

economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Workers' compensation claims are recognized as expenses in the period incurred. The estimated liability for reported and incurred but not reported claims plus permanent awards is established annually by the consulting actuary for the State Accident Fund and is reported as accrued insurance losses.

Inventories:

Inventories of the State Use Industries are stated at the lower of cost, using the first-in, first-out method, or market.

D. Higher Education and University Hospital Funds:

Basis of Accounting:

The accounts of the higher education institutions and the University of Maryland Hospital are maintained and reported on the accrual basis of accounting.

Fund Accounting:

The financial activities of the higher education institutions and the University of Maryland Hospital are recorded in funds which classify the various transactions by specified activities or objectives.

Unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in restricted current funds, loan funds, endowment and similar funds and plant funds. Revenue and expenses are reported in restricted current funds when financial resources are used for the current operating purposes for which they have been provided. Transactions related to the various student loan programs operated by the educational institutions are accounted for in loan funds. Resources dedicated to the acquisition and investment in property, plant and equipment are accounted for in the plant funds. To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (i) expenses, in the case of normal replacement of movable equipment and library books; (ii) mandatory transfers, in the case of required provisions for debt repayment and interest and equipment renewals and replacements; and (iii) transfers of a nonmandatory nature in all other cases.

General endowment funds are subject to the restrictions of gift instruments requiring the principal be invested in perpetuity and the income only be utilized. Term endowment funds are similar to endowment funds except, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Quasi-endowment funds have been established for the same purposes as endowment funds, except any portion of quasi-endowment funds may be expended. The balances of the fund groups which comprise the endowment and similar funds are general endowment (\$12,095,000), term endowments (\$30,000), and quasi-endowment (\$2,375,000).

Investments:

Investments of the higher education institutions are stated at cost, adjusted for amortization of premiums and accretion of discounts, plus accrued income. Such basis approximates market.

Student and Patient Revenues:

Student tuition and fees are fully recognized in the fiscal year in which the related courses or activities are principally conducted. Student tuition and fees applicable to future courses and activities and collected as of the end of the fiscal year are recorded as deferred revenue.

Patient revenues are recognized at the time of service, net of allowances applicable to third party payers and charity.

Accounts and Notes Receivable:

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of existing receivables.

Inventories:

Inventories are stated at cost, which is determined using the first-in, first-out method.