,436</b>	<b>\$2,719,784,359</b>

**5. DISAGGREGATION OF ACCOUNTS RECEIVABLE, NOTES RECEIVABLE, AND ACCOUNTS PAYABLE**

Accounts receivable at June 30, 2003 and 2002 were comprised of:

	<u>2003</u>	<u>2002</u>
Tuition and fees	\$71,021,628	\$49,142,578
Contracts and grants	83,202,999	115,292,759
Other	20,120,488	24,482,970
	<hr/>	<hr/>
Subtotal	174,345,115	188,918,307
Allowance for doubtful accounts	(13,940,352)	(8,061,100)
	<hr/>	<hr/>
Accounts receivable, net	<u>\$160,404,763</u>	<u>\$180,857,207</u>

Notes receivable at June 30, 2003 and 2002 were comprised of:

	<u>2003</u>	<u>2002</u>
Student loans	\$69,027,327	\$67,749,812
Business development loans	5,732,024	6,217,205
	<hr/>	<hr/>
Subtotal	74,759,351	73,967,017
Allowance for doubtful notes	(9,711,262)	(8,190,542)
	<hr/>	<hr/>
Notes receivable, net	<u>\$65,048,089</u>	<u>\$65,776,475</u>

Accounts payable and accrued liabilities at June 30, 2003 and 2002 were comprised of:

	<u>2003</u>	<u>2002</u>
Payroll and benefits	\$81,579,538	\$61,696,356
Suppliers and contractors	70,514,138	120,740,007
Accrued interest payable	14,202,710	17,065,692
Other	36,531,700	9,583,486
	<hr/>	<hr/>
Accounts payable and accrued liabilities	<u>\$202,828,086</u>	<u>\$209,085,541</u>

## 6. 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 \$975,000,000.

Revenue bonds and notes payable consist of the following at June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Revenue Bonds, net	\$775,364,785	\$713,984,237
Equipment Loan Program Obligations, less unamortized discount of \$17,258 and \$21,566	49,567,742	51,253,429
Certificates of Participation	17,600,000	17,800,000
Other	7,393,317	8,258,384
	<u>\$849,925,844</u>	<u>\$791,296,050</u>

### Auxiliary Facility and Tuition Revenue Bonds

At June 30, 2003, Auxiliary Facility and Tuition Revenue Bonds (Revenue Bonds) consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Principal Outstanding</u>
1989 Series B	6.9%	2003-2004	\$3,489,709
1992 Series C	5.5%	2004-2022	1,949,000
1993 Series A	5.0% - 5.2%	2004-2006	11,085,000
1993 Series B	6.6% - 7.0%	2004-2013	12,465,000
1993 Refunding Series C	4.3% - 5.1%	2003-2014	113,440,000
1995 Series A	5.0% - 5.6%	2004-2016	41,555,000
1996 Series A	5.4% - 5.5%	2004-2008	12,105,000
1997 Series A	5.0% - 5.1%	2004-2018	51,315,000
1998 Series A	5.0%	2004-2019	80,335,000
1999 Series A	4.0% - 4.5%	2003-2019	98,540,000
1999 Refunding Series B	4.2% - 4.8%	2003-2008	4,990,000
2000 Series A	4.6% - 5.7%	2003-2020	72,105,000
2001 Series A	4.0% - 5.0%	2004-2021	70,395,000
2001 Series B	3.5% - 4.6%	2004-2022	57,360,000
2002 Series A	3.0% - 5.2%	2004-2023	141,690,000
			<u>772,818,709</u>
Unamortized discounts, premiums and refunding adjustments			2,546,076
			<u>\$775,364,785</u>

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

On July 3, 2002, the System issued \$142,350,000 of University System of Maryland Auxiliary Facility and Tuition Revenue Bonds, 2002 Series A (the 2002 Series A bonds). The 2002 Series A bonds consist of serial bonds maturing through the year ended June 30, 2023 with stated rates of interest from 3% to 5.125%, and were issued at an aggregate premium of \$6,758,379. Of the proceeds of the 2002 Series A, approximately \$104,509,000 was used to fund new construction and renovation projects, while \$44,599,388 was used to advance refund an aggregate of \$40,945,000 of outstanding principal of the 1996 Series A, 2000 Series A, and 2001 Series A revenue bonds. The advance refunding of Revenue Bonds reduced future debt service requirements by \$1,983,660 and resulted in an economic gain (the present value of the difference between the debt service requirements on the old, refunded debt and the new debt) of \$1,537,983. An unamortized amount on refunding of \$3,726,211 was recorded as a result of the advance refunding and is being amortized over the remaining life of the refunded debt.

On November 13, 2001, the System issued \$58,390,000 of University System of Maryland Auxiliary Facility and Tuition Revenue Bonds, 2001 Series B (the 2001 Series B bonds). The 2001 Series B bonds consist of serial bonds maturing through the year ended June 30, 2022 with stated rates of interest from 3.5% to 4.625%, and were issued at an aggregate premium of \$198,565. Of the proceeds of the 2001 Series B, approximately \$30,485,000 was used to fund new construction and renovation projects, while \$28,433,419 was used to advance refund an aggregate of \$26,620,000 of outstanding principal of the 1992 Series A, 1993 Series A, and 1996 Series A revenue bonds. The advance refunding of Revenue Bonds reduced future debt service requirements by \$1,472,247 and resulted in an economic gain (the present value of the difference between the debt service requirements on the old, refunded debt and the new debt) of \$1,490,740.

At June 30, 2003 and 2002, cash and cash equivalents restricted by the terms of the Indenture of Trust in the amount of \$4,933,405 and \$18,526,759, respectively, were held by the trustee as unexpended proceeds of the Revenue Bonds.

### **Equipment Loan Program Obligations**

Equipment Loan Program Obligations (the Equipment Obligations) include debt issued in 1992 pursuant to an Indenture of Trust, an agreement entered into with a trustee for the benefit of holders of Equipment Obligations, dated June 1, 1992, and amounts issued during 1996, 1997 and 2000 under a separate agreement dated April 1, 1995. Under the terms of the 1992 Indenture of Trust agreement, a minimum of 80% of the equipment purchased or refinanced through the use of the proceeds of the Equipment Obligations is subject to a lien until full payment of the related Equipment Obligations has been made. At June 30, 2003, equipment with a recorded value of \$45,209,525 was subject to the lien created by the June 1, 1992 Indenture of Trust.

## Certificates of Participation

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

## Other

Other debt and notes payable includes amounts borrowed to finance 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 ended June	Auxiliary Facility and Tuition Revenue Bonds		Notes Payable and Other Long-term Debt		Total Payments
	Principal	Interest	Principal	Interest	
2004	\$46,406,974	\$40,410,310	\$3,200,023	\$4,082,014	\$94,099,321
2005	45,572,735	36,438,554	3,496,270	3,902,833	89,410,392
2006	49,590,000	32,386,630	3,188,558	3,705,751	88,870,939
2007	52,345,000	30,051,879	1,675,864	3,560,254	87,632,997
2008	54,350,000	27,678,990	1,754,946	3,469,787	87,253,723
2009 – 2013	250,190,000	100,731,177	25,513,802	15,775,293	392,210,272
2014 – 2018	177,855,000	49,525,879	35,748,854	2,997,750	266,127,483
2019 -- 2023	96,509,000	10,830,236	-	-	107,339,236
Total	<u>\$772,818,709</u>	<u>\$328,053,655</u>	<u>\$74,578,317</u>	<u>\$37,493,682</u>	<u>\$1,212,944,363</u>

## 7. LEASES

### Obligations under capital leases agreements

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

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

<u>Year ending June 30,</u>	<u>Total</u>
2004	\$511,986
2005	511,986
2006	511,986
2007	511,986
2008	511,986
2009 – 2013	2,559,930
2014 – 2018	2,559,930
2019 - 2022	<u>1,279,964</u>
Total future lease payments	8,959,754
Interest component	<u>(3,743,412)</u>
Obligations under capital lease agreements	<u><u>\$5,216,342</u></u>

### **Operating leases**

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

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

<u>Year ending June 30,</u>	<u>Minimum Annual Lease Payments</u>
2004	\$5,900,923
2005	4,550,216
2006	2,389,957
2007	1,520,356
2008	1,381,874
2009 - 2013	<u>1,741,894</u>
Total	<u><u>\$17,485,220</u></u>

Operating lease expenditures for the years ended June 30, 2003 and 2002 were \$7,355,866 and \$7,218,840, respectively.

The System has entered into lease agreements with developers at four 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, 2003 AND 2002

8. CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the years ended June 30, 2003 and 2002 were as follows:

	July 1, 2001 Balance	Additions	Reductions	June 30, 2002 Balance	Additions	Reductions	June 30, 2003 Balance	Due Within One Year
Accrued vacation	\$98,514,157	\$73,552,489	\$58,373,537	\$113,693,109	\$59,169,152	\$55,223,652	\$117,638,609	\$41,899,298
Accrued workers compensation	20,773,000	5,458,188	3,710,188	22,521,000	4,092,483	3,685,483	22,928,000	3,553,840
Revenue bonds and notes payable, net	797,172,325	37,562,456	43,438,731	791,296,050	145,404,322	86,774,528	849,925,844	49,606,998
Obligations under capital lease agreements	5,512,187	-	143,024	5,369,163	-	152,821	5,216,342	163,288
Total long-term liabilities	<u>\$921,971,669</u>	<u>\$116,573,133</u>	<u>\$105,665,480</u>	<u>\$932,879,322</u>	<u>\$208,665,957</u>	<u>\$145,836,484</u>	<u>\$995,708,795</u>	<u>\$95,223,424</u>

9. 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, 2003 and 2002 by grouping of object classification are:

	2003				2002			
	Employee Costs	Payments to Suppliers, Contractors and Others	Depreciation	Total	Employee Costs	Payments to Suppliers, Contractors and Others	Depreciation	Total
Instruction	\$677,336,389	\$108,093,751	\$21,620,878	\$807,051,018	\$655,860,877	\$102,368,495	\$15,197,560	\$773,426,932
Research	352,301,492	185,523,551	18,284,038	556,109,081	326,524,154	209,798,016	15,006,834	551,329,004
Public service	94,394,851	61,689,464	1,568,016	157,652,331	81,161,291	58,229,818	1,169,038	140,560,147
Academic support	162,214,510	50,446,459	19,976,141	232,637,110	155,789,434	38,573,951	17,445,684	211,809,069
Student services	71,726,659	28,308,657	2,386,627	102,421,943	70,513,594	27,557,630	1,784,734	99,855,958
Institutional support	206,764,008	39,318,668	12,590,017	258,672,693	201,983,112	38,939,104	11,522,391	252,444,607
Operation and maintenance of plant	84,388,038	74,137,414	21,546,603	180,072,055	81,267,618	107,830,997	21,464,983	210,563,598
Scholarships and fellowships	4,988,645	42,407,602	324,839	47,721,086	4,884,433	36,390,747	239,935	41,515,115
Auxiliary enterprises:								
Residence halls	45,859,351	58,514,994	17,520,552	121,894,897	51,962,102	51,872,879	15,480,317	119,315,298
Parking facilities	4,634,282	12,334,534	2,328,704	19,297,520	4,638,564	8,635,042	1,893,594	15,167,200
Intercollegiate athletics	28,930,442	34,660,063	2,517,569	66,108,074	23,957,876	40,012,169	2,270,388	66,240,433
Bookstores	4,177,678	25,744,923	182,813	30,105,414	4,723,086	22,332,419	238,066	27,293,571
Other	30,554,270	37,050,573	7,831,523	75,436,366	26,854,564	26,736,824	4,887,808	58,479,196
Hospital	44,185,587	1,832,666	4,104	46,022,357	40,354,100	1,848,884	462	42,203,446
Total	<u>\$1,812,456,202</u>	<u>\$760,063,319</u>	<u>\$128,682,424</u>	<u>\$2,701,201,945</u>	<u>\$1,730,474,805</u>	<u>\$771,126,975</u>	<u>\$108,601,794</u>	<u>\$2,610,203,574</u>

## **10. 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 University System of Maryland accounts for the plan as a cost-sharing multiple-employer public employee retirement system, as a separate valuation is not performed for the University System of Maryland, and the only obligation to the plan is its required annual contributions. The State Systems prepare a Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension Systems at 120 East Baltimore Street, Baltimore, Maryland 21202.

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

### **State Systems**

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

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

Participants in the State Systems may receive retirement benefits after satisfying age and length of service requirements. Retirement benefits under each of the State Systems plans are based on the length of service and the average of the 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, 2003, 2002, and 2001 of \$27,492,297, \$19,968,345, and \$22,781,383, 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% 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, 2003 were \$81,595,979, which consisted of \$48,307,493 from the System and \$33,288,486 from employees. The contributions for the year ended June 30, 2002 were \$63,949,019, which consisted of \$34,313,004 from the System and \$29,636,015 from employees.

## **11. 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 \$23,533,805 and \$20,502,681 for the years ended June 30, 2003 and 2002, respectively.

## **12. CONSTRUCTION COMMITMENTS**

The estimated costs to complete construction in progress at June 30, 2003 is \$298,613,000, of which \$60,199,000 is to be funded from bond proceeds, \$191,384,000 is to be derived from State appropriations and grants, and \$47,030,000 which will be provided from System funds.

## **13. CONTINGENT LIABILITIES**

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.

## **14. 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 of Maryland, 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, 2003 and 2002. Settlement amounts have not exceeded insurance coverage levels for the years ending June 30, 2003, 2002, or 2001.

As of June 30, 2003 and 2002, the System has recorded \$22,928,000 and \$22,521,000 in liabilities associated with workers' compensation, respectively.

## **15. SUBSEQUENT EVENTS**

On July 10, 2003, the System issued \$246,155,000 of University System of Maryland Auxiliary Facility and Tuition Revenue Bonds, including \$228,035,000 of 2003 Series A, and \$18,120,000 of taxable 2003 Series B (collectively, the 2003 Series A & B bonds). The 2003 Series A & B bonds consist of serial bonds maturing through the year ended June 30, 2024 with stated rates of interest from 1.75% to 5%, and were issued at an aggregate premium of \$21,018,859. Of the proceeds of the 2003 Series A & B bonds, approximately \$105,500,000 will be used to fund new construction and renovation projects, while \$160,497,308 were used to advance refund an aggregate of \$153,070,000 of outstanding principal of the 1993 Series A, 1993 Series B, 1993 Series C, and 1995 Series A revenue bonds.

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. Approximately \$13,927,000 of the proceeds of the Revolving Loan Program Bonds, 2003 Series A will be used to fund new equipment acquisitions, while \$50,173,990 was used to advance refund \$49,585,000 of Equipment Loan Program Obligations.

**UNIVERSITY OF MARYLAND, BALTIMORE**  
**BALANCE SHEET**  
**JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$132,516,529	\$105,292,600
Accounts receivable, net	18,939,194	34,789,620
Notes receivable, current portion	652,072	2,441,089
Inter-institutional balances	(89,237)	
<b>Total current assets</b>	<u>152,018,558</u>	<u>142,523,309</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	2,951,928	2,937,110
Endowment investments	63,483,048	66,130,829
Other investments	186,370	
Notes receivable, net	24,199,055	21,885,659
Capital assets, net	483,900,388	416,078,450
<b>Total noncurrent assets</b>	<u>574,720,789</u>	<u>507,032,048</u>
<b>Total assets</b>	<u>\$726,739,347</u>	<u>\$649,555,357</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$38,755,937	\$38,813,934
Accrued workers compensation, current portion	837,155	825,995
Accrued vacation costs, current portion	2,918,324	4,891,954
Revenue bonds and notes payable, current portion	4,349,830	3,193,863
Deferred revenue	374,553	930,032
<b>Total current liabilities</b>	<u>47,235,799</u>	<u>48,655,778</u>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	4,563,845	4,503,005
Accrued vacation costs	36,248,305	31,356,351
Revenue bonds and notes payable, net	73,662,550	57,374,084
<b>Total noncurrent liabilities</b>	<u>114,474,700</u>	<u>93,233,440</u>
<b>Total liabilities</b>	<u>161,710,499</u>	<u>141,889,218</u>
<b>NET ASSETS</b>		
Unrestricted	65,637,490	61,212,083
Invested in capital assets, net	405,888,008	355,510,503
Restricted:		
Nonexpendable:		
Scholarships and fellowships	21,224,606	22,134,262
Research	4,199,873	4,459,516
Other	19,939,705	21,859,040
Expendable:		
Research	19,046,263	14,365,480
Loans	28,894,206	28,125,255
Capital projects	198,697	
<b>Total net assets</b>	<u>565,028,848</u>	<u>507,666,139</u>
<b>Total liabilities and net assets</b>	<u>\$726,739,347</u>	<u>\$649,555,357</u>

**UNIVERSITY OF MARYLAND, BALTIMORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>	
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$54,093,283	\$47,789,147	
Less: scholarship allowances	<u>(13,640,891)</u>	<u>(14,720,465)</u>	\$33,068,682
Federal grants and contracts	136,696,047		125,609,466
State and local grants and contracts	35,172,514		33,109,560
Nongovernmental grants and contracts	109,570,749		96,532,547
Sales and services of educational departments	74,423,310		60,492,258
Auxiliary enterprises:			
Residential facilities	1,268,345		843,059
Bookstore	285,049		263,399
Parking facilities	10,243,609		8,694,248
Other auxiliary enterprises revenues	<u>5,575,270</u>		<u>5,648,426</u>
<b>Total operating revenues</b>	<u>413,687,285</u>		<u>364,261,645</u>
<b>OPERATING EXPENSES:</b>			
Instruction	168,685,403		170,090,962
Research	145,448,893		150,285,851
Public service	44,884,069		30,516,251
Academic support	30,859,219		25,435,433
Student services	2,936,743		2,949,204
Institutional support	42,057,621		41,129,618
Operation and maintenance of plant	44,606,114		28,837,055
Scholarships and fellowships	215,970		14,357
Auxiliary enterprises:			
Residential facilities	1,227,848		1,071,992
Parking facilities	11,130,338		9,488,215
Other auxiliary enterprises expenses	4,748,090		4,132,898
Hospital	<u>46,022,357</u>		<u>42,203,446</u>
<b>Total operating expenses</b>	<u>542,822,665</u>		<u>506,155,282</u>
<b>Operating income (loss)</b>	<u>(129,135,380)</u>		<u>(141,893,637)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State appropriations	137,139,954		153,139,494
Gifts	3,358,637		
Investment income	3,688,822	(6,230,106)	
Less: Investment expense	<u>(224,857)</u>	<u>(300,226)</u>	(6,530,332)
Interest on indebtedness	(2,716,336)		(2,974,137)
Other nonoperating revenues (expenses)	(198,697)		
Transfers (to) from other University System of Maryland institutions	<u>(995,850)</u>		<u>7,703,986</u>
<b>Total nonoperating revenues (expenses)</b>	<u>140,051,673</u>		<u>151,339,011</u>
<b>Income before other revenues, expenses, gains and losses</b>	<u>10,916,293</u>		<u>9,445,374</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>			
Capital appropriations	45,522,216		34,248,073
Capital gifts and grants	71,171		1,516,056
Additions to permanent endowments	318,697		229,160
Other gains and losses	<u>534,332</u>		<u>(1,496,931)</u>
<b>Total other revenues, expenses, gains and losses</b>	<u>46,446,416</u>		<u>34,496,358</u>
<b>Increase (decrease) in net assets</b>	57,362,709		43,941,732
<b>Net assets - beginning of year</b>	507,666,139		635,739,433
<b>Cumulative effect of changes in accounting principle</b>			<u>(172,015,026)</u>
<b>Net assets - end of year</b>	<u>\$565,028,848</u>		<u>\$507,666,139</u>

**UNIVERSITY OF MARYLAND, BALTIMORE**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$38,350,003	\$32,698,482
Research contracts and grants	298,616,872	254,621,554
Payments to employees	(365,028,122)	(360,641,358)
Payments to suppliers and contractors	(148,576,494)	(112,424,966)
Loans issued to students	(5,963,479)	(4,428,021)
Collections of loans to students	5,439,100	6,691,916
Auxiliary enterprises:		
Residence halls and dining facilities	1,527,926	844,059
Bookstore	285,049	263,399
Parking facilities	10,406,187	8,694,248
Other	8,222,645	5,383,483
Other receipts	74,423,310	60,277,636
<b>Net cash provided (used) by operating activities</b>	<u>(82,297,003)</u>	<u>(108,019,568)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	137,139,954	153,139,494
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	318,697	229,160
Other nonoperating gains and losses	1,581,920	(1,496,931)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>139,040,571</u>	<u>151,871,723</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	29,849,864	3,328,053
Capital appropriations	45,522,216	34,248,073
Capital grants and gifts received	71,171	1,414,861
Purchases of capital assets	(94,703,766)	(76,811,706)
Principal paid on debt and capital leases	(11,736,765)	(2,963,369)
Interest paid on debt and capital leases	(2,306,986)	(3,556,258)
Transfers (to) from other University System of Maryland institutions	(1,551,101)	7,592,042
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(34,855,367)</u>	<u>(36,748,304)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	89,038,684	92,003,186
Interest on investments	185,416	13,327,534
Investment expense	(224,857)	(300,226)
Purchases of investments	(83,648,697)	(91,704,363)
<b>Net cash provided (used) by investing activities</b>	<u>5,350,546</u>	<u>13,326,131</u>
<b>Net increase (decrease) in cash</b>	27,238,747	20,429,982
<b>Cash and cash equivalents - beginning of the year</b>	<u>108,229,710</u>	<u>87,799,728</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$135,468,457</u></u>	<u><u>\$108,229,710</u></u>

**UNIVERSITY OF MARYLAND, COLLEGE PARK  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$189,154,109	\$234,467,528
Accounts receivable, net	47,839,902	52,390,460
Notes receivable, current portion	4,736,251	3,917,168
Inventories	1,982,316	1,924,500
Prepaid expenses	634,730	865,172
Inter-institutional balances	569,973	(1,687,450)
	<b>Total current assets</b>	<b>291,877,378</b>
	244,917,281	291,877,378
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	6,138,468	4,230,149
Endowment investments	89,414,163	93,797,291
Other investments	17,209,638	2,343,639
Notes receivable, net	6,550,582	6,991,077
Capital assets, net	1,051,086,374	950,986,937
	<b>Total noncurrent assets</b>	<b>1,058,349,093</b>
	1,170,399,225	1,058,349,093
	<b>Total assets</b>	<b>\$1,350,226,471</b>
	\$1,415,316,506	\$1,350,226,471
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$73,540,073	\$83,437,438
Accrued workers compensation, current portion	1,320,600	1,250,695
Accrued vacation costs, current portion	19,096,796	21,278,497
Revenue bonds and notes payable, current portion	23,493,257	21,481,731
Deferred revenue	27,880,858	19,035,900
	<b>Total current liabilities</b>	<b>146,484,261</b>
	145,331,584	146,484,261
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	7,199,400	6,818,305
Accrued vacation costs	20,719,854	19,019,854
Revenue bonds and notes payable, net	351,979,436	346,280,723
	<b>Noncurrent liabilities</b>	<b>372,118,882</b>
	379,898,690	372,118,882
	<b>Total liabilities</b>	<b>518,603,143</b>
	525,230,274	518,603,143
<b>NET ASSETS</b>		
Unrestricted	108,778,836	139,191,752
Invested in capital assets, net	675,613,681	583,224,483
Restricted:		
Nonexpendable:		
Scholarships and fellowships	14,821,439	18,289,266
Research	45,716,413	48,612,207
Other	14,472,093	14,048,815
Expendable:		
Research	17,404,549	15,778,336
Loans	11,010,541	11,243,448
Capital projects	2,268,680	1,235,021
	<b>Total net assets</b>	<b>831,623,328</b>
	890,086,232	831,623,328
	<b>Total liabilities and net assets</b>	<b>\$1,350,226,471</b>
	\$1,415,316,506	\$1,350,226,471

**UNIVERSITY OF MARYLAND, COLLEGE PARK**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$244,190,693	\$221,034,500
Less: scholarship allowances	<u>(32,875,063)</u>	<u>(31,086,088)</u>
Federal grants and contracts	208,217,930	210,914,840
State and local grants and contracts	42,885,905	61,616,457
Nongovernmental grants and contracts	50,606,139	36,268,454
Sales and services of educational departments	20,503,927	25,130,309
Auxiliary enterprises:		
Residential facilities	61,482,716	63,075,381
Less: scholarship allowances	<u>(6,690,232)</u>	<u>(6,805,002)</u>
Intercollegiate athletics	35,046,955	56,270,379
Parking facilities	9,257,624	31,572,421
Other auxiliary enterprises revenues	34,932,791	7,764,557
Other operating revenues	<u>26,448,536</u>	<u>13,657,629</u>
<b>Total operating revenues</b>	<u>694,007,921</u>	<u>664,647,733</u>
<b>OPERATING EXPENSES:</b>		
Instruction	296,701,442	285,020,341
Research	262,141,921	262,223,576
Public service	56,387,946	54,796,069
Academic support	100,239,714	89,894,659
Student services	30,836,537	29,578,596
Institutional support	53,886,354	64,637,756
Operation and maintenance of plant	53,254,503	100,300,490
Scholarships and fellowships	26,478,472	23,328,068
Auxiliary enterprises:		
Residential facilities	53,786,673	54,142,860
Intercollegiate athletics	50,160,068	41,915,952
Parking facilities	6,384,990	4,422,716
Other auxiliary enterprises expenses	<u>28,069,869</u>	<u>21,680,966</u>
<b>Total operating expenses</b>	<u>1,018,328,489</u>	<u>1,031,942,049</u>
<b>Operating income (loss)</b>	<u>(324,320,568)</u>	<u>(367,294,316)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	318,959,484	359,338,977
Gifts	20,901,341	6,920,604
Investment income	10,185,669	(12,742,203)
Less: Investment expense	<u>(315,321)</u>	<u>(422,661)</u>
Interest on indebtedness	(14,054,969)	(13,164,864)
Other nonoperating revenues (expenses)	4,815,533	(14,690,684)
Transfers (to) from other University System of Maryland institutions	<u>6,372,129</u>	<u>6,458,248</u>
<b>Total nonoperating revenues (expenses)</b>	<u>346,863,866</u>	<u>355,836,400</u>
<b>Income before other revenues, expenses, gains and losses</b>	<u>22,543,298</u>	<u>(11,457,916)</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	30,317,297	53,928,465
Capital gifts and grants	6,493,781	9,005,409
Additions to permanent endowments	321,147	
Other gains and losses	<u>(1,212,619)</u>	<u>(1,339,491)</u>
<b>Total other revenues, expenses, gains and losses</b>	<u>35,919,606</u>	<u>61,594,383</u>
<b>Increase (decrease) in net assets</b>	58,462,904	50,136,467
<b>Net assets - beginning of year</b>	831,623,328	1,307,456,256
<b>Cumulative effect of changes in accounting principle</b>		<u>(525,969,395)</u>
<b>Net assets - end of year</b>	<u>\$890,086,232</u>	<u>\$831,623,328</u>

**UNIVERSITY OF MARYLAND, COLLEGE PARK**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$214,676,228	\$189,496,913
Research contracts and grants	308,207,272	298,617,935
Payments to employees	(710,517,331)	(670,128,108)
Payments to suppliers and contractors	(241,871,117)	(307,465,629)
Loans issued to students	(2,979,028)	(2,394,508)
Collections of loans to students	2,600,440	2,592,135
Auxiliary enterprises:		
Residence halls and dining facilities	52,189,930	56,586,746
Intercollegiate athletics	35,046,955	31,572,421
Parking facilities	9,257,624	7,764,557
Other	34,932,791	31,504,275
Other receipts	29,918,113	64,772,265
<b>Net cash provided (used) by operating activities</b>	<u>(268,538,123)</u>	<u>(297,080,998)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	318,959,484	359,338,977
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	321,147	6,920,604
Other nonoperating gains and losses	9,386,271	5,118,758
<b>Net cash provided (used) by noncapital financing activities</b>	<u>328,666,902</u>	<u>371,378,339</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	51,909,600	18,276,838
Capital appropriations	30,317,297	53,875,602
Capital grants and gifts received	20,707,741	9,005,409
Purchases of capital assets	(151,159,939)	(170,923,143)
Principal paid on debt and capital leases	(41,062,977)	(19,748,211)
Interest paid on debt and capital leases	(14,022,190)	(5,924,860)
Transfers (to) from other University System of Maryland institutions	945,546	44,416,298
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(102,364,922)</u>	<u>(71,022,067)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	125,783,652	130,824,307
Interest on investments	7,876,348	15,046,918
Investment expense	(315,321)	(422,661)
Purchases of investments	(134,513,636)	(130,022,362)
<b>Net cash provided (used) by investing activities</b>	<u>(1,168,957)</u>	<u>15,426,202</u>
<b>Net increase (decrease) in cash</b>	(43,405,100)	18,701,476
<b>Cash and cash equivalents - beginning of the year</b>	<u>238,697,677</u>	<u>219,996,201</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$195,292,577</u>	<u>\$238,697,677</u>

**BOWIE STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$3,132,010	\$2,160,245
Accounts receivable, net	5,387,509	6,167,748
Notes receivable, current portion	690,153	689,768
Inter-institutional balances	<u>(2,398,790)</u>	<u>(1,482,585)</u>
<b>Total current assets</b>	<u>6,810,882</u>	<u>7,535,176</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	459,327	
Capital assets, net	<u>75,127,594</u>	<u>67,287,209</u>
<b>Total noncurrent assets</b>	<u>75,586,921</u>	<u>67,287,209</u>
<b>Total assets</b>	<u><u>\$82,397,803</u></u>	<u><u>\$74,822,385</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$6,278,259	\$4,283,226
Accrued workers compensation, current portion	62,620	64,480
Accrued vacation costs, current portion	657,946	1,750,241
Revenue bonds and notes payable, current portion	1,013,577	2,660,169
Deferred revenue	<u>372,679</u>	<u>375,231</u>
<b>Total current liabilities</b>	<u>8,385,081</u>	<u>9,133,347</u>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	341,380	351,520
Accrued vacation costs	986,918	258,746
Revenue bonds and notes payable, net	<u>14,615,058</u>	<u>11,115,738</u>
<b>Total noncurrent liabilities</b>	<u>15,943,356</u>	<u>11,726,004</u>
<b>Total liabilities</b>	<u>24,328,437</u>	<u>20,859,351</u>
<b>NET ASSETS</b>		
Unrestricted	(2,597,714)	(197,550)
Invested in capital assets, net	59,498,959	53,511,302
Restricted:		
Expendable:		
Loans	708,794	649,282
Capital projects	<u>459,327</u>	<u>        </u>
<b>Total net assets</b>	<u>58,069,366</u>	<u>53,963,034</u>
<b>Total liabilities and net assets</b>	<u><u>\$82,397,803</u></u>	<u><u>\$74,822,385</u></u>

**BOWIE STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$21,884,323	\$18,386,329
Less: scholarship allowances	<u>(4,357,346)</u>	<u>(4,534,284)</u>
Federal grants and contracts	12,853,589	11,409,477
State and local grants and contracts	2,481,435	1,047,742
Nongovernmental grants and contracts	948,223	629,517
Auxiliary enterprises:		
Residential facilities	4,882,536	4,329,491
Less: scholarship allowances	<u>(809,920)</u>	<u>(451,048)</u>
Intercollegiate athletics	1,043,640	922,962
Parking facilities	209,830	240,000
Other auxiliary enterprises revenues	1,785,618	
Other operating revenues		<u>2,676,837</u>
<b>Total operating revenues</b>	<u>40,921,928</u>	<u>34,657,023</u>
<b>OPERATING EXPENSES:</b>		
Instruction	20,215,180	18,682,859
Research	3,633,409	2,426,731
Public service	1,088,591	941,657
Academic support	7,695,073	6,264,257
Student services	3,863,827	3,660,209
Institutional support	12,299,431	8,081,706
Operation and maintenance of plant	5,998,919	4,112,418
Scholarships and fellowships	1,078,285	817,322
Auxiliary enterprises:		
Residential facilities	4,108,764	4,144,505
Intercollegiate athletics	1,584,772	1,598,557
Other auxiliary enterprises expenses	<u>1,625,541</u>	<u>1,032,749</u>
<b>Total operating expenses</b>	<u>63,191,792</u>	<u>51,762,970</u>
<b>Operating income (loss)</b>	<u>(22,269,864)</u>	<u>(17,105,947)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	21,183,759	22,724,961
Investment income	5,059	20,809
Interest on indebtedness	(551,867)	(555,054)
Transfers (to) from other University System of Maryland institutions	<u>(1,137,825)</u>	<u>(730,448)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>19,499,126</u>	<u>21,460,268</u>
<b>Income before other revenues, expenses, gains and losses</b>	<u>(2,770,738)</u>	<u>4,354,321</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	6,817,558	9,363,398
Other gains and losses	<u>59,512</u>	<u>(21,037)</u>
<b>Total other revenues, expenses, gains and losses</b>	<u>6,877,070</u>	<u>9,342,361</u>
<b>Increase (decrease) in net assets</b>	<u>4,106,332</u>	<u>13,696,682</u>
<b>Net assets - beginning of year</b>	<u>53,963,034</u>	<u>90,331,851</u>
<b>Cumulative effect of changes in accounting principle</b>		<u>(50,065,499)</u>
<b>Net assets - end of year</b>	<u>\$58,069,366</u>	<u>\$53,963,034</u>

**BOWIE STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$18,321,959	\$13,287,566
Research contracts and grants	15,545,791	15,398,515
Payments to employees	(37,708,141)	(37,513,096)
Payments to suppliers and contractors	(20,965,307)	(14,185,011)
Loans issued to students	(206,430)	(214,116)
Collections of loans to students	265,556	
Auxiliary enterprises:		
Residence halls and dining facilities	4,149,009	2,196,130
Intercollegiate athletics	1,584,772	922,962
Parking facilities	209,830	240,000
Other	1,512,131	
Other receipts	280,335	3,579,206
<b>Net cash provided (used) by operating activities</b>	<u>(17,010,495)</u>	<u>(16,287,844)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	21,183,759	22,724,961
Other nonoperating gains and losses		(21,037)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>21,183,759</u>	<u>22,703,924</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	1,011,255	143,421
Capital appropriations	6,817,558	9,363,398
Purchases of capital assets	(10,644,030)	(12,044,746)
Principal paid on debt and capital leases	(1,731,083)	(955,625)
Interest paid on debt and capital leases	(554,675)	(551,039)
Transfers (to) from other University System of Maryland institutions	2,353,744	(338,951)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,747,231)</u>	<u>(4,383,542)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	5,059	20,809
<b>Net cash provided (used) by investing activities</b>	<u>5,059</u>	<u>20,809</u>
<b>Net increase (decrease) in cash</b>	1,431,092	2,053,347
<b>Cash and cash equivalents - beginning of the year</b>	2,160,245	106,898
<b>Cash and cash equivalents - end of the year</b>	<u>\$3,591,337</u>	<u>\$2,160,245</u>

**TOWSON UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$40,622,336	\$35,641,280
Accounts receivable, net	11,420,786	11,470,659
Notes receivable, current portion	3,305,193	2,627,829
Inventories	2,400,733	2,203,460
Prepaid expenses	694,845	867,917
Inter-institutional balances	(1,203,359)	(867,224)
<b>Total current assets</b>	<b>57,240,534</b>	<b>51,943,921</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	722,078	84,518
Endowment investments	3,726,630	1,460,219
Notes receivable, net	9,818,521	10,541,013
Capital assets, net	218,898,416	175,540,171
<b>Total noncurrent assets</b>	<b>233,165,645</b>	<b>187,625,921</b>
<b>Total assets</b>	<b>\$290,406,179</b>	<b>\$239,569,842</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$22,499,691	\$17,402,696
Accrued workers, compensation, current portion	271,095	337,280
Accrued vacation costs, current portion	3,692,932	3,266,725
Revenue bonds and notes payable, current portion	6,712,519	6,297,376
Deferred revenue	3,579,427	2,860,244
<b>Total current liabilities</b>	<b>36,755,664</b>	<b>30,164,321</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	1,477,905	1,838,720
Accrued vacation costs	3,293,050	3,475,106
Revenue bonds and notes payable, net	99,367,532	80,668,186
<b>Total noncurrent liabilities</b>	<b>104,138,487</b>	<b>85,982,012</b>
<b>Total liabilities</b>	<b>140,894,151</b>	<b>116,146,333</b>
<b>NET ASSETS</b>		
Unrestricted	14,198,846	13,218,096
Invested in capital assets, net	112,818,365	88,574,609
Restricted:		
Nonexpendable:		
Scholarships and fellowships	176,459	164,652
Expendable:		
Research	7,252,093	7,289,990
Loans	14,516,436	14,176,162
Capital projects	549,829	
<b>Total net assets</b>	<b>149,512,028</b>	<b>123,423,509</b>
<b>Total liabilities and net assets</b>	<b>\$290,406,179</b>	<b>\$239,569,842</b>

**TOWSON UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$90,118,252	\$81,493,835
Less: scholarship allowances	(16,207,914)	(15,280,392)
Federal grants and contracts	3,897,670	14,240,142
State and local grants and contracts	5,954,892	9,182,993
Nongovernmental grants and contracts	581,571	2,479,723
Sales and services of educational departments	3,558,851	2,555,152
Auxiliary enterprises:		
Residential facilities	26,864,429	24,431,480
Less: scholarship allowances	(1,011,785)	(756,446)
Intercollegiate athletics	8,369,747	7,607,202
Less: scholarship allowances	(1,100,922)	(471,055)
Bookstore	10,663,052	10,116,125
Less: scholarship allowances	(58,159)	(54,714)
Parking facilities	3,116,492	2,163,409
Other auxiliary enterprises revenues	13,261,965	11,924,483
Other operating revenues	258,597	735,723
<b>Total operating revenues</b>	148,266,738	150,367,660
<b>OPERATING EXPENSES:</b>		
Instruction	62,790,285	60,389,833
Research	5,563,290	5,095,379
Public service	9,590,698	10,686,367
Academic support	22,193,943	22,883,819
Student services	11,597,468	11,677,427
Institutional support	23,531,087	23,785,167
Operation and maintenance of plant	17,394,150	16,178,570
Scholarships and fellowships	3,948,064	4,166,995
Auxiliary enterprises:		
Residential facilities	19,406,226	18,132,408
Intercollegiate athletics	7,992,664	6,665,869
Bookstore	10,038,719	8,703,497
Parking facilities	1,109,090	679,599
Other auxiliary enterprises expenses	11,871,109	11,137,387
<b>Total operating expenses</b>	207,026,793	200,182,317
<b>Operating income (loss)</b>	(58,760,055)	(49,814,657)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	59,583,032	68,062,130
Investment income	1,684,860	1,289,912
Less: Investment expense	(10,185)	(3,965)
Interest on indebtedness	(4,462,140)	(3,646,516)
Other nonoperating revenues (expenses)	13,785,207	
Transfers (to) from other University System of Maryland institutions	(4,918,077)	(1,714,746)
<b>Total nonoperating revenues (expenses)</b>	65,662,697	63,986,815
<b>Income before other revenues, expenses, gains and losses</b>	6,902,642	14,172,158
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	16,965,820	15,751,951
Capital gifts and grants	587,425	756,008
Additions to permanent endowments	2,087,622	
Other gains and losses	(454,990)	(432,928)
<b>Total other revenues, expenses, gains and losses</b>	19,185,877	16,075,031
<b>Increase (decrease) in net assets</b>	26,088,519	30,247,189
<b>Net assets - beginning of year</b>	123,423,509	242,821,796
<b>Cumulative effect of changes in accounting principle</b>		(149,645,476)
<b>Net assets - end of year</b>	\$149,512,028	\$123,423,509

**TOWSON UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$74,165,629	\$66,167,492
Research contracts and grants	9,138,464	26,049,120
Payments to employees	(128,473,119)	(129,456,035)
Payments to suppliers and contractors	(62,889,570)	(59,392,753)
Loans issued to students	(3,105,115)	(2,859,900)
Collections of loans to students	3,150,243	2,515,962
Auxiliary enterprises:		
Residence halls and dining facilities	25,903,907	23,705,915
Intercollegiate athletics	7,268,825	7,136,147
Bookstore	10,604,893	10,061,411
Parking facilities	3,116,492	2,163,409
Other	13,261,965	11,924,483
Other receipts	9,346,444	(846,162)
<b>Net cash provided (used) by operating activities</b>	<b>(38,510,942)</b>	<b>(42,830,911)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	59,583,032	68,062,130
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	2,087,622	
Other nonoperating gains and losses	12,426,722	(432,928)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>74,097,376</b>	<b>67,629,202</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	27,955,303	6,858,056
Capital appropriations	16,965,820	15,751,951
Capital grants and gifts received		692,268
Purchases of capital assets	(56,231,708)	(39,645,142)
Principal paid on debt and capital leases	(6,683,985)	(5,275,118)
Interest paid on debt and capital leases	(4,382,769)	(3,677,957)
Transfers (to) from other University System of Maryland institutions	(6,738,771)	6,645,798
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(29,116,110)</b>	<b>(18,650,144)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	1,643,431	1,277,824
Interest on investments	1,316,024	1,597,506
Investment expense	(10,185)	(3,965)
Purchases of investments	(3,800,978)	(1,201,439)
<b>Net cash provided (used) by investing activities</b>	<b>(851,708)</b>	<b>1,669,926</b>
<b>Net increase (decrease) in cash</b>	<b>5,618,616</b>	<b>7,818,073</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>35,725,798</b>	<b>27,907,725</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$41,344,414</b>	<b>\$35,725,798</b>

**UNIVERSITY OF MARYLAND EASTERN SHORE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$8,228,367	\$9,287,657
Accounts receivable, net	4,904,265	9,873,298
Notes receivable, current portion	4,460,943	897,565
Inter-institutional balances	(921,385)	(370,568)
<b>Total current assets</b>	<b>16,672,190</b>	<b>19,687,952</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	75,076	16,320
Endowment investments	383,202	375,287
Notes receivable, net	760,133	5,385,389
Capital assets, net	163,890,511	152,951,580
<b>Total noncurrent assets</b>	<b>165,108,922</b>	<b>158,728,576</b>
<b>Total assets</b>	<b>\$181,781,112</b>	<b>\$178,416,528</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$2,659,118	\$3,657,276
Accrued workers compensation, current portion	105,865	146,165
Accrued vacation costs, current portion	2,396,075	2,255,954
Revenue bonds and notes payable, current portion	3,119,077	2,661,231
Deferred revenue	318,558	95,459
<b>Total current liabilities</b>	<b>8,598,693</b>	<b>8,816,085</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	577,135	796,835
Accrued vacation costs	326,737	140,833
Revenue bonds and notes payable, net	58,427,493	55,974,462
<b>Total noncurrent liabilities</b>	<b>59,331,365</b>	<b>56,912,130</b>
<b>Total liabilities</b>	<b>67,930,058</b>	<b>65,728,215</b>
<b>NET ASSETS</b>		
Unrestricted	4,761,339	6,742,384
Invested in capital assets, net	102,343,941	94,315,887
Restricted:		
Nonexpendable:		
Scholarships and fellowships	174,863	180,730
Expendable:		
Research	1,789,903	11,349,930
Loans	4,722,572	99,382
Capital projects	58,436	
<b>Total net assets</b>	<b>113,851,054</b>	<b>112,688,313</b>
<b>Total liabilities and net assets</b>	<b>\$181,781,112</b>	<b>\$178,416,528</b>

**UNIVERSITY OF MARYLAND EASTERN SHORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$11,325,146	\$13,246,949
Less: scholarship allowances	(5,596,503)	(5,336,071)
Federal grants and contracts	15,793,411	13,252,535
State and local grants and contracts	6,602,060	5,875,460
Nongovernmental grants and contracts	798,174	914,959
Sales and services of educational departments	175,332	238,603
Auxiliary enterprises:		
Residential facilities	11,949,381	9,978,117
Less: scholarship allowances	(939,126)	(1,422,952)
Intercollegiate athletics	2,834,619	1,096,453
Less: scholarship allowances	80,646	(355,738)
Bookstore	38,642	138,442
Parking facilities	501,616	35,347
Other auxiliary enterprises revenues	3,278,497	3,278,497
<b>Total operating revenues</b>	43,563,398	40,940,601
<b>OPERATING EXPENSES:</b>		
Instruction	24,509,774	21,858,696
Research	9,267,561	6,150,117
Public service	1,867,301	384,228
Academic support	7,072,890	3,643,839
Student services	2,458,528	2,282,280
Institutional support	14,345,059	7,523,864
Operation and maintenance of plant	6,866,641	10,750,975
Scholarships and fellowships	673,857	
Auxiliary enterprises:		
Residential facilities	7,783,493	8,352,152
Intercollegiate athletics	1,163,172	1,402,367
Other auxiliary enterprises expenses	799,187	875,343
<b>Total operating expenses</b>	76,807,463	63,223,861
<b>Operating income (loss)</b>	(33,244,065)	(22,283,260)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	21,957,129	23,564,429
Investment income	241,822	405,311
Less: Investment expense	(1,356)	(1,726)
Interest on indebtedness	240,466	403,585
Other nonoperating revenues (expenses)	(2,714,953)	(2,802,078)
Transfers (to) from other University System of Maryland institutions	1,790,239	
	(174,208)	632,003
<b>Total nonoperating (revenues) expenses</b>	21,098,673	21,797,939
<b>Income before other revenues, expenses, gains and losses</b>	(12,145,392)	(485,321)
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	13,314,595	7,102,170
Capital gifts and grants		1,417
Other gains and losses	(6,462)	1,443,170
<b>Total other revenues, expenses, gains and losses</b>	13,308,133	8,546,757
<b>Increase (decrease) in net assets</b>	1,162,741	8,061,436
<b>Net assets - beginning of year</b>	112,688,313	137,085,151
<b>Cumulative effect of changes in accounting principle</b>		(32,458,274)
<b>Net assets - end of year</b>	\$113,851,054	\$112,688,313

**UNIVERSITY OF MARYLAND EASTERN SHORE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$12,849,058	\$11,408,952
Research contracts and grants	26,025,442	19,620,363
Payments to employees	(43,412,167)	(42,362,809)
Payments to suppliers and contractors	(29,022,300)	(20,996,332)
Loans issued to students	(41,956)	(608,884)
Collections of loans to students	518,660	60,004
Auxiliary enterprises:		
Residence halls and dining facilities	12,728,558	7,912,913
Intercollegiate athletics	2,834,619	740,715
Bookstores	80,646	138,442
Parking facilities	38,642	35,347
Other	1,313,493	3,278,497
Other receipts	<u>232,026</u>	<u>336,835</u>
<b>Net cash provided (used) by operating activities</b>	<u>(15,855,279)</u>	<u>(20,435,957)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	21,957,129	23,564,429
Other nonoperating gains and losses	<u>1,790,239</u>	<u>1,443,170</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>23,747,368</u>	<u>25,007,599</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	6,494,019	936,900
Capital appropriations	13,314,595	7,102,170
Capital grants and gifts received		1,417
Purchases of capital assets	(22,821,307)	(20,827,750)
Principal paid on debt and capital leases	(4,777,306)	(2,301,623)
Interest paid on debt and capital leases	(2,905,202)	(2,888,622)
Transfers (to) from other University System of Maryland institutions	<u>1,577,181</u>	<u>9,533,072</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(9,118,020)</u>	<u>(8,444,436)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	514,214	521,137
Interest on investments	216,969	516,220
Investment expense	(1,356)	(1,726)
Purchases of investments	<u>(504,430)</u>	<u>(520,416)</u>
<b>Net cash provided (used) by investing activities</b>	<u>225,397</u>	<u>515,215</u>
<b>Net increase (decrease) in cash</b>	<u>(1,000,534)</u>	<u>(3,357,579)</u>
<b>Cash and cash equivalents - beginning of the year</b>	<u>9,303,977</u>	<u>12,661,556</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$8,303,443</u>	<u>\$9,303,977</u>

**FROSTBURG STATE UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$8,970,370	\$8,632,601
Accounts receivable, net	1,547,014	1,382,419
Notes receivable, current portion	245,531	215,325
Inventories	949,421	1,174,993
Prepaid expenses	57,945	85,772
Inter-institutional balances	(2,033,675)	(553,993)
<b>Total current assets</b>	<b>9,736,606</b>	<b>10,937,117</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	168,465	27,042
Endowment investments	654,949	621,839
Notes receivable, net	1,030,213	1,087,733
Capital assets, net	66,322,042	46,838,905
<b>Total noncurrent assets</b>	<b>68,175,669</b>	<b>48,575,519</b>
<b>Total assets</b>	<b>\$77,912,275</b>	<b>\$59,512,636</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$6,344,115	\$5,835,095
Accrued workers compensation, current portion	108,035	107,260
Accrued vacation costs, current portion	2,223,290	226,099
Revenue bonds and notes payable, current portion	1,221,756	1,153,808
Deferred revenue	1,408,146	1,648,937
<b>Total current liabilities</b>	<b>11,305,342</b>	<b>8,971,199</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	588,965	584,740
Accrued vacation costs		2,034,898
Revenue bonds and notes payable, net	16,937,725	15,243,174
<b>Total noncurrent liabilities</b>	<b>17,526,690</b>	<b>17,862,812</b>
<b>Total liabilities</b>	<b>28,832,032</b>	<b>26,834,011</b>
<b>NET ASSETS</b>		
Unrestricted	(509,826)	759,947
Invested in capital assets, net	48,162,561	30,441,923
Restricted:		
Expendable:		
Research	18,332	161,941
Loans	1,270,372	1,314,814
Capital projects	138,804	
<b>Total net assets</b>	<b>49,080,243</b>	<b>32,678,625</b>
<b>Total liabilities and net assets</b>	<b>\$77,912,275</b>	<b>\$59,512,636</b>

**FROSTBURG STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002	
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$21,994,246	\$19,222,493	
Less: scholarship allowances	(4,792,616)	(4,535,787)	\$14,686,706
Federal grants and contracts	4,719,086		5,280,915
State and local grants and contracts	2,062,329		1,283,807
Nongovernmental grants and contracts	105,724		69,456
Sales and services of educational departments	842,076		794,222
Auxiliary enterprises:			
Residential facilities	10,390,036	9,679,417	
Less: scholarship allowances	(102,142)	(153,112)	9,526,305
Intercollegiate athletics	1,662,560	1,508,754	
Less: scholarship allowances	(112,356)	(138,141)	1,370,613
Bookstore	3,094,909	2,895,030	
Less: scholarship allowances	(4,707)	(1,471)	2,893,559
Other auxiliary enterprises revenues	2,418,904		2,191,291
Other operating revenues	436,450		209,961
<b>Total operating revenues</b>	<b>42,714,499</b>	<b>38,306,835</b>	
<b>OPERATING EXPENSES:</b>			
Instruction	24,027,202		23,575,868
Public service	2,955,094		3,704,426
Academic support	5,979,221		6,104,018
Student services	3,238,677		3,370,259
Institutional support	8,557,575		7,869,239
Operation and maintenance of plant	6,408,824		4,588,279
Scholarships and fellowships	1,038,871		964,641
Auxiliary enterprises:			
Residential facilities	10,347,289		10,108,374
Intercollegiate athletics	1,900,203		1,918,547
Bookstore	3,303,246		2,313,459
Other auxiliary enterprises expenses	1,996,255		2,185,681
<b>Total operating expenses</b>	<b>69,752,457</b>	<b>66,702,791</b>	
<b>Operating income (loss)</b>	<b>(27,037,958)</b>	<b>(28,395,956)</b>	
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State appropriations	25,394,793		28,659,702
Gifts	142,353		197,685
Investment income	361,914	308,348	
Less: Investment expense	(2,417)	(2,850)	305,498
Interest on indebtedness	(720,378)		(723,202)
Transfers (to) from other University System of Maryland institutions	(349,199)		38,295
<b>Total nonoperating revenue (expenses)</b>	<b>24,827,066</b>	<b>28,477,978</b>	
<b>Income before other revenues, expenses, gains and losses</b>	<b>(2,210,892)</b>	<b>82,022</b>	
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>			
Capital appropriations	18,436,684		13,087,093
Capital gifts and grants	169,651		284,293
Other gains and losses	6,175		(122,501)
<b>Total other revenues, expenses, gains and losses</b>	<b>18,612,510</b>	<b>13,248,885</b>	
<b>Increase (decrease) in net assets</b>	<b>16,401,618</b>	<b>13,330,907</b>	
<b>Net assets - beginning of year</b>	<b>32,678,625</b>	<b>65,207,691</b>	
<b>Cumulative effect of changes in accounting principle</b>	<b></b>	<b>(45,859,973)</b>	
<b>Net assets - end of year</b>	<b>\$49,080,243</b>	<b>\$32,678,625</b>	

**FROSTBURG STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$17,488,777	\$14,495,999
Research contracts and grants	6,409,230	7,037,640
Payments to employees	(46,472,579)	(46,111,685)
Payments to suppliers and contractors	(18,363,555)	(17,998,856)
Loans issued to students	(268,078)	(241,163)
Collections of loans to students	295,392	283,232
Auxiliary enterprises:		
Residence halls and dining facilities	10,224,498	9,469,274
Intercollegiate athletics	1,550,204	1,370,613
Bookstore	3,090,748	2,888,298
Other	2,460,460	2,181,822
Other receipts	1,090,281	841,089
	<u>(22,494,622)</u>	<u>(25,783,737)</u>
<b>Net cash provided (used) by operating activities</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	25,394,793	28,659,702
Other nonoperating gains and losses	148,026	75,184
	<u>25,542,819</u>	<u>28,734,886</u>
<b>Net cash provided (used) by noncapital financing activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	355,571	9,581
Capital appropriations	18,436,684	13,087,093
Capital grants and gifts received		11,624
Purchases of capital assets	(23,496,723)	(16,456,971)
Principal paid on debt and capital leases	(1,259,059)	(1,154,543)
Interest paid on debt and capital leases	(727,154)	(731,015)
Transfers (to) from other University System of Maryland institutions	3,794,586	1,929,898
	<u>(2,896,095)</u>	<u>(3,304,333)</u>
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	897,587	845,620
Interest on investments	331,067	492,157
Investment expense	(2,417)	(2,850)
Purchases of investments	(899,147)	(862,311)
	<u>327,090</u>	<u>472,616</u>
<b>Net cash provided (used) by investing activities</b>		
<b>Net increase (decrease) in cash</b>	479,192	119,432
<b>Cash and cash equivalents - beginning of the year</b>	<u>8,659,643</u>	<u>8,540,211</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$9,138,835</u></u>	<u><u>\$8,659,643</u></u>

**COPPIN STATE COLLEGE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$4,283,918	\$5,482,720
Accounts receivable, net	1,756,283	2,302,973
Notes receivable, current portion	214,567	221,007
Inventories	28,095	27,971
Prepaid expenses	2,297	2,672
Inter-institutional balances	(85,000)	(60,000)
<b>Total current assets</b>	<b>6,200,160</b>	<b>7,977,343</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	128,780	12,230
Endowment investments	448,262	281,151
Notes receivable, net	914,731	1,006,812
Capital assets, net	49,848,461	40,998,563
<b>Total noncurrent assets</b>	<b>51,340,234</b>	<b>42,298,756</b>
<b>Total assets</b>	<b>\$57,540,394</b>	<b>\$50,276,099</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$4,335,798	\$4,885,868
Accrued workers compensation, current portion	93,930	70,525
Accrued vacation costs, current portion	873,230	376,073
Revenue bonds and notes payable, current portion	969,750	922,282
Deferred revenue	318,901	99,511
<b>Total current liabilities</b>	<b>6,591,609</b>	<b>6,354,259</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	512,070	384,475
Accrued vacation costs	1,067,281	1,504,294
Revenue bonds and notes payable, net	23,298,972	20,306,763
<b>Total noncurrent liabilities</b>	<b>24,878,323</b>	<b>22,195,532</b>
<b>Total liabilities</b>	<b>31,469,932</b>	<b>28,549,791</b>
<b>NET ASSETS</b>		
Unrestricted	(1,749,348)	(38,944)
Invested in capital assets, net	25,579,739	19,769,518
Restricted:		
Nonexpendable:		
Scholarships and fellowships	121,286	92,147
Other	331,073	185,139
Expendable:		
Loans	1,682,855	1,718,448
Capital projects	104,857	
<b>Total net assets</b>	<b>26,070,462</b>	<b>21,726,308</b>
<b>Total liabilities and net assets</b>	<b>\$57,540,394</b>	<b>\$50,276,099</b>

**COPPIN STATE COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>		<b>2002</b>
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$11,213,667		\$11,189,458
Less: scholarship allowances	<u>(6,090,680)</u>	\$5,122,987	<u>(5,365,201)</u>
Federal grants and contracts		10,865,406	10,037,827
State and local grants and contracts		3,866,538	2,168,340
Nongovernmental grants and contracts		1,395,645	81,082
Auxiliary enterprises:			
Residential facilities	3,008,307		2,684,305
Less: scholarship allowances	<u>(533,508)</u>	2,474,799	<u>(336,277)</u>
Intercollegiate athletics	2,457,027		2,329,633
Less: scholarship allowances	<u>(944,606)</u>	1,512,421	<u>(651,988)</u>
Other auxiliary enterprises revenues		<u>375,785</u>	<u>252,263</u>
<b>Total operating revenues</b>		<u>25,613,581</u>	<u>22,389,442</u>
<b>OPERATING EXPENSES:</b>			
Instruction		14,255,824	13,914,490
Research		12,730	112
Academic support		3,892,400	3,689,056
Student services		4,588,491	4,197,345
Institutional support		14,383,619	10,845,077
Operation and maintenance of plant		4,774,694	3,745,942
Auxiliary enterprises:			
Residential facilities		2,981,625	1,253,162
Intercollegiate athletics		1,333,064	3,331,404
Other auxiliary enterprises expenses		<u>358,332</u>	<u>300,677</u>
<b>Total operating expenses</b>		<u>46,580,779</u>	<u>41,277,265</u>
<b>Operating income (loss)</b>		<u>(20,967,198)</u>	<u>(18,887,823)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State appropriations		19,239,571	20,513,150
Investment income	196,242		62,078
Less: Investment expense	<u>(1,950)</u>	194,292	<u>(1,397)</u>
Interest on indebtedness		(927,345)	(975,622)
Transfers (to) from other University System of Maryland institutions		<u>(720,279)</u>	<u>(65,772)</u>
<b>Total nonoperating revenues (expenses)</b>		<u>17,786,239</u>	<u>19,532,437</u>
<b>Income before other revenues, expenses, gains and losses</b>		<u>(3,180,959)</u>	<u>644,614</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>			
Capital appropriations		7,408,707	4,914,889
Additions to permanent endowments		125,000	115,000
Other gains and losses		<u>(8,594)</u>	<u>(21,585)</u>
<b>Total other revenues, expenses, gains and losses</b>		<u>7,525,113</u>	<u>5,008,304</u>
<b>Increase (decrease) in net assets</b>		4,344,154	5,652,918
<b>Net assets - beginning of year</b>		21,726,308	48,118,455
<b>Cumulative effect of changes in accounting principle</b>			<u>(32,045,065)</u>
<b>Net assets - end of year</b>		<u>\$26,070,462</u>	<u>\$21,726,308</u>

**COPPIN STATE COLLEGE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$4,240,601	\$5,132,407
Research contracts and grants	17,869,135	12,150,973
Payments to employees	(33,640,933)	(29,800,386)
Payments to suppliers and contractors	(10,519,810)	(9,363,271)
Loans issued to students	(214,462)	(264,150)
Collections of loans to students	312,983	216,041
Auxiliary enterprises:		
Residence halls and dining facilities	2,382,209	1,773,059
Intercollegiate athletics	1,512,421	1,677,645
Other	375,785	252,263
Other receipts	191	270
<b>Net cash provided (used) by operating activities</b>	<u>(17,681,880)</u>	<u>(18,225,149)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	19,239,571	20,513,150
Gifts and grants received for other than capital purposes:		
Private gifts for endowment purposes	125,000	115,000
Other nonoperating gains and losses	(22,953)	(21,585)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>19,341,618</u>	<u>20,606,565</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	5,723,868	60,621
Capital appropriations	7,408,707	4,914,889
Purchases of capital assets	(11,336,769)	(7,465,816)
Principal paid on debt and capital leases	(2,277,098)	(741,929)
Interest paid on debt and capital leases	(1,148,573)	(745,904)
Transfers (to) from other University System of Maryland institutions	(1,086,823)	1,968,138
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(2,716,688)</u>	<u>(2,010,001)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	583,539	210,914
Interest on investments	118,312	144,796
Investment expense	(1,950)	(1,397)
Purchases of investments	(725,203)	(389,876)
<b>Net cash provided (used) by investing activities</b>	<u>(25,302)</u>	<u>(35,563)</u>
<b>Net increase (decrease) in cash</b>	(1,082,252)	335,852
<b>Cash and cash equivalents - beginning of the year</b>	<u>5,494,950</u>	<u>5,159,098</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$4,412,698</u></u>	<u><u>\$5,494,950</u></u>

**UNIVERSITY OF BALTIMORE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$8,584,822	\$14,109,797
Accounts receivable, net	4,362,029	3,023,837
Notes receivable, current portion	598,064	619,953
Inventories	42,888	30,518
Prepaid expenses		128,820
Inter-institutional balances	(1,026,141)	
<b>Total current assets</b>	<b>12,561,662</b>	<b>17,912,925</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	60,127	
Notes receivable, net	2,392,258	2,479,812
Capital assets, net	49,280,128	48,163,611
<b>Total noncurrent assets</b>	<b>51,732,513</b>	<b>50,643,423</b>
<b>Total assets</b>	<b>\$64,294,175</b>	<b>\$68,556,348</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$3,939,821	\$5,506,615
Accrued workers compensation, current portion	74,245	74,555
Accrued vacation costs, current portion	202,122	272,507
Revenue bonds and notes payable, current portion	488,765	737,751
Deferred revenue	(1,464,525)	776,891
<b>Total current liabilities</b>	<b>3,240,428</b>	<b>7,368,319</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	404,755	406,445
Accrued vacation costs	1,803,874	1,726,523
Revenue bonds and notes payable, net	9,891,402	7,016,742
<b>Total noncurrent liabilities</b>	<b>12,100,031</b>	<b>9,149,710</b>
<b>Total liabilities</b>	<b>15,340,459</b>	<b>16,518,029</b>
<b>NET ASSETS</b>		
Unrestricted	6,605,345	8,231,716
Invested in capital assets, net	38,899,961	40,409,118
<b>Restricted:</b>		
Expendable:		
Loans	3,388,283	3,397,485
Capital projects	60,127	
<b>Total net assets</b>	<b>48,953,716</b>	<b>52,038,319</b>
<b>Total liabilities and net assets</b>	<b>\$64,294,175</b>	<b>\$68,556,348</b>

**UNIVERSITY OF BALTIMORE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$28,992,314	\$25,258,777
Less: scholarship allowances	<u>(2,366,285)</u>	<u>(2,641,122)</u>
Federal grants and contracts	2,314,777	1,671,493
State and local grants and contracts	5,038,921	4,473,689
Nongovernmental grants and contracts	503,667	587,341
Sales and services of educational departments	393,060	736,937
Auxiliary enterprises:		
Parking facilities	604,253	623,365
Other auxiliary enterprises revenues	4,339,038	3,520,960
Other operating revenues	<u>22,098</u>	<u>446,365</u>
<b>Total operating revenues</b>	<u>39,841,843</u>	<u>34,677,805</u>
<b>OPERATING EXPENSES:</b>		
Instruction	24,515,011	23,438,752
Research	5,404,347	4,832,644
Academic support	8,743,067	8,909,896
Student services	4,320,239	4,612,448
Institutional support	9,453,978	8,993,649
Operation and maintenance of plant	5,492,112	5,069,259
Scholarships and fellowships	1,045,517	226,922
Auxiliary enterprises:		
Parking facilities	255,104	304,810
Other auxiliary enterprises expenses	<u>1,635,656</u>	<u>1,567,839</u>
<b>Total operating expenses</b>	<u>60,865,031</u>	<u>57,956,219</u>
<b>Operating income (loss)</b>	<u>(21,023,188)</u>	<u>(23,278,414)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	21,694,926	24,473,622
Investment income	212,024	285,705
Interest on indebtedness	(4,317,348)	(392,162)
Transfers (to) from other University System of Maryland institutions	<u>(1,940,115)</u>	<u>(1,457,839)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>15,649,487</u>	<u>22,909,326</u>
<b>Income before other revenues, expenses, gains and losses</b>	<u>(5,373,701)</u>	<u>(369,088)</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	2,243,421	3,131,399
Capital gifts and grants	55,055	137,839
Other gains and losses	<u>(9,378)</u>	<u></u>
<b>Total other revenues, expenses, gains and losses</b>	<u>2,289,098</u>	<u>3,269,238</u>
<b>Increase (decrease) in net assets</b>	<u>(3,084,603)</u>	<u>2,900,150</u>
<b>Net assets - beginning of year</b>	52,038,319	73,674,320
<b>Cumulative effect of changes in accounting principle</b>	<u></u>	<u>(24,536,151)</u>
<b>Net assets - end of year</b>	<u>\$48,953,716</u>	<u>\$52,038,319</u>

**UNIVERSITY OF BALTIMORE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$24,539,062	\$21,725,328
Research contracts and grants	7,280,515	7,112,850
Payments to employees	(48,359,041)	(43,462,351)
Payments to suppliers and contractors	(11,926,696)	(10,667,870)
Loans issued to students	(886,104)	(802,230)
Collections of loans to students	995,547	844,235
Auxiliary enterprises:		
Parking facilities	604,253	623,365
Other	4,339,038	3,520,960
Other receipts	254,751	1,221,406
	<u>(23,158,675)</u>	<u>(19,884,307)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	21,694,926	24,473,622
Other nonoperating gains and losses	60,258	
	<u>21,755,184</u>	<u>24,473,622</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	855,459	91,388
Capital appropriations	2,243,421	3,131,399
Capital grants and gifts received		103,055
Purchases of capital assets	(3,841,519)	(4,271,067)
Principal paid on debt and capital leases	(993,212)	(887,354)
Interest paid on debt and capital leases	(4,318,321)	(389,340)
Transfers (to) from other University System of Maryland institutions	1,850,430	(1,443,418)
	<u>(4,203,742)</u>	<u>(3,665,337)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	142,385	285,705
	<u>142,385</u>	<u>285,705</u>
<b>Net cash provided (used) by investing activities</b>	<u>142,385</u>	<u>285,705</u>
<b>Net increase (decrease) in cash</b>	(5,464,848)	1,209,683
<b>Cash and cash equivalents - beginning of the year</b>	<u>14,109,797</u>	<u>12,900,114</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$8,644,949</u>	<u>\$14,109,797</u>

**SALISBURY UNIVERSITY  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$14,224,296	\$15,986,345
Accounts receivable, net	815,261	823,325
Notes receivable, current portion	285,253	208,112
Inventories	953,394	1,005,072
Prepaid expenses	63,224	5,510
Inter-institutional balances	(3,277,498)	(2,602,269)
<b>Total current assets</b>	<b>13,063,930</b>	<b>15,426,095</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	155,540	
Notes receivable, net	879,542	1,138,928
Capital assets, net	129,181,239	123,750,733
<b>Total noncurrent assets</b>	<b>130,216,321</b>	<b>124,889,661</b>
<b>Total assets</b>	<b>\$143,280,251</b>	<b>\$140,315,756</b>
 <b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$8,528,553	\$8,392,958
Accrued workers compensation, current portion	116,870	115,010
Accrued vacation costs, current portion	1,564,083	1,382,256
Revenue bonds and notes payable, current portion	3,222,918	2,821,283
Deferred revenue	1,004,256	752,445
<b>Total current liabilities</b>	<b>14,436,680</b>	<b>13,463,952</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	637,130	626,990
Accrued vacation costs	1,188,731	1,295,801
Revenue bonds and notes payable, net	38,617,755	39,720,746
<b>Total noncurrent liabilities</b>	<b>40,443,616</b>	<b>41,643,537</b>
<b>Total liabilities</b>	<b>54,880,296</b>	<b>55,107,489</b>
 <b>NET ASSETS</b>		
Unrestricted	(904,054)	1,731,407
Invested in capital assets, net	87,340,566	81,208,704
Restricted:		
Expendable:		
Scholarships and fellowships	456,319	
Research		778,487
Loans	1,351,584	1,489,669
Capital projects	155,540	
<b>Total net assets</b>	<b>88,399,955</b>	<b>85,208,267</b>
<b>Total liabilities and net assets</b>	<b>\$143,280,251</b>	<b>\$140,315,756</b>

**SALISBURY UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
<b>OPERATING REVENUES:</b>		
Tuition and fees	\$30,089,461	\$27,113,008
Less: scholarship allowances	(3,407,261)	(3,090,856)
Federal grants and contracts	3,816,767	3,668,499
State and local grants and contracts	1,653,556	3,071,796
Nongovernmental grants and contracts	507,612	358,924
Sales and services of educational departments	238,942	121,189
Auxiliary enterprises:		
Residential facilities	18,492,632	18,695,734
Less: scholarship allowances	(247,159)	(244,716)
Intercollegiate athletics	2,123,417	1,937,935
Less: scholarship allowances	(81,485)	(76,868)
Bookstore	4,573,677	4,482,088
Less: scholarship allowances	(578)	(168)
Parking facilities	239,977	240,673
Other auxiliary enterprises revenues	1,062,549	897,432
<b>Total operating revenues</b>	59,062,107	57,174,670
<b>OPERATING EXPENSES:</b>		
Instruction	28,882,863	25,394,799
Research	3,857,334	4,986,751
Academic support	6,357,721	6,305,288
Student services	4,737,215	4,834,777
Institutional support	10,933,248	10,644,199
Operation and maintenance of plant	9,109,171	8,524,787
Scholarships and fellowships	169,409	118,264
Auxiliary enterprises		
Residential facilities	13,387,470	13,231,668
Intercollegiate athletics	1,974,131	2,027,844
Bookstore	3,978,951	4,018,552
Parking facilities	124,744	
Other auxiliary enterprises expenses	3,108,747	2,816,701
<b>Total operating expenses</b>	86,621,004	82,903,630
<b>Operating income (loss)</b>	(27,558,897)	(25,728,960)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	26,200,058	29,499,698
Investment income	363,431	570,742
Interest on indebtedness	(2,013,635)	(2,363,531)
Transfers (to) from other University System of Maryland institutions	219,688	1,106,232
<b>Total nonoperating revenues (expenses)</b>	24,769,542	28,813,141
<b>Income before other revenues, expenses, gains and losses</b>	(2,789,355)	3,084,181
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	5,278,006	21,177,569
Capital gifts and grants	1,007,841	31,182
Other gains and losses	(304,804)	5,446
<b>Total other revenues, expenses, gains and losses</b>	5,981,043	21,214,197
<b>Increase (decrease) in net assets</b>	3,191,688	24,298,378
<b>Net assets, beginning of year</b>	85,208,267	111,493,057
<b>Cumulative effect of changes in accounting principle</b>		(50,583,168)
<b>Net assets, end of year</b>	\$88,399,955	\$85,208,267

**SALISBURY UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$26,882,184	\$23,673,240
Research contracts and grants	6,074,019	7,112,741
Payments to employees	(58,123,934)	(55,741,200)
Payments to suppliers and contractors	(21,983,874)	(23,186,981)
Loans issued to students	(294,350)	(262,250)
Collections of loans to students	476,595	112,262
Auxiliary enterprises:		
Residence halls and dining facilities	18,207,775	18,432,938
Intercollegiate athletics	2,037,350	1,861,067
Bookstores	4,572,017	4,481,920
Parking facilities	239,977	240,673
Other	1,060,900	897,334
Other receipts (payments)	105,170	(119,098)
	<u>(20,746,171)</u>	<u>(22,497,354)</u>
<b>Net cash provided (used) by operating activities</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	26,200,058	29,499,698
Other nonoperating gains and losses	(304,804)	5,446
	<u>25,895,254</u>	<u>29,505,144</u>
<b>Net cash provided (used) by noncapital financing activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	6,004,101	117,713
Capital appropriations	5,278,006	21,177,569
Capital grants and gifts received	45,507	31,182
Purchases of capital assets	(9,988,821)	(24,729,584)
Principal paid on debt and capital leases	(7,926,681)	(3,083,639)
Interest paid on debt and capital leases	(2,622,666)	(2,770,202)
Transfers (to) from other University System of Maryland institutions	2,091,531	2,592,414
	<u>(7,119,023)</u>	<u>(6,664,547)</u>
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	363,431	570,742
	<u>363,431</u>	<u>570,742</u>
<b>Net cash provided (used) by investing activities</b>		
<b>Net increase (decrease) in cash</b>	(1,606,509)	913,985
<b>Cash and cash equivalents - beginning of the year</b>	<u>15,986,345</u>	<u>15,072,360</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$14,379,836</u>	<u>\$15,986,345</u>

**UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$56,848,982	\$38,922,967
Accounts receivable, net	37,589,732	30,425,294
Notes receivable, current portion	267,566	253,500
Inventories	2,960,951	2,986,916
Prepaid expenses	140,955	110,867
Deferred charges	15,752	
Inter-institutional balances	(216,351)	
<b>Total current assets</b>	<u>97,607,587</u>	<u>72,699,544</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	104,099	6,817
Endowment investments	148,118	156,756
Notes receivable, net	1,079,579	1,200,051
Capital assets, net	49,739,542	44,623,140
<b>Total noncurrent assets</b>	<u>51,071,338</u>	<u>45,986,764</u>
<b>Total assets</b>	<u>\$148,678,925</u>	<u>\$118,686,308</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$14,739,219	\$18,001,519
Accrued workers compensation, current portion	189,410	158,875
Accrued vacation costs, current portion	3,601,875	2,638,425
Revenue bonds and notes payable, current portion	199,186	38,501
Deferred revenue	9,271,887	7,068,932
<b>Total current liabilities</b>	<u>28,001,577</u>	<u>27,906,252</u>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	1,032,590	866,125
Accrued vacation costs	2,049,976	2,883,002
Revenue bonds and notes payable, net	9,202,636	3,122,065
<b>Total noncurrent liabilities</b>	<u>12,285,202</u>	<u>6,871,192</u>
<b>Total liabilities</b>	<u>40,286,779</u>	<u>34,777,444</u>
<b>NET ASSETS</b>		
Unrestricted	66,297,885	40,712,805
Invested in capital assets, net	40,337,720	41,462,574
Restricted:		
Nonexpendable:		
Scholarships and fellowships	125,429	138,293
Expendable:		
Research	80,411	68,589
Loans	1,453,060	1,526,603
Capital projects	97,641	
<b>Total net assets</b>	<u>108,392,146</u>	<u>83,908,864</u>
<b>Total liabilities and net assets</b>	<u>\$148,678,925</u>	<u>\$118,686,308</u>

**UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>		<u>2002</u>
<b>OPERATING REVENUES:</b>			
Tuition and fees	\$153,839,606		\$139,219,095
Less: scholarship allowances	<u>(4,105,963)</u>	\$149,733,643	<u>(3,103,759)</u> \$136,115,336
Federal grants and contracts		12,366,825	8,209,548
State and local grants and contracts		52,531	170,588
Nongovernmental grants and contracts		321,297	311,495
Sales and services of educational departments		2,107,758	2,232,787
Auxiliary enterprises:			
Residential facilities		242,867	1,063,178
Bookstore		6,392,438	5,625,684
Parking facilities		688,894	669,262
Other auxiliary enterprises revenues		83,078	97,640
Other operating revenues		<u>18,097,568</u>	<u>11,063,906</u>
<b>Total operating revenues</b>		<u>190,086,899</u>	<u>165,559,424</u>
<b>OPERATING EXPENSES:</b>			
Instruction		64,727,139	59,413,083
Research		563,457	614,415
Public service		9,003,445	7,788,030
Academic support		22,873,919	21,751,038
Student services		24,655,881	22,910,536
Institutional support		35,125,856	35,803,397
Operation and maintenance of plant		12,184,180	7,815,705
Scholarships and fellowships		4,695,769	5,703,245
Auxiliary enterprises:			
Residential facilities		275,330	795,437
Bookstore		5,755,466	5,229,593
Parking facilities		293,254	271,860
Other auxiliary enterprises expenses		<u>1,624</u>	<u>97,710</u>
<b>Total operating expenses</b>		<u>180,155,320</u>	<u>168,194,049</u>
<b>Operating income (loss)</b>		<u>9,931,579</u>	<u>(2,634,625)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
State appropriations		13,828,419	16,928,490
Investment income	921,379		885,814
Less: Investment expense	<u>(526)</u>	920,853	<u>(713)</u> 885,101
Interest on indebtedness		(26,898)	(16,319)
Transfers (to) from other University System of Maryland institutions		<u>(436,556)</u>	<u>(17,797,176)</u>
<b>Total nonoperating revenues (expenses)</b>		<u>14,285,818</u>	<u>96</u>
<b>Income before other revenues, expenses, gains and losses</b>		<u>24,217,397</u>	<u>(2,634,529)</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>			
Capital appropriations		354,235	710,459
Capital gifts and grants		16,983	53,588
Other gains and losses		<u>(105,333)</u>	<u>58,974</u>
<b>Total other revenues, expenses, gains and losses</b>		<u>265,885</u>	<u>823,021</u>
<b>Increase (decrease) in net assets</b>		24,483,282	(1,811,508)
<b>Net assets - beginning of period</b>		83,908,864	102,648,251
<b>Cumulative effect of changes in accounting principle</b>			<u>(16,927,879)</u>
<b>Net assets - end of period</b>		<u>\$108,392,146</u>	<u>\$83,908,864</u>

**UNIVERSITY OF MARYLAND UNIVERSITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$152,963,666	\$123,372,109
Research contracts and grants	13,259,321	8,254,986
Payments to employees	(112,300,942)	(104,426,656)
Payments to suppliers and contractors	(67,508,109)	(57,051,585)
Loans issued to students	(260,562)	(277,079)
Collections of loans to students	272,540	250,913
Auxiliary enterprises:		
Residence halls and dining facilities	242,867	1,063,178
Bookstore	6,392,438	5,625,684
Parking facilities	688,894	669,262
Other	181,321	97,640
Other receipts	19,608,224	14,933,220
<b>Net cash provided (used) by operating activities</b>	<u>13,539,658</u>	<u>(7,488,328)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	13,828,419	16,928,490
Other nonoperating gains and losses	(163,105)	58,974
<b>Net cash provided (used) by noncapital financing activities</b>	<u>13,665,314</u>	<u>16,987,464</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	6,341,437	550,779
Capital appropriations	354,234	710,459
Capital grants and gifts received	(16,983)	53,588
Proceeds from sales of capital assets	438,714	
Purchases of capital assets	(16,860,986)	(4,781,732)
Principal paid on debt and capital leases	(21,437)	(1,507)
Interest paid on debt and capital leases	(41,194)	(17,328)
Transfers (to) from other University System of Maryland institutions	(284,653)	553,021
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(10,090,868)</u>	<u>(2,932,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	211,291	217,758
Interest on investments	894,736	932,172
Investment expense	(1,052)	(713)
Purchases of investments	(195,782)	(217,379)
<b>Net cash provided (used) by investing activities</b>	<u>909,193</u>	<u>931,838</u>
<b>Net increase (decrease) in cash</b>	18,023,297	7,498,254
<b>Cash and cash equivalents - beginning of the year</b>	<u>38,929,784</u>	<u>31,431,530</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$56,953,081</u>	<u>\$38,929,784</u>

**UNIVERSITY OF MARYLAND, BALTIMORE COUNTY**  
**BALANCE SHEET**  
**JUNE 30, 2003 AND 2002**

	2003		2002	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$12,919,436	\$45,380	\$20,161,219	\$65,263
Accounts receivable, net	16,433,798		15,473,165	
Notes receivable, current portion	239,799		44,117	
Inventories	571,769		505,246	
Prepaid expenses	819,955		864,042	
Inter-institutional balances	(840,414)			
<b>Total current assets</b>	<b>30,144,343</b>	<b>45,380</b>	<b>37,047,789</b>	<b>65,263</b>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	739,013		23,229	
Endowment investments	579,822		534,154	
Notes receivable, net	1,728,083		1,924,568	
Capital assets, net	242,219,911	2,987,827	195,406,746	2,990,490
<b>Total noncurrent assets</b>	<b>245,266,829</b>	<b>2,987,827</b>	<b>197,888,697</b>	<b>2,990,490</b>
<b>Total assets</b>	<b>\$275,411,172</b>	<b>\$3,033,207</b>	<b>\$234,936,486</b>	<b>\$3,055,753</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$12,470,645	\$313,633	\$12,290,304	\$296,159
Accrued workers compensation, current portion	259,780		225,525	
Accrued vacation costs, current portion	3,002,591		3,555,351	
Revenue bonds and notes payable, current portion	4,202,873	57,501	9,157,427	96,124
Deferred revenue	4,408,048	581,527	4,406,777	506,453
<b>Total current liabilities</b>	<b>24,343,937</b>	<b>952,661</b>	<b>29,635,384</b>	<b>898,736</b>
<b>Noncurrent liabilities:</b>				
Accrued workers compensation	1,416,220		1,229,475	
Accrued vacation costs	3,329,998		2,543,357	
Revenue bonds and notes payable, net	95,307,885	831,549	89,146,112	860,559
<b>Total noncurrent liabilities</b>	<b>100,054,103</b>	<b>831,549</b>	<b>92,918,944</b>	<b>860,559</b>
<b>Total liabilities</b>	<b>124,398,040</b>	<b>1,784,210</b>	<b>122,554,328</b>	<b>1,759,295</b>
<b>NET ASSETS</b>				
Unrestricted	2,973,348	1,248,997	(1,377,681)	1,296,458
Invested in capital assets, net	142,709,153		97,103,207	
Restricted:				
Nonexpendable:				
Scholarships and fellowships	69,823		112,418	
Expendable:				
Research	2,332,079		14,357,234	
Loans	2,214,689		2,186,980	
Capital projects	714,040			
<b>Total net assets</b>	<b>151,013,132</b>	<b>1,248,997</b>	<b>112,382,158</b>	<b>1,296,458</b>
<b>Total liabilities and net assets</b>	<b>\$275,411,172</b>	<b>\$3,033,207</b>	<b>\$234,936,486</b>	<b>\$3,055,753</b>

**UNIVERSITY OF MARYLAND, BALTIMORE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	2003		2002	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>OPERATING REVENUES:</b>				
Tuition and fees	\$75,826,597		\$67,718,742	
Less: scholarship allowances	<u>(16,006,292)</u>	\$59,820,305	<u>(16,534,295)</u>	\$51,184,447
Federal grants and contracts		50,141,746		43,749,628
State and local grants and contracts		33,736,425		32,275,668
Nongovernmental grants and contracts		9,785,481		9,051,505
Sales and services of educational departments		4,141,104		4,652,143
Auxiliary enterprises:				
Residential facilities	10,630,034		9,065,500	
Less: scholarship allowances	<u>(2,078,100)</u>	8,551,934	<u>(733,310)</u>	8,332,190
Intercollegiate athletics				5,378,679
Bookstore	6,210,866		6,247,594	
Less: scholarship allowances	<u>(30,002)</u>	6,180,864	<u>(3,995)</u>	6,243,599
Other auxiliary enterprises revenues		14,215,390		10,325,959
Other operating revenues		<u>1,289,215</u>		<u>667,339</u>
<b>Total operating revenues</b>		<u>187,862,464</u>		<u>171,861,157</u>
<b>OPERATING EXPENSES:</b>				
Instruction		77,740,895		71,647,249
Research		38,672,766		34,036,241
Public service		31,875,187		31,743,119
Academic support		14,998,051		15,950,061
Student services		9,188,337		9,782,877
Institutional support		21,513,325		20,206,559
Operation and maintenance of plant		13,979,170		20,309,310
Scholarships and fellowships		8,376,872		6,175,301
Auxiliary enterprises:				
Residential facilities		8,590,179		8,082,740
Intercollegiate athletics				7,379,893
Bookstore		7,029,032		7,028,470
Other auxiliary enterprises expenses		<u>21,221,956</u>		<u>12,651,245</u>
<b>Total operating expenses</b>		<u>253,185,770</u>		<u>244,993,065</u>
<b>Operating income (loss)</b>		<u>(65,323,306)</u>		<u>(73,131,908)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations		67,481,120		75,817,613
Investment income	573,726		\$553	747,360
Less: Investment expense	<u>(2,035)</u>	571,691		<u>(4,998)</u>
Interest on indebtedness		(4,437,731)		(4,165,948)
Other nonoperating revenues (expenses)		(343,026)	(48,014)	(76,841)
Transfers (to) from other University System of Maryland institutions		<u>(925,466)</u>		<u>1,177,015</u>
<b>Total nonoperating revenues (expenses)</b>		<u>62,346,588</u>	<u>(47,461)</u>	<u>73,571,042</u>
<b>Income before other revenues, expenses, gains and losses</b>		<u>(2,976,718)</u>	<u>(47,461)</u>	<u>439,134</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>				
Capital appropriations		41,565,171		11,661,544
Capital gifts and grants		42,521		601,179
Other gains and losses				<u>91,874</u>
<b>Total other revenues, expenses, gains and losses</b>		<u>41,607,692</u>		<u>12,354,597</u>
<b>Increase (decrease) in net assets</b>		38,630,974	(47,461)	12,793,731
<b>Net assets - beginning of year</b>		112,382,158	1,296,458	270,385,132
<b>Cumulative effect of changes in accounting principle</b>				<u>(170,796,705)</u>
<b>Net assets - end of year</b>		<u>\$151,013,132</u>	<u>\$1,248,997</u>	<u>\$112,382,158</u>
				<u>\$1,296,458</u>

**UNIVERSITY OF MARYLAND, BALTIMORE COUNTY**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$60,346,649	\$50,904,031
Research contracts and grants	91,695,423	87,381,346
Payments to employees	(153,288,516)	(143,188,359)
Payments to suppliers and contractors	(81,838,147)	(93,328,921)
Loans issued to students	(360,328)	(357,592)
Collections of loans to students	306,134	401,807
Auxiliary enterprises:		
Residence halls and dining facilities	8,482,722	8,274,756
Intercollegiate athletics		5,378,679
Bookstore	6,180,864	6,243,599
Parking facilities		4,648,969
Other	14,268,651	5,676,990
Other receipts	<u>5,430,319</u>	<u>5,430,447</u>
<b>Net cash provided (used) by operating activities</b>	<u>(48,776,229)</u>	<u>(62,534,248)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	67,481,120	75,817,613
Other nonoperating gains and losses	<u>(363,323)</u>	<u>2,024,193</u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>67,117,797</u>	<u>77,841,806</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	8,424,295	6,157,053
Capital appropriations	41,565,171	11,661,544
Capital grants and gifts received	42,521	601,179
Purchases of capital assets	(63,710,191)	(47,818,312)
Principal paid on debt and capital leases	(7,379,038)	(3,370,171)
Interest paid on debt and capital leases	(4,437,731)	(4,115,650)
Transfers (to) from other University System of Maryland institutions	<u>48,653</u>	<u>19,091,618</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(25,446,320)</u>	<u>(17,792,739)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	738,750	754,865
Interest on investments	601,140	747,360
Investment expense	(4,102)	(4,998)
Purchases of investments	<u>(757,035)</u>	<u>(740,719)</u>
<b>Net cash provided (used) by investing activities</b>	<u>578,753</u>	<u>756,508</u>
<b>Net increase (decrease) in cash</b>	(6,525,999)	(1,728,673)
<b>Cash and cash equivalents - beginning of the year</b>	<u>20,184,448</u>	<u>21,913,121</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$13,658,449</u>	<u>\$20,184,448</u>

**UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$4,169,215	\$1,744,375
Accounts receivable, net	4,344,802	5,720,830
Inter-institutional balances	<u>(403,660)</u>	<u>(87,037)</u>
<b>Total current assets</b>	<u>8,110,357</u>	<u>7,378,168</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	14,152	
Capital assets, net	<u>59,683,476</u>	<u>47,908,940</u>
<b>Total noncurrent assets</b>	<u>59,697,628</u>	<u>47,908,940</u>
<b>Total assets</b>	<u><u>\$67,807,985</u></u>	<u><u>\$55,287,108</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$2,497,746	\$1,638,450
Accrued workers compensation, current portion	99,045	100,440
Accrued vacation costs, current portion	497,676	497,677
Revenue bonds and notes payable, current portion	<u>427,758</u>	<u>465,172</u>
<b>Total current liabilities</b>	<u>3,522,225</u>	<u>2,701,739</u>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	539,955	547,560
Accrued vacation costs	1,818,149	1,722,125
Revenue bonds and notes payable, net	<u>5,390,031</u>	<u>5,648,198</u>
<b>Total noncurrent liabilities</b>	<u>7,748,135</u>	<u>7,917,883</u>
<b>Total liabilities</b>	<u>11,270,360</u>	<u>10,619,622</u>
<b>NET ASSETS</b>		
Unrestricted	2,657,786	2,871,916
Invested in capital assets, net	53,865,687	41,795,570
Restricted:		
Expendable:		
Capital projects	<u>14,152</u>	<u></u>
<b>Total net assets</b>	<u>56,537,625</u>	<u>44,667,486</u>
<b>Total liabilities and net assets</b>	<u><u>\$67,807,985</u></u>	<u><u>\$55,287,108</u></u>

**UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES:</b>		
Federal grants and contracts	\$12,800,656	\$13,136,758
State and local grants and contracts	4,905,971	4,759,406
Nongovernmental grants and contracts	1,160,549	1,171,416
Sales and services of educational departments	2,380,121	3,137,426
Other operating revenues	28,000	25,000
	<u>21,275,297</u>	<u>22,230,006</u>
<b>OPERATING EXPENSES:</b>		
Research	36,338,824	36,688,378
Operation and maintenance of plant	3,577	330,808
	<u>36,342,401</u>	<u>37,019,186</u>
<b>Operating income (loss)</b>	<u>(15,067,104)</u>	<u>(14,789,180)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	12,917,215	13,478,721
Interest on indebtedness	(255,074)	(273,095)
Transfers (to) from other University System of Maryland institutions	561,170	1,316,533
	<u>13,223,311</u>	<u>14,522,159</u>
<b>Income before other revenues, expenses, gains and losses</b>	<u>(1,843,793)</u>	<u>(267,021)</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	13,713,932	2,695,751
Other gains and losses		(11,204)
	<u>13,713,932</u>	<u>2,684,547</u>
<b>Increase (decrease) in net assets</b>	11,870,139	2,417,526
<b>Net assets - beginning of year</b>	44,667,486	60,422,171
<b>Cumulative effect of changes in accounting principle</b>		(18,172,211)
<b>Net assets - end of year</b>	<u>\$56,537,625</u>	<u>\$44,667,486</u>

**UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Research contracts and grants	\$20,243,204	\$19,510,145
Payments to employees	(21,010,931)	(20,113,466)
Payments to suppliers and contractors	(11,232,770)	(13,336,755)
Other receipts	2,408,121	3,162,426
	<u>                    </u>	<u>                    </u>
<b>Net cash provided (used) by operating activities</b>	<u>(9,592,376)</u>	<u>(10,777,650)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	12,917,215	13,478,721
Other nonoperating gains and losses		(11,204)
	<u>                    </u>	<u>                    </u>
<b>Net cash provided (used) by noncapital financing activities</b>	<u>12,917,215</u>	<u>13,467,517</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	438,491	9,822
Capital appropriations	13,713,932	2,695,751
Purchases of capital assets	(14,926,920)	(4,471,269)
Principal paid on debt and capital leases	(729,979)	(321,306)
Interest paid on debt and capital leases	(255,992)	(269,254)
Transfers (to) from other University System of Maryland institutions	874,621	1,377,997
	<u>                    </u>	<u>                    </u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(885,847)</u>	<u>(978,259)</u>
<b>Net increase (decrease) in cash</b>	2,438,992	1,711,608
<b>Cash and cash equivalents - beginning of the year</b>	<u>1,744,375</u>	<u>32,767</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$4,183,367</u></u>	<u><u>\$1,744,375</u></u>

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$9,356,415	\$7,856,271
Accounts receivable, net	4,908,336	6,652,198
Inter-institutional balances	(469,539)	(106,548)
<b>Total current assets</b>	<b>13,795,212</b>	<b>14,401,921</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	7	
Other investments	1,850	1,850
Capital assets, net	58,315,722	58,359,061
<b>Total noncurrent assets</b>	<b>58,317,579</b>	<b>58,360,911</b>
<b>Total assets</b>	<b>\$72,112,791</b>	<b>\$72,762,832</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$3,576,142	\$2,343,794
Accrued vacation costs, current portion	751,795	572,263
Obligations under capital lease obligations, current portion	163,288	152,821
<b>Total current liabilities</b>	<b>4,491,225</b>	<b>3,068,878</b>
<b>Noncurrent liabilities:</b>		
Accrued vacation costs	2,255,386	1,716,789
Obligations under capital lease agreements	5,053,054	5,216,342
<b>Total noncurrent liabilities</b>	<b>7,308,440</b>	<b>6,933,131</b>
<b>Total liabilities</b>	<b>11,799,665</b>	<b>10,002,009</b>
<b>NET ASSETS</b>		
Unrestricted	6,757,153	8,559,911
Invested in capital assets, net	53,099,380	52,989,898
Restricted:		
Expendable:		
Research	456,586	1,211,014
Capital projects	7	
<b>Total net assets</b>	<b>60,313,126</b>	<b>62,760,823</b>
<b>Total liabilities and net assets</b>	<b>\$72,112,791</b>	<b>\$72,762,832</b>

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>OPERATING REVENUES:</b>		
Federal grants and contracts	\$17,554,287	\$16,371,651
State and local grants and contracts	936,004	271,145
Nongovernmental grants and contracts	5,795,355	6,047,445
Sales and services of educational departments	1,281,429	1,220,438
Other operating revenues		170,339
	<hr/>	<hr/>
<b>Total operating revenues</b>	<b>25,567,075</b>	<b>24,081,018</b>
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Research	45,204,549	43,988,809
	<hr/>	<hr/>
<b>Total operating expenses</b>	<b>45,204,549</b>	<b>43,988,809</b>
	<hr/>	<hr/>
<b>Operating loss</b>	<b>(19,637,474)</b>	<b>(19,907,791)</b>
	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	15,135,958	16,468,109
Investment income	228,217	301,890
Interest on indebtedness	(357,449)	(367,356)
Transfers (to) from other University System of Maryland institutions	1,004,194	308,254
	<hr/>	<hr/>
<b>Total nonoperating revenues (expenses)</b>	<b>16,010,920</b>	<b>16,710,897</b>
	<hr/>	<hr/>
<b>Income before other revenues, expenses, gains and losses</b>	<b>(3,626,554)</b>	<b>(3,196,894)</b>
	<hr/>	<hr/>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES:</b>		
Capital appropriations	474,857	2,197,468
Capital gifts and grants	704,000	273,888
	<hr/>	<hr/>
<b>Total other revenues, expenses, gains and losses</b>	<b>1,178,857</b>	<b>2,471,356</b>
	<hr/>	<hr/>
<b>Increase (decrease) in net assets</b>	<b>(2,447,697)</b>	<b>(725,538)</b>
	<hr/>	<hr/>
<b>Net assets - beginning of year</b>	<b>62,760,823</b>	<b>82,939,799</b>
	<hr/>	<hr/>
<b>Cumulative effect of changes in accounting principle</b>	<b></b>	<b>(19,453,438)</b>
	<hr/>	<hr/>
<b>Net assets - end of year</b>	<b>\$60,313,126</b>	<b>\$62,760,823</b>
	<hr/>	<hr/>

**UNIVERSITY OF MARYLAND BIOTECHNOLOGY INSTITUTE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Research contracts and grants	\$26,035,008	\$21,260,822
Payments to employees	(25,259,286)	(22,008,041)
Payments to suppliers and contractors	(14,772,422)	(15,718,089)
Other receipts	1,281,430	1,388,927
	<u>1,281,430</u>	<u>1,388,927</u>
<b>Net cash provided (used) by operating activities</b>	<u>(12,715,270)</u>	<u>(15,076,381)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	15,135,958	16,468,109
Other nonoperating gains and losses	(5,500)	
	<u>(5,500)</u>	
<b>Net cash provided (used) by noncapital financing activities</b>	<u>15,130,458</u>	<u>16,468,109</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital appropriations	474,857	2,197,468
Capital grants and gifts received	704,000	273,888
Purchases of capital assets	(3,179,026)	(3,533,130)
Principal paid on debt and capital leases	(152,821)	(143,024)
Interest paid on debt and capital leases	(357,449)	(367,356)
Transfers (to) from other University System of Maryland institutions	1,367,185	395,035
	<u>1,367,185</u>	<u>395,035</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,143,254)</u>	<u>(1,177,119)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	228,217	301,890
	<u>228,217</u>	<u>301,890</u>
<b>Net cash provided (used) by investing activities</b>	<u>228,217</u>	<u>301,890</u>
<b>Net increase (decrease) in cash</b>	1,500,151	516,499
<b>Cash and cash equivalents - beginning of the year</b>	<u>7,856,271</u>	<u>7,339,772</u>
<b>Cash and cash equivalents - end of the year</b>	<u><u>\$9,356,422</u></u>	<u><u>\$7,856,271</u></u>

**UNIVERSITY SYSTEM OF MARYLAND OFFICE  
BALANCE SHEET  
JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$30,334,253	\$37,580,477
Accounts receivable, net	155,852	361,381
Inter-institutional balances	12,395,076	7,817,674
<b>Total current assets</b>	<b>42,885,181</b>	<b>45,759,532</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	468,490	610,151
Endowment investments	8,722,910	9,098,698
Capital assets, net	22,290,555	18,681,413
<b>Total noncurrent assets</b>	<b>31,481,955</b>	<b>28,390,262</b>
<b>Total assets</b>	<b>\$74,367,136</b>	<b>\$74,149,794</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$2,662,969	\$2,596,368
Accrued workers compensation, current portion	15,190	13,950
Accrued vacation costs, current portion	420,563	488,123
Revenue bonds and notes payable, current portion	185,732	286,067
<b>Total current liabilities</b>	<b>3,284,454</b>	<b>3,384,508</b>
<b>Noncurrent liabilities:</b>		
Accrued workers compensation	82,810	76,050
Accrued vacation costs	651,052	563,285
Revenue bonds and notes payable, net	3,620,371	7,802,396
<b>Total noncurrent liabilities</b>	<b>4,354,233</b>	<b>8,441,731</b>
<b>Total liabilities</b>	<b>7,638,687</b>	<b>11,826,239</b>
<b>NET ASSETS</b>		
Unrestricted	44,180,597	21,040,965
Invested in capital assets, net	18,484,452	16,523,145
Restricted:		
Nonexpendable:		
Scholarships and fellowships	982,953	1,164,821
Research		235,348
Other	2,877,620	3,728,914
Expendable:		
Research	89,559	
Capital projects	113,268	19,630,362
<b>Total net assets</b>	<b>66,728,449</b>	<b>62,323,555</b>
<b>Total liabilities and net assets</b>	<b>\$74,367,136</b>	<b>\$74,149,794</b>

**UNIVERSITY SYSTEM OF MARYLAND OFFICE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>OPERATING REVENUES:</b>		
Federal grants and contracts		\$584,513
State and local grants and contracts	\$461,735	
Nongovernmental grants and contracts	88,690	328,044
Other operating revenues	10,284	187,099
<b>Total operating revenues</b>	<b>560,709</b>	<b>1,099,656</b>
<b>OPERATING EXPENSES:</b>		
Academic support	1,731,892	977,705
Institutional support	12,585,540	12,924,376
<b>Total operating expenses</b>	<b>14,317,432</b>	<b>13,902,081</b>
<b>Operating income (loss)</b>	<b>(13,756,723)</b>	<b>(12,802,425)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	11,161,783	12,096,139
Gifts	45	
Investment income	\$1,458,483	\$1,049,412
Less: Investment expense	(28,950)	(37,732)
Interest on indebtedness	1,429,533	1,011,680
Transfers (to) from other University System of Maryland institutions	(2,356,458)	(1,349,536)
	3,440,394	(1,490,456)
<b>Total nonoperating revenues (expenses)</b>	<b>13,675,297</b>	<b>10,267,827</b>
<b>Income before other revenues, expenses, gains and losses</b>	<b>(81,426)</b>	<b>(2,534,598)</b>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>		
Capital appropriations	4,486,320	
<b>Total other revenues, expenses, gains and losses</b>	<b>4,486,320</b>	
<b>Increase (decrease) in net assets</b>	<b>4,404,894</b>	<b>(2,534,598)</b>
<b>Net assets - beginning of year</b>	<b>62,323,555</b>	<b>68,380,383</b>
<b>Cumulative effect of changes in accounting principle</b>		<b>(3,522,230)</b>
<b>Net assets - end of year</b>	<b>\$66,728,449</b>	<b>\$62,323,555</b>

**UNIVERSITY SYSTEM OF MARYLAND OFFICE  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Research contracts and grants	\$550,425	\$912,557
Payments to employees	(8,906,359)	(8,946,301)
Payments to suppliers and contractors	(4,263,857)	(6,435,153)
Other receipts	192,405	5,244
	<u>(12,427,386)</u>	<u>(14,463,653)</u>
<b>Net cash provided (used) by operating activities</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	11,161,783	12,096,139
Other nonoperating gains and losses	45	
	<u>11,161,828</u>	<u>12,096,139</u>
<b>Net cash provided (used) by noncapital financing activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	18,359	415
Capital appropriations	4,486,320	
Purchases of capital assets	(4,661,547)	(585,175)
Principal paid on debt and capital leases	(195,908)	(2,192,971)
Interest paid on debt and capital leases	(2,356,151)	(989,615)
Transfers (to) from other University System of Maryland institutions	(5,242,129)	(94,312,962)
	<u>(7,951,056)</u>	<u>(98,080,308)</u>
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales and maturities of investments	11,508,501	19,393,514
Interest on investments	1,117,503	3,856,910
Investment expense	(28,950)	(37,732)
Purchases of investments	(10,768,325)	(11,832,749)
	<u>1,828,729</u>	<u>11,379,943</u>
<b>Net cash provided (used) by investing activities</b>		
<b>Net increase (decrease) in cash</b>	(7,387,885)	(89,067,879)
<b>Cash and cash equivalents - beginning of the year</b>	<u>38,190,628</u>	<u>127,258,507</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$30,802,743</u>	<u>\$38,190,628</u>

## UNIVERSITY SYSTEM OF MARYLAND

### NOTES TO SUPPLEMENTAL DATA YEARS ENDED JUNE 30, 2003 AND 2002

---

#### 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.