University of Maine System – Board of Trustees Meeting

**October 27, 2023**
Zoom Meeting – No Physical Location Available

The public is invited to view the meeting on YouTube. The link to the Board of Trustees YouTube page can be found the Board website: https://www.maine.edu/board-of-trustees/

# AGENDA

## Friday, October 27, 2023

This meeting will be held virtually, in accordance with Board of Trustee Policy 215 - *Remote Public Meetings*

**Call to Order** @ 12:00 pm

**Citizen Comment** (5 minutes)

**Individuals who wish to participate in Citizen Comment, please contact the Board Office at ums.trustees@maine.edu with your name and topic by 12:00 pm on Thursday, October 26, 2023.**

*The Board of Trustees provides time for citizen comment prior to the business agenda at each meeting. The Chair of the Board will establish time limits (usually three minutes per person) and determine any questions of appropriateness and relevancy. Personnel decisions, collective bargaining issues, grievances, litigation and other areas excludable from public discussion under the Maine Freedom of Access Law shall not constitute appropriate matters for such input. A person who wishes to speak during the citizen comment period should arrive prior to the meeting start time and sign up on a sheet provided, indicating name and topic of remarks.*

**Action Items**

Tab 1 – Annual Financial Report – Fiscal Year FY2023

**Date of the Next Meeting**: The next Board of Trustees meeting will be held on November 5-6, 2023 at the University of Maine at Presque Isle.

Tabs noted in red text are action items.

Note: Times are estimated based upon the anticipated length for presentations or discussion of a particular topic. An item may be brought up earlier or the order of items changed for effective deliberation of matters before the Board.

University of Maine System
Board of Trustees

# AGENDA ITEM SUMMARY

*(Board Action Item Forwarded from a Committee)*

**NAME OF ITEM**: Annual Financial Report – Fiscal Year 2023

**INITIATED BY**: Dannel P. Malloy, Chancellor

**BOARD INFORMATION**: **BOARD ACTION: X**

**BOARD POLICY:**
Bylaws – Section 3

**UNIFIED ACCREDITATION CONNECTION:**
N/A

**BACKGROUND:**
The University of Maine System's (UMS) fiscal year 2023 (FY2023) draft Annual Financial Report is presented for your review and approval. Darla Reynolds, UMS Director of Accounting will provide a brief overview of the results.

As shown on page 43 of the Annual Financial Report, the UMS ended FY23 with *Loss Before Other Changes in Net Position* of $23 million and *Total Other Changes in Net Position* of $54 million, for a *Change in Net Position* for FY2023 of $31 million.

As shown on page 41, *Total Net Position* at June 30, 2023 was $1 billion increasing $31 million from FY2022. Changes in each *Net Position* category were:

| **Net Position Category:** | **FY2023 Increase (Decrease)** |
|---|---|
| *Net Investment in Capital Assets* | $45 million |
| *Restricted Nonexpendable* | $1 million |
| *Restricted Expendable* | $5 million |
| *Unrestricted* | ($20) million |
| ***Change in Net Position*** | $31 million |

The Audit Committee approved this item to be forwarded to the October 27, 2023 Board of Trustees meeting, for approval of the following resolution:

**TEXT OF PROPOSED RESOLUTION:**
That the Board of Trustees accepts the recommendation of the Audit Committee, and approves the FY2023 Annual Financial Report as presented.

Attachment

DRAFT FY2023 Annual Financial Report

Discussion of Annual Financial Report

1.1

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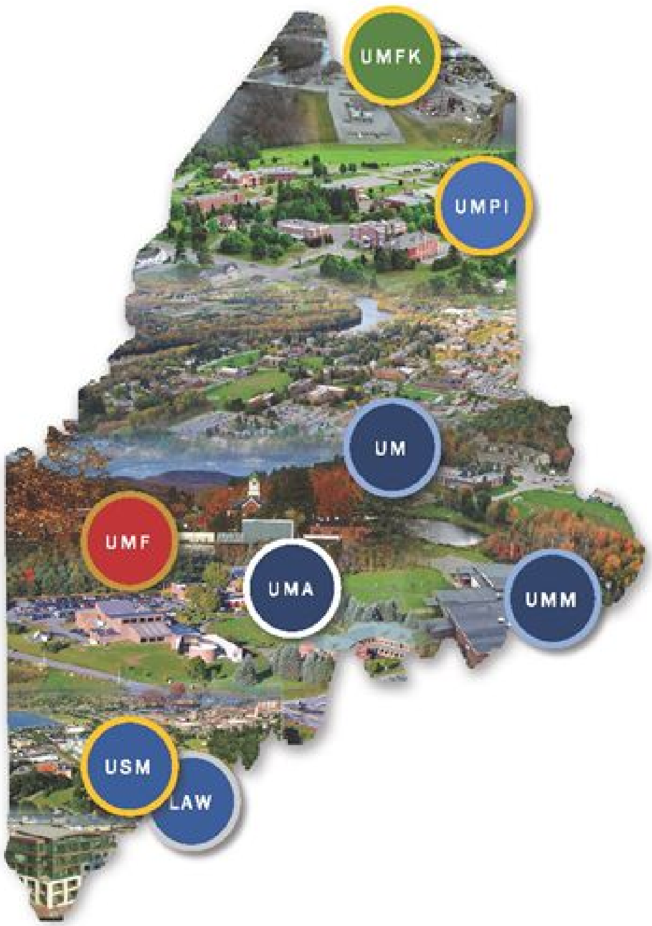


# 2023
# University of Maine System
# Annual Financial Report

The University of Maine System is a Component Unit of the State of Maine
Electronic statements are available at:
https://www.maine.edu/finance/policies-procedures-and-reports/annual-financial-reports/
Or by contacting:
Controller's Office
65 Texas Ave
Bangor ME 04401

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## NON-DISCRIMINATION NOTICE

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October 12, 2023

As we navigate through another year of opportunities and challenges, I want to provide you with an overview of how the University of Maine System (UMS), with its seven campuses and Law School, continues to uphold its tripartite mission of education, research, and public service through Fiscal Year 23.

The recent years have witnessed unprecedented shifts in the higher education landscape, primarily attributable to the global pandemic. Additionally, within the State of Maine, we have encountered distinct challenges stemming from changing demographics. While these challenges have tested our resilience, they have also propelled us to rethink and improve how learners access their education, the quality of those educational experiences, and develop strategies for involving students throughout their entire educational career.

In line with national trends, we have observed a slight decline in enrollments of first-time full-time students. However, we have proactively responded to the demographic and economic conditions influencing these enrollments and have seen growth in areas such as graduate studies, online education, and competency-based programming. Recognizing the value of seamless educational transitions, we are committed to creating more robust pathways for high school students and community college graduates into our degree programs. This not only facilitates their entry into higher education but also ensures the alignment of our programs with the needs of our local communities. Our commitment to global engagement remains strong. We have continued to attract and support international students, fostering diversity and a global perspective within our campuses. Finally, we have intensified our outreach to adult learners and working professionals, recognizing the importance of lifelong learning, and providing opportunities for career advancement and personal growth.

As we continue to implement these initiatives, we are mindful of the financial implications. In May 2023, the University of Maine System Board of Trustees approved the first system-wide strategic plan in over two decades. This working plan will ensure that our budgetary decisions align with our mission-driven commitments and will be a roadmap to sustainable futures for our universities and law school. Further, our unified accreditation allows us to collaborate and share resources in new and innovative ways to meet the demands of our learners more efficiently. At the heart of each decision is the student experience and providing access to quality education, research and innovation, and workforce development to the residents of Maine and beyond.

We acknowledge that we cannot accomplish this work alone, so we remain committed to nurturing robust partnerships and actively seeking fundraising opportunities to support our mission. We continue to make significant progress on UMS TRANSFORMS, the initiative made possible by the historic $240 million investment from the Harold Alfond Foundation that focuses on the transformational change of student success and retention, athletics programs and facilities, the creation of a multi-university College of Engineering, Computing and Information Science, and expansion of the Maine Graduate and Professional Center.

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We have been fortunate to receive an additional $52.8 million in Congressionally Directed Spending, appropriated for the benefit of UMS including an additional $8 million for UM's Factory of the Future. Other significant initiatives being funded are $8 million in funding for a PFAS Research Center and related laboratory equipment, $7 million to support the establishment of three Manufacturing Training Innovation Centers across Maine, $6.1 million supporting tick and tick-borne pathogen surveillance and risk communication, $4.5 million toward nursing education facilities and equipment across UMS.

Federal earmarks such as these, State funding from Governor Mill's administration, the generous Alfond gift, numerous other philanthropic gifts, and public-private partnerships are enabling the critical investments needed in our capital infrastructure. Our planning includes long deferred infrastructure investments required to attract and retain students from Maine and beyond.

The world around us is evolving rapidly, and we are proud of how our System has responded to these new realities and challenges. By fostering a unified environment of collaboration among our campuses and leveraging our collective resources, we have been able to adapt swiftly and effectively. As we continue to navigate the dynamic higher education environment, our commitment to stewardship and providing fiscal responsibility and transparency remains steadfast. We are unwavering in our dedication to maintaining the affordability and accessibility of public higher education for Maine families.

Warm regards,

Dannel P. Malloy
Chancellor

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## *UNIVERSITY OF MAINE SYSTEM*
## *BOARD OF TRUSTEES AND MANAGEMENT*
## *AS OF JUNE 30, 2023*

CliftonLarsonAllen LLP
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Maine System
Orono, Maine

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Maine System (the System) (a component unit of the state of Maine), as of and for the years ended June 30, 2023 and 2022 for the business-type activities and the aggregate remaining fund information, and as of and for the year ended and six month period ended December 31, 2022 and December 31, 2021, respectively, for the discretely presented component unit, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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 business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the System, as of June 30, 2023 and 2022 for the business-type activity and the aggregate remaining fund information, and as of December 31, 2022 and 2021 for the discretely presented component unit, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended for the business-type activities and the aggregate remaining fund information, and the year and six month period then ended for the discretely presented component unit, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit which statements represent 100% of asset, net assets and revenues of the discretely presented component unit as of and for the year ended December 31, 2022, and as of and for the six months ended June 30, 2021. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the reports of the other auditor.



***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of

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Board of Trustees
University of Maine System

the discretely presented component unit, the University of Maine Foundation (Foundation), were not audited in accordance with *Government Auditing Standards.*

***Emphasis of Matter***
As discussed in Note 1 to the financial statements, the System implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Public Partnerships & Public-Private Partnerships and Availability Payment Arrangements, and* GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represent changes in accounting principles. The System's June 30, 2022 statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows were restated to reflect the impact of adoption. A summary of the restatement is presented in Note 1. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Board of Trustees
University of Maine System

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information – retirement and OPEB plans, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental information required by the state of Maine is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental schedule required by the state of Maine is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Board of Trustees
University of Maine System

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Chancellor's Letter and schedule of the Board of Trustees and Management, as listed in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If,

based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Quincy, Massachusetts
REPORT DATE

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***UNIVERSITY OF MAINE SYSTEM***
***MANAGEMENT'S DISCUSSION AND ANALYSIS***
***JUNE 30, 2023 AND 2022 (UNAUDITED)***

The Management's Discussion and Analysis (MD&A) provides a broad overview of the University of Maine System's ("the System" or UMS) financial condition as of June 30, 2023 and 2022, the results of its operations for the years then ended, significant changes from the previous years, and outlook for the future where appropriate and relevant. Management has prepared the financial statements and related note disclosures along with this MD&A. The MD&A should be read in conjunction with the accompanying basic financial statements and related notes.

## ***Mission***

Established in 1968 by the Maine State Legislature, the System is the state's largest educational enterprise, uniting its public universities in the common purpose of providing high-quality educational undergraduate and graduate opportunities that are accessible, affordable, and relevant to the needs of Maine students, businesses, and communities. The System features seven universities—some with multiple campuses—located across the state, a law school, an additional 31 course sites, and Cooperative Extension. The System carries out the traditional tripartite mission – teaching, research, and public service. A major resource for the State, the System drives economic development by conducting world-class research, commercializing valuable ideas, and partnering successfully with businesses and industries throughout Maine and beyond.

## ***Universities, Campuses, and Centers***

The System is a comprehensive public institution of higher education with nearly 30,000 enrolled students, supported by the efforts of 1,169 regular full-time faculty, 36 regular part-time faculty, 3,140 regular full-time staff, and 187 regular part-time staff members.

The System offers rich academic programs, including 258 bachelor's, 106 master's, and 38 doctoral or juris doctorate degrees. The largest program areas are Biological and Biomedical Sciences, Health Professions, Computer and Information Sciences, Business, Engineering, Education, Liberal Arts, and the Humanities.

From Maine's largest city to its rural northern borders, our universities are known for excellence in teaching and research:

- **The University of Maine (UM)** is the state's land and sea grant institution and the flagship campus of the University of Maine System. UM advances learning and discovery through excellence and innovation in undergraduate and graduate academic programs while addressing the complex challenges and opportunities of the 21st century through research-based knowledge. Internationally recognized research, scholarship, and creative activity distinguish UM as the State's flagship university.

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- **The University of Maine at Augusta (UMA)** transforms the lives of students of every age and background, across Maine and beyond, through access to high-quality distance and on-site education, excellent student support and civic engagement, and innovative professional and liberal arts programs. With its multiple locations and long-term expertise in online and distance learning, UMA is generally considered the university of choice for Mainers of all ages who want to attend college without uprooting their lives.
- **The University of Maine at Farmington (UMF)** is a premier teacher education and public liberal arts college, which prepares students for engaged citizenship, enriching professional careers, and an enduring love of learning. Since 1864, UMF has consistently been rooted in a vigorous tradition of education in service to the public interest.
- **The University of Maine at Fort Kent (UMFK)** is a career-focused university located on the northernmost border of Maine, offering relevant, experiential, academic programs and services with personalized attention.
- **The University of Maine at Machias (UMM)**, UM's regional campus, is Maine's Coastal University. UMM's distinctive, high quality education centers on engaging students in the scientific, cultural, economic and social inquiry prompted by Maine's Bold Coast region. Inspired by its location, UMM's creative energy, applied research, and community engagement enhance the social, cultural, economic, and natural environments of the State of Maine.
- **The University of Maine at Presque Isle (UMPI)** is fiercely dedicated to delivering opportunity for all and builds its success on an ethic of care inspiring learners from near and far, of all ages and career stages. UMPI differentiates itself by providing an Ethic of Care for each and every student, faculty, staff, and administrator. UMPI embraces collaborations with peers, communities, and fellow institutions, allowing it to provide students with outstanding education focused on practical and authentic learning experiences.
- **The University of Southern Maine (USM)** advances a culture of inquiry and belonging in which research, creativity, and innovation accelerate transformational development in our students, on our campuses, and in our communities. At USM, academic excellence finds expression in the four pillars of our academic vision: focus on relationships, future-forward curriculum, the integration of learning and work, and a mission of service and citizenship.
- **The University of Maine School of Law (Maine Law)**, is the State's public and only law school, a vital resource serving our local, regional, national, and global community. Maine Law is committed to providing an accessible and affordable student-focused program of legal education and achieving the highest standards of ethical behavior. Its rigorous doctrinal and experiential curriculum, influential scholarship, and signature programming prepare students to practice law, promote respect for the rule of law, and advance justice for all members of society.

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## ***Student Enrollment***

Chart 1 shows student enrollment, including early college, on a headcount basis with 29,254 students enrolled for the fall 2022 semester, down 2.9% from fall 2021 and down 1.6% since fall 2018. For fall 2022, 59% of the student population were enrolled full-time, down from 61% in fall 2021.

**Chart 1: Student Enrollment by Headcount**

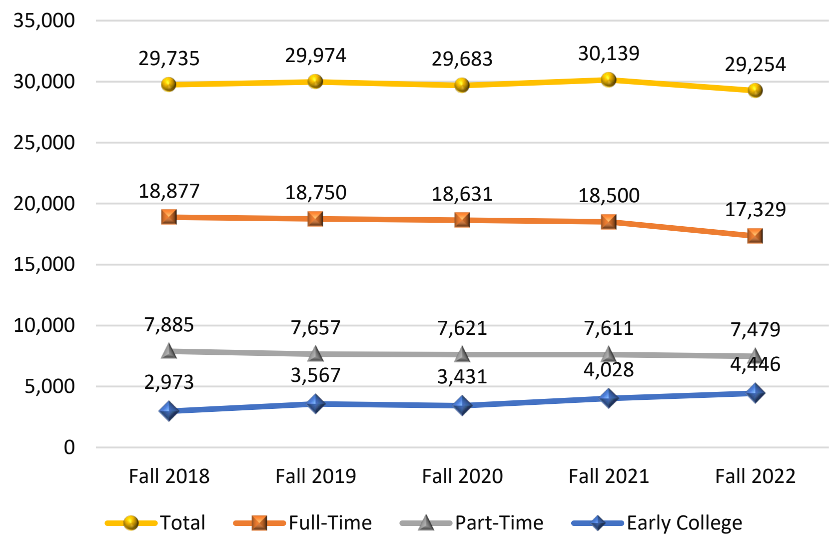

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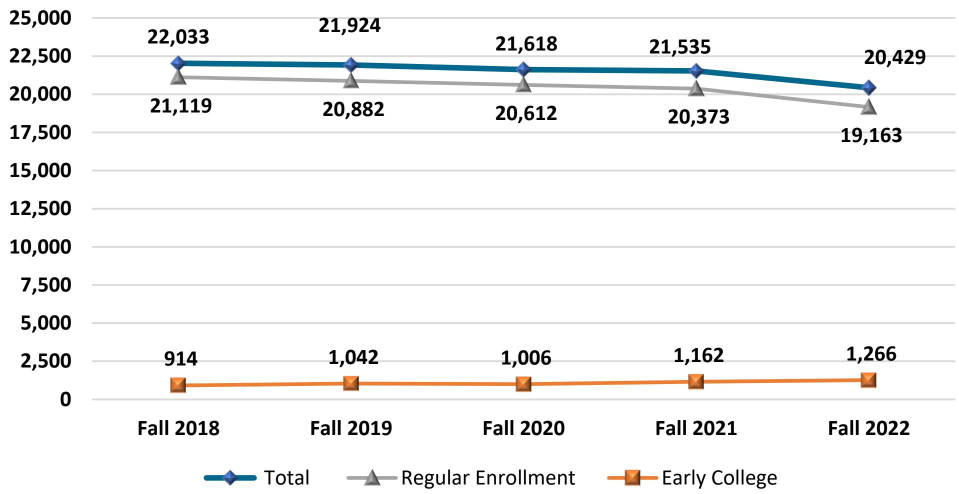
Chart 2 and Table 1 show student enrollment, including early college, on a full-time equivalent (FTE) basis with 20,429 FTE students enrolled for the fall 2022 semester, down 5.1% from fall 2021 and down 7.3% from fall 2018. For fall 2022 and 2021, 71% of FTE enrollments were from Maine residents.

## Chart 2: Student FTE Enrollment




## Table 1: Student FTE Enrollment

| | % Change Fall 2018 to 2022 | Fall 2022 | % Change | Fall 2021 | % Change | Fall 2020 | % Change | Fall 2019 | % Change | Fall 2018 | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UM | -3.6% | 9,399 | -5.3% | 9,926 | 1.6% | 9,773 | -0.1% | 9,782 | 0.3% | 9,750 | 0.3% |
| UMA | 1.1% | 2,272 | -3.6% | 2,358 | 2.3% | 2,304 | -1.3% | 2,335 | 3.9% | 2,247 | 3.6% |
| UMF | -20.2% | 1,309 | -8.9% | 1,437 | -4.8% | 1,510 | -4.4% | 1,579 | -3.8% | 1,641 | -4.8% |
| UMFK | -40.6% | 567 | -21.1% | 718 | -11.6% | 812 | -3.6% | 842 | -11.7% | 954 | 0.4% |
| UMM | -15.5% | 359 | -5.7% | 381 | -4.2% | 397 | -1.5% | 403 | -5.2% | 425 | -6.0% |
| UMPI | 17.8% | 1,099 | 5.8% | 1,038 | 9.9% | 945 | 9.9% | 860 | -7.8% | 933 | 3.3% |
| USM | -11.3% | 5,174 | -4.7% | 5,428 | 0.2% | 5,633 | -2.6% | 5,879 | -1.2% | 5,836 | 2.0% |
| Law | 1.2% | 250 | 0.6% | 249 | 2.2% | 244 | 0.0% | 244 | -1.1% | 247 | 7.9% |
| **Total** | -7.3% | 20,429 | -5.1% | 21,535 | -0.4% | 21,618 | 0.1% | 21,924 | -1.0% | 22,033 | 0.7% |

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## ***Student Comprehensive Cost of Education***

Net student fee revenue, totaling $251 million in FY23 and $263 million in FY22, is the System's greatest source of revenue, contributing 32% of total operating and net nonoperating revenues for FY23. Net student fees represented 33% of the total operating and net nonoperating revenues for FY22. Such revenues are impacted by enrollment levels; tuition, room and board, and fee levels; and the amount of scholarship allowances provided to students.

The average comprehensive cost of education (tuition, mandatory fees, and room and board) for UMS undergraduate, graduate, and law school students is shown in Table 2. The percentage changes for the comprehensive cost of education in FY23 range from an increase of 1.5% for NEBHE and Canadian law students to an increase of 4.2% for NEBHE undergraduate and out-of-state law students. Percentage changes in FY22 ranged from an increase of 3.6% for in-state, out-of-state and Canadian undergraduate students to an increase of 6.7% for in-state law students.

The FY23 in-state undergraduate tuition remained flat with FY22. The overall average comprehensive cost of education for this same category of students increased 3.2%. While the UMS did not increase in-state undergraduate tuition in FY22, UM and UMM consolidated most student fees into a single tuition charge resulting in a neutral impact to students' bills, which were thereby simplified. This change appears to increase UM's and UMM's annual tuition rate; however, it is simply due to the shift in where fees are reflected. The overall average comprehensive cost of education for this same category of students increased 3.6%.

**Table 2: Student Comprehensive Cost of Education**
**Tuition, Mandatory Fees, and Room and Board Fiscal Year Averages**

| | 2023 | | 2022 | | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost | % Change | Cost | % Change | Cost | % Change | Cost | % Change | Cost | % Change |
| **Undergraduate:** | | | | | | | | | | |
| In-State | **$20,183** | 3.2% | **$19,548** | 3.6% | $18,877 | 3.0% | $18,321 | 2.8% | $17,819 | 1.7% |
| Out-of-State | **31,395** | 3.3% | **30,399** | 3.6% | 29,337 | 3.2% | 28,425 | 2.2% | 27,809 | 0.4% |
| NEBHE | **26,175** | 4.2% | **25,109** | 4.7% | 23,979 | 3.2% | 23,229 | 2.8% | 22,593 | 2.6% |
| Canadian | **20,183** | 3.2% | **19,548** | 3.6% | 18,877 | -18.7% | 23,229 | 2.8% | 22,593 | 2.5% |
| **Graduate:** | | | | | | | | | | |
| In-State | **$20,095** | 2.9% | **$19,524** | 4.5% | $18,683 | 2.4% | $18,238 | 0.9% | $18,081 | 3.3% |
| Out-of-State | **29,266** | 2.8% | **28,470** | 4.5% | 27,251 | -8.9% | 29,902 | 2.0% | 29,313 | 3.1% |
| NEBHE | **26,458** | 3.3% | **25,604** | 6.3% | 24,097 | 2.2% | 23,578 | 2.6% | 22,983 | 2.8% |
| Canadian | **20,095** | 2.9% | **19,524** | 3.9% | 18,787 | -20.3% | 23,578 | 2.6% | 22,983 | 2.8% |
| **Law School:** | | | | | | | | | | |
| In-State | **$36,218** | 1.9% | **$35,555** | 6.7% | $33,310 | 0.9% | $33,005 | 0.8% | $32,740 | 0.9% |
| Out-of-State | **49,028** | 4.2% | **47,045** | 5.0% | 44,800 | 0.7% | 44,495 | 1.6% | 43,810 | 0.6% |
| NEBHE/Canadian | **44,678** | 1.5% | **44,015** | 5.4% | 41,770 | 0.7% | 41,465 | 1.5% | 40,870 | 0.7% |

*Note: Some amounts presented in the above Table 2 for 2019 differ from FY2019's MD&A and are based upon restated amounts included in the System report titled, 'Student Charges FY2020'. The In-State Graduate 2020 cost differs from FY2022's*

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*MD&A due to restated amounts included in the System report titled, 'Student Charges FY2020' which was revised February 2023.*

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the System's financial statements which are prepared in accordance with U.S. generally accepted accounting principles and are comprised of four components: 1) system-wide financial statements, 2) component unit financial statements, 3) fiduciary funds financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The University of Maine Foundation is a legally separate tax-exempt component unit of the System. This entity's financial position and activities are discretely presented in the System's financial statements as required by Governmental Accounting Standards Board (GASB) statements. This MD&A includes information only for the System, not its component unit.

### System-wide Financial Statements

These financial statements report information about the System's assets, liabilities, deferred inflows and outflows, net position, revenues, and expenses and are comprised of the following:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows

### Fiduciary Funds Financial Statements

These financial statements include information about assets held by the System on behalf of other entities as a trustee or fiduciary. The System is responsible for ensuring such assets are used only for their intended purposes and by those to whom the assets belong. Included in these fiduciary financial statements are investments held on behalf of the System's pension and other postemployment benefit trusts, monies invested by external parties in the System's managed investment and endowment pools, and cash held on behalf of various student government groups.

The fiduciary funds financial statements are comprised of the following:

- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the system-wide and fiduciary funds financial statements.

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***Other Information***

This report also provides certain required supplementary information related to the System's retirement and other postemployment benefit plans and a Schedule of Activities required by the State of Maine.

## STATEMENTS OF NET POSITION

The Statements of Net Position present the financial position of the System at one point in time – June 30 – and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the System. These statements are the primary statements used to report financial condition. Net position represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 3 on page 19 shows Condensed Statements of Net Position for the past five years.

***Restatement of Prior Year***

The FY22 financial statements have been restated to reflect adoption of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The overall impact on the FY22 data in the Condensed Statements of Net Position is that:

- Other current assets decreased $1 million
- Capital assets, net increased $15 million
- Obligations for right of use assets increased $18 million
- Deferred inflows of resources decreased $4 million

***Postemployment Health Plan Considerations***

The System's Other Postemployment Benefits (OPEB) plan's impact on the FY23 Statement of Net Position is primarily due to differences between expected and actual experience including impacts of the Supplemental Retirement Incentive program and changes in the medical trend rate assumption.

For reporting in the System's Condensed Statements of Net Position, the total OPEB liability/asset is netted with the OPEB Trust assets. At June 30, 2023, the System had a net OPEB asset of $21 million compared with a net OPEB liability of $18 million at June 30, 2022.

Other lines of the Condensed Statements of Net Position that were significantly adjusted by the FY23 actuarial results include the following:

- Deferred outflows of resources associated with the OPEB plan decreased $12 million.
- Deferred inflows of resources associated with the OPEB plan increased $21 million.

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## ***Overview of Condensed Statements of Net Position***

As shown in Table 3, assets and liabilities are classified as current or noncurrent. Current assets are available to satisfy current liabilities, which in turn are those amounts expected to be payable within the next year. Total assets and deferred outflows of resources of $1.5 billion at June 30, 2023, increased $117 million, or 8% over the prior year.

The major component of current assets is operating investments, which totaled $259 million at June 30, 2023 and $307 million at June 30, 2022. Noncurrent assets consist mainly of endowment investments and capital assets, net of depreciation and amortization. Endowment investments totaled $150 million at June 30, 2023, an increase of $9 million, or 6%, from the FY22 year-end balance of $141 million, and a $16 million, or 10%, decrease from FY21. Capital assets, net of accumulated depreciation and amortization totaled $935 million and $813 million at June 30, 2023 and 2022, respectively.

Current liabilities of $120 million and $174 million at June 30, 2023 and 2022, respectively, consist primarily of accounts payable and various accrued liabilities including those for the System's healthcare claims, defined contribution retirement plan and payroll taxes. Impacts to accounts payable and accrued liabilities include the timing of the last check cycle for the fiscal year, the level of construction activity in progress, and budget constraints.

At $349 million, total noncurrent liabilities increased $118 million, or 51%, from June 30, 2022 to 2023. This increase is primarily the result of a $121 million increase in long-term debt. For FY22 and FY21, the System had total noncurrent liabilities of $231 million and $239 million respectively, with the change attributable to a $34 million increase in obligations for right of use assets, a decrease in long-term debt of $57 million and an increase of $15 million in other noncurrent liabilities.

Total net position at June 30, 2023 of $1 billion increased $31 million, or 3%, from the June 30, 2022 balance, which increased $26 million, or 3%, from the June 30, 2021 balance. Additional information about net position is presented on page 25.

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## Table 3: Condensed Statements of Net Position as of June 30

**(In millions)**

| | 2023 | % Change | Restated 2022 | % Change | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| Current Assets | | | | | | | |
| Operating Investments | **$ 259** | **-16%** | **$ 307** | **7%** | $ 286 | $ 264 | $ 248 |
| Other | **90** | **15%** | **78** | **-7%** | 84 | 65 | 75 |
| Noncurrent Assets | | | | | | | |
| Endowment investments | **150** | **6%** | **141** | **-15%** | 166 | 135 | 138 |
| Capital assets, net | **935** | **15%** | **813** | **16%** | 701 | 683 | 685 |
| Other | **73** | **103%** | **36** | **-59%** | 88 | 44 | 48 |
| **Total Assets** | **1,507** | **10%** | **1,375** | **4%** | 1,325 | 1,191 | 1,194 |
| **Deferred Outflows of Resources** | **17** | **-47%** | **32** | **78%** | 18 | 31 | 22 |
| **Total Assets and Deferred Outflows** | **$ 1,524** | **8%** | **$ 1,407** | **5%** | $ 1,343 | $ 1,222 | $ 1,216 |
| Current Liabilities | | | | | | | |
| Obligations for right of use assets - current portion | **$ 6** | **0%** | **$ 6** | **500%** | $ 1 | $ - | $ - |
| Long-term debt - current portion | **20** | **-64%** | **56** | **300%** | 14 | 14 | 15 |
| Other | **94** | **-16%** | **112** | **35%** | 83 | 59 | 59 |
| Noncurrent Liabilities | | | | | | | |
| Obligations for right of use assets | **66** | **40%** | **47** | **262%** | 13 | - | - |
| Long-term debt | **217** | **126%** | **96** | **-37%** | 153 | 124 | 135 |
| Other | **66** | **-25%** | **88** | **21%** | 73 | 156 | 145 |
| **Total Liabilities** | **469** | **16%** | **405** | **20%** | 337 | 353 | 354 |
| **Deferred Inflows of Resources** | **54** | **64%** | **33** | **-47%** | 62 | 37 | 44 |
| **Total Liabilities and Deferred Inflows** | **523** | **19%** | **438** | **10%** | 399 | 390 | 398 |
| Net investment in capital assets | **635** | **8%** | **589** | **7%** | 549 | 547 | 542 |
| Restricted Nonexpendable | **72** | **1%** | **71** | **3%** | 69 | 67 | 66 |
| Restricted Expendable | **152** | **3%** | **147** | **2%** | 144 | 115 | 116 |
| Unrestricted | **142** | **-12%** | **162** | **-11%** | 182 | 103 | 94 |
| **Total Net Position** | **1,001** | **3%** | **969** | **3%** | 944 | 832 | 818 |
| **Total Liabilities, Deferred Inflows and Net Position** | **$ 1,524** | **8%** | **$ 1,407** | **5%** | $ 1,343 | $ 1,222 | $ 1,216 |

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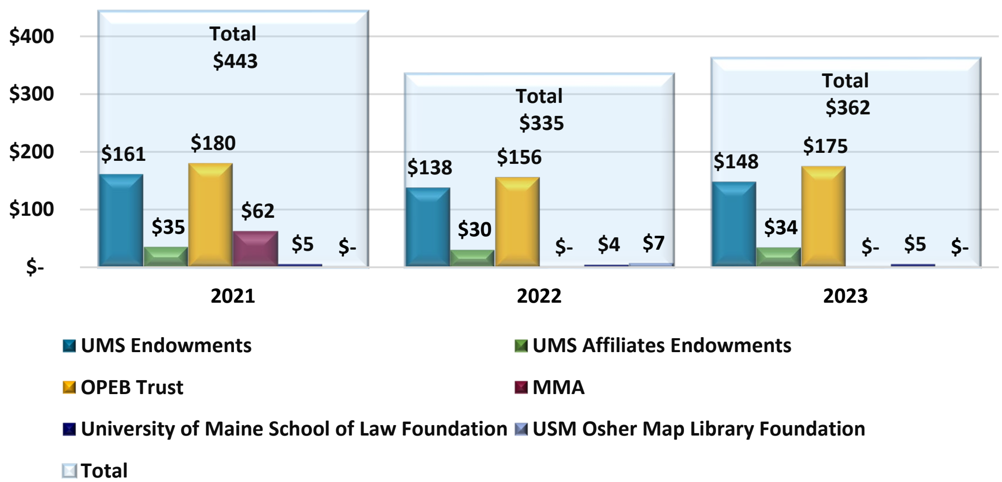
## ***Managed Investment Pool (MIP)***

The System pools certain funds for investment purposes including the System's endowment pool monies, endowment monies belonging to the System's affiliated organizations, and monies on behalf of the following entities: the UMS OPEB Trust, Maine Maritime Academy (MMA) [redeemed in spring 2022], USM Osher Map Library Foundation [redeemed in spring 2023], and the University of Maine School of Law Foundation.

Chart 3 shows the June 30, 2021, 2022 and 2023 fair values of the MIP investments, including the amounts held on behalf of each entity.

**Chart 3: Fair Value of MIP Investments by Entity**
**(In millions)**




'UMS Endowments' noted in Chart 3 is the System's share of the MIP investments and is included as part of the 'Endowment Investments' noted in the accompanying Condensed Statements of Net Position.

The portion of the MIP representing UMS Affiliates' Endowments is included in the Statements of Fiduciary Net Position as 'Investment in UMS endowment pool'. The total of the OPEB Trust and the University of Maine School of Law Foundation portions of the MIP are included in the Statements of Fiduciary Net Position as 'Investment in UMS managed investment pool'.

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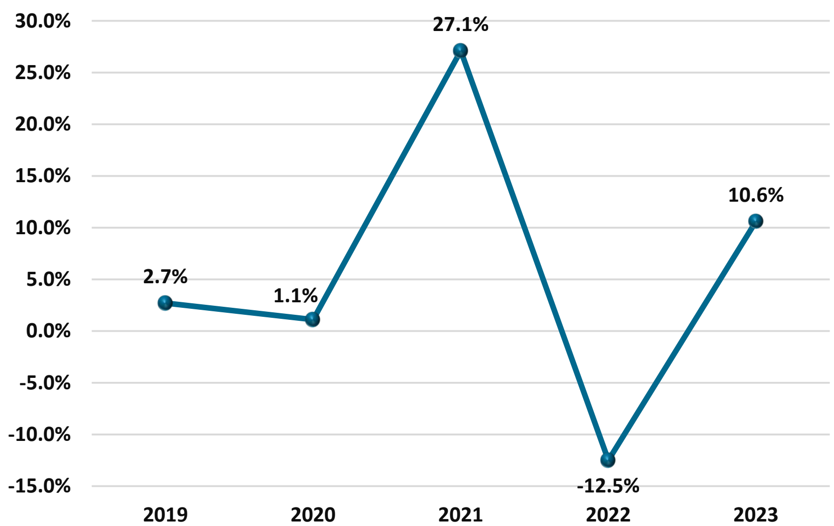
The MIP investments are diversified among a number of asset classes to minimize risk while optimizing return. The percentage of holdings in each asset class for the past 5 years is summarized below.

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Domestic Equities | 30% | 29% | 29% | 24% | 30% |
| International Equities | 18% | 16% | 21% | 22% | 25% |
| Global Equities | 10% | 9% | 10% | 9% | 0% |
| Fixed Income | 26% | 28% | 25% | 22% | 23% |
| Global Asset Allocation | 7% | 8% | 7% | 14% | 15% |
| Hedge Funds | 7% | 9% | 7% | 6% | 6% |
| Private Equity | 1% | 1% | 1% | 1% | 1% |
| Cash | 1% | 0% | 0% | 2% | 0% |
| | 100% | 100% | 100% | 100% | 100% |

As shown in Chart 4, in FY23 the MIP realized a net of fees return of 10.6%, up from a loss of (12.5)% in FY22. The pooled investments have a 5-year annualized net of fees return of 5.8%.

**Chart 4: Total Return (Net of Fees)**



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***Endowments (Including Affiliates)***

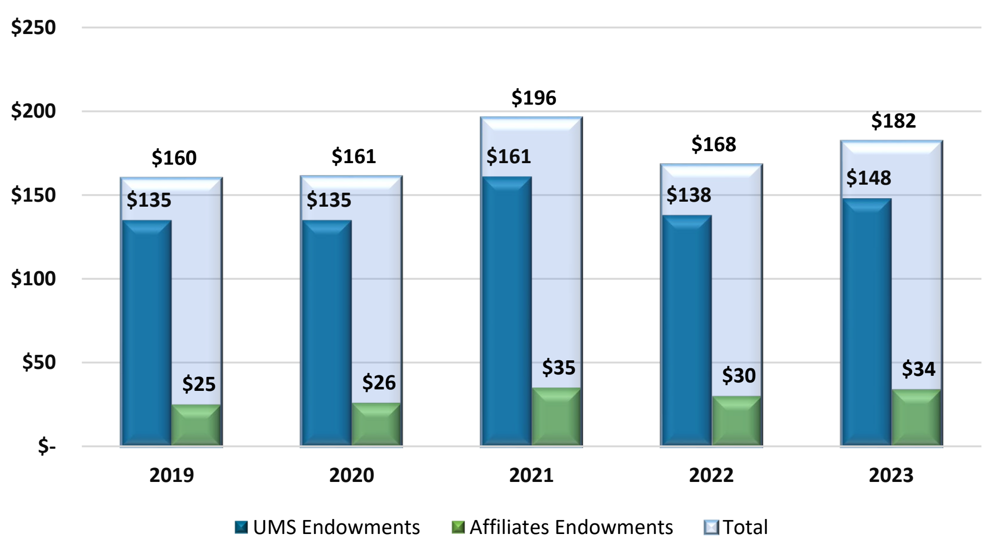
Endowments are generally created from donor gifts or bequests with the funds invested to create present and future income with the original amount of the gift (corpus) retained in perpetuity and are considered restricted non-expendable. If the donor established criteria to determine how the expendable amounts are to be used, such amounts are considered restricted expendable. If the use of expendable amounts is left to the discretion of the System, the endowment income and appreciation are considered unrestricted.

As mentioned in the previous MIP section, the System uses a pooled investment approach for its endowments (unless otherwise specified by the donor) and the endowments of three affiliates. Affiliates investing in the endowment pool include: the University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc.

As shown in Chart 5, the UMS and its affiliates' share of these pooled endowment investments had a fair value of $182 million at June 30, 2023, an increase of $14 million from the prior year. This included an increase of $18 million in positive net performance less $7 million distributed for scholarships and other operating activities offset by contributions of $3 million.

The pool's June 30, 2022 fair value of $168 million had decreased $28 million from the 2021 year-end fair value of $196 million. This included a decrease of $26 million from negative net performance less $7 million distributed for scholarships and other operating activities, offset by contributions of $5 million.

**Chart 5: Fair Values of UMS and Affiliates Pooled Endowments**
**(In millions)**



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Of the $182 million in pooled endowment investments, at June 30, 2023, $148 million are UMS Endowments and $34 million are Affiliates Endowments. The fair value of the UMS Endowments is reported as part of the 'Endowment Investments' in the accompanying Condensed Statements of Net Position, and the fair value of the Affiliates Endowments is reported in the Statements of Fiduciary Net Position as 'Investment in UMS endowment pool'.

The UMS endowment distribution formula is designed to smooth market volatility. The method uses a 3-year market value average with a percentage-spending rate applied. The spending rate applied in FY17 thru FY23 was 4.5%.

## ***Capital Assets and Debt Activities***

Table 4 on the next page shows the status of major capital construction projects as of June 30, 2023 and the related budget approved by the UMS Board of Trustees.

The System's facilities are critical to each university's mission as they provide the physical framework and environment for education, research, cultural programs, and residential life. The System continually evaluates its long-term capital and strategic needs, including which facilities to upgrade, retire, or build. Capital assets are funded with various sources of funds including state bonds, gifts, grants, educational and general funds, and System revenue bonds.

During FY23, the System had capital asset additions of $176 million, which included $143 million of construction in progress, $24 million of right of use building assets, $7 million of equipment, and $2 million of subscription based IT arrangements. In FY22, the System had capital asset additions of $145 million, which included $114 million of construction in progress, $22 million of right of use building assets, $5 million of equipment, and $4 million of subscription based IT arrangements.

The System strives to manage all its financial resources effectively, including the prudent use of debt to finance construction projects that support the System's mission. The System issued new revenue bonds twice in FY23 with a total par amount of $157.8 million to pay off the 2021 bond anticipation notes, to refund 2013 revenue bonds, and to finance additional capital projects. The System also borrowed $11 million through a lease purchase agreement to fund an energy improvement project at UMF.

The System's total outstanding debt as of June 30, 2023 was $237 million, an increase of $85 million, or 56%, from the FY22 total debt of $152 million. In FY22, total debt decreased $15 million, or 9%, from the FY21 total debt of $167 million.

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## Table 4: Major Capital Projects Completed During FY23 or In Progress at June 30, 2023
**(In millions)**

| Project | Funding Source | Status | BOT Approved Budget |
|---|---|---|---|
| **UMA** | | | |
| •Randall Welcome Center | 2018 State Bond | Complete | 2.10 |
| •Handley Hall HVAC System Upgrade | 2018 State Bond, Educational & General | In Progress | 1.20 |
| •Katz Library HVAC Repairs | HEERF | In Progress | 1.34 |
| •Medical Laboratory Technology | Internal Loan, Education & General | In Progress | 2.00 |
| •Camden Hall Vet Tech | Internal Loan, Education & General | In Progress | 1.60 |
| **UMF** | | | |
| •274 Front St Renovation | 2018 State Bond, MJRP, Grant, Federal Earmark | In Progress | 3.10 |
| •Fitness & Recreation Center Façade Replacement | 2018 State Bond | In Progress | 0.90 |
| •Campus ESCO | BOA LPA, 2018 State Bond, Educational & General | In Progress | 11.70 |
| **UMFK** | | | |
| •Enrollment/Advancement Center | 2018 State Bond, Educational & General | In Progress | 3.25 |
| **UM** | | | |
| •Darling Marine Center Waterfront Infrastructure | Grants, Educational & General | Complete | 5.50 |
| •Ferland Engineering Education and Design Center | Educational & General, Gifts, 2022 Revenue Bond | In Progress | 78.00 |
| •Energy Center Phase 2 | Educational & General, 2022 Revenue Bond, Grant | In Progress | 5.70 |
| •ASCC Renovation - Mezzanine Office Expansion | Educational & General, Grants | Complete | 1.40 |
| •Neville Hall Renovations | 2018 State Bond | In Progress | 1.50 |
| •ASCC Green Engineering & Materials (GEM) Lab | Educational & General | In Progress | 15.30 |
| •ASCC Secure Clean Lab Suite | Grants | In Progress | 2.50 |
| •Steampit line SA10 | Educational & General | In Progress | 0.64 |
| •HVAC Systems & Controls Upgrades | Educational & General | In Progress | 10.00 |
| •UM Priority 1 Athletic Fields | Gifts and HAF Grant | In Progress | 33.00 |
| •UM Adaptive Reuse Project/Historic P3 | Educational & General | In Progress | 3.00 |
| •UM Athletic Phase 2 Projects | HAF, Internal Loan | In Progress | 5.00 |
| •Relocation of Dairy Operations | Educational & General | In Progress | 0.80 |
| •Boudreau Hall Renovation | Gifts | In Progress | 0.70 |
| •Mahaney Dome Replacement | Educational & General | In Progress | 3.00 |
| **USM** | | | |
| •Center for the Arts | Gifts | In Progress | 63.00 |
| •Center for Teaching Innovations | 2018 State Bond, Gifts | In Progress | 0.93 |
| •Career and Student Success Center | 2018 State Bond, 2022 Revenue Bond, 2023 Revenue Bond, Educational & General, and Gifts | In Progress | 26.60 |
| •Portland Residence Hall | 2022 Revenue Bond, 2023 Revenue Bond, Educational & General | In Progress | 74.00 |
| •Bailey Hall Fire Protection and Electrical Upgrades | 2018 State Bond, Educational & General | In Progress | 4.39 |
| •Portland Parking Garage | Educational & General | In Progress | 23.50 |
| •Fitness Equipment Purchase and Space Renovation | Educational & General | In Progress | 0.77 |
| •Steam Line | Educational & General | Complete | 0.60 |
| •Dubyak Center | 2018 State Bond, MJRP | In Progress | 2.50 |
| •Relocation of Deering Farmhouse | Educational & General | In Progress | 2.00 |
| •Hannaford Field turf Replacement | Educational & General | In Progress | 0.90 |
| •Inter-Professional Education Lab | Gifts | In Progress | 0.98 |
| **UMPI** | | | |
| •Folsom 105 Nursing Renovation | 2018 State Bond | Complete | 0.76 |
| •Wieden Renovation | 2018 State Bond and Grants | In Progress | 7.70 |
| •Solar Array | Education & General | Complete | 1.14 |
| •Park Hall Improvements | State Appropriation | In Progress | 0.66 |
| •Emerson Hall Improvements | State Appropriation | In Progress | 0.92 |
| **UMS** | | | |
| •300 Fore St. Portland Renovation | Education & General, Gifts, Grants | In Progress | 13.83 |
| •IT Infrastructure - Wireless and Classroom Technology Upgrades | 2017 Revenue Bond | In Progress | 19.00 |
| •MaineStreet Upgrade | 2017 Revenue Bond | In Progress | 2.00 |
| **TOTAL** | | | $ 439.41 |

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## *Deferred Outflows and Inflows of Resources*

The System's deferred outflows and deferred inflows of resources primarily relate to the System's defined benefit pension plans and its other postemployment health plan (OPEB). The total of these deferrals can fluctuate significantly from year-to-year depending on changes in assumptions used for the plans, differences between expected and actual experience, and differences between projected and actual earnings on plan investments. To smooth the impact of these changes, they are amortized over a period of years.

At June 30, 2023 deferred outflows of resources totaled $17 million, a decrease of $15 million from the prior year balance of $32 million. The decrease is primarily due to a decrease of $12 million related to OPEB. In FY22, the System's deferred outflows of resources increased $14 million from the June 30, 2021 balance of $18 million, due to a $14 million increase also related to OPEB.

Deferred inflows of resources of $54 million at June 30, 2023 increased $21 million from the $33 million at June 30, 2022. The increase is primarily due to an increase of $21 million related to the System's OPEB plan. In FY22, the System's deferred inflows of resources decreased $29 million from the $62 million at June 30, 2021, primarily due to a decrease of $24 million related to the System's OPEB plan.

## *Net Position*

As seen in the Condensed Statements of Net Position shown in Table 3 on page 19, the System's total net position is presented by the below noted four categories.

**Net investment in capital assets** represents the historical cost of the System's capital assets reduced by total accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. The System's net investment in capital assets was $635 million at June 30, 2023 and $589 million at June 30, 2022.

The FY23 increase in net investment in capital assets of $46 million was comprised of capital asset additions of $176 million plus reduction of debt and other liabilities through refundings and payments of $114 million, plus $20 million of debt reclassified to unexpended plant, less $50 million of depreciation and amortization expense, less new debt and other liabilities of $211 million and less $3 million of capital asset retirements.

The FY22 increase in net investment in capital assets of $40 million was comprised of capital asset additions of $119 million less $44 million of depreciation expense, less $1 million of capital asset retirements, less an increase in debt and other liabilities of $7 million, and less a $27 million reclassification of debt from unexpended plant to invested in capital assets.

**Restricted-nonexpendable net position** represents the corpus of the System's permanent endowment funds. Items that impact this category of net position include new endowment gifts and fair value fluctuations for those endowments whose fair value has fallen below the endowment corpus. The June 30, 2023 balance of $72 million increased $1 million, or 1%, over

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the $71 million at June 30, 2022. For FY22, restricted-nonexpendable net position increased $2 million, or 3%, from the FY21 year-end balance of $69 million.

**Restricted-expendable net position** consists of a variety of funds including unexpended gifts, quasi-endowments and appreciation on true endowments, subject to externally imposed conditions on spending. The restrictions include a variety of purposes including student financial aid, capital asset acquisitions, research, and public service. The June 30, 2023 balance of $152 million increased $5 million, or 3% from the June 30, 2022 balance of $147 million. This increase is primarily attributable to a $7 million increase in the expendable portion of endowments, resulting from positive investment performance less endowment income distributed for operations and a $1 million increase in unspent restricted gift. Offsetting these increases was a net $3 million decrease from other managed restricted-expendable funds.

The FY22 increase of $3 million, or 2%, is primarily attributable to a $25 million increase in unspent restricted gift balances and a net $2 million increase from other managed restricted-expendable funds. Offsetting these increases was a $24 million decrease in the expendable portion of endowments, resulting from negative investment performance and endowment income distributed for operations.

**Unrestricted net position** is not subject to externally imposed stipulations; however, these resources are critical for the financial stability of the UMS and have been designated by management for specific areas, including operational and capital needs, compensating for operating investment and other budget fluctuations, and benefits costs including covering the risks associated with self-insured plans. Given both the physical and financial size of the System, funds must be readily available to cover various situations including emergency and other unforeseen expenditures, strategic priorities, operating losses, over-expenditures on budgeted items, and benefits costs.

The balance of $142 million at June 30, 2023 decreased by $20 million, or 12%, from the FY22 year-end balance of $162 million. For FY22, unrestricted net position decreased $20 million, or 11%, from the FY21 year-end balance of $182 million.

## *STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*

The Statements of Revenues, Expenses, and Changes in Net Position reports operating revenues, operating expenses, nonoperating revenues (expenses), other changes in net position, and the resulting change in net position for the fiscal year.

### ***Restatement of Prior Year***

The FY22 financial statements have been restated to reflect a change in the reporting of revenues and expenses related to subscription based information technology arrangements per the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Revenue and expenses netting to a decrease in net position of $65 thousand

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have been moved in various segments of the Statements of Revenues, Expenses, and Changes in Net Position.

## ***Overview of Condensed Statements of Revenues, Expenses, and Changes in Net Position***

Table 5, on the next page, shows Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years ended June 30. The FY23 net position increased $31 million while FY22 (restated) increased $26 million. Notable factors in this shift include the following:

- $19 million increase in noncapital State of Maine appropriations
- $60 million decrease in coronavirus relief funding
- $27 million increase in investment income from operating investments
- $34 million increase in market returns for endowment investments
- Net $15 million decrease in various other revenue and expense lines

The FY22 net position increase of $26 million was down $86 million from FY21's increase of $112 million. Notable factors in this shift include the following:

- $62 million increase in operating revenues
- OPEB expense of $3 million compared with OPEB income of $46 million in FY21
- $82 million increase in other operating expenses
- $26 million increase in coronavirus relief funding
- $36 million decrease in investment income from operating investments
- $27 million increase in capital grants and gifts mainly related to construction of the Ferland Engineering Education and Design Center
- $55 million decrease in market returns for endowment investments
- Net $21 million increase in various other nonoperating revenue lines.

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**Table 5: Condensed Statements of Revenues, Expenses, and Changes in Net Position**
**Years Ended June 30**
**(In millions)**

| | 2023 | Restated 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Operating Revenues | | | | | |
| Net student fees | **$ 251** | **$ 263** | $ 239 | $ 248 | $ 264 |
| Grants, contracts and recovery of indirect costs | **168** | **163** | 136 | 121 | 113 |
| Other operating revenues | **45** | **41** | 30 | 44 | 53 |
| Total Operating Revenues | **464** | **467** | 405 | 413 | 430 |
| Operating Expenses | **(810)** | **(811)** | (680) | (716) | (724) |
| Operating Loss | **(346)** | **(344)** | (275) | (303) | (294) |
| Nonoperating Revenues (Expenses) | | | | | |
| Noncapital State of Maine appropriations | **248** | **229** | 218 | 220 | 212 |
| Federal Pell grants | **32** | **34** | 35 | 38 | 40 |
| Coronavirus relief funding | **3** | **63** | 37 | 15 | - |
| Gifts currently expendable | **29** | **20** | 19 | 19 | 16 |
| Endowment return used for operations | **6** | **6** | 6 | 6 | 6 |
| Investment income (loss) | **13** | **(14)** | 22 | 9 | 12 |
| Interest expense, net | **(8)** | **(4)** | (4) | (4) | (4) |
| Net Nonoperating Revenues (Expenses) | **323** | **334** | 333 | 303 | 282 |
| Income (Loss) Before Other Changes in Net Position | **(23)** | **(10)** | 58 | - | (12) |
| Other Changes in Net Position | | | | | |
| State of Maine capital appropriations | **21** | **25** | 16 | 14 | 6 |
| Capital grants and gifts | **26** | **35** | 8 | 3 | 4 |
| Endow. return, net of amount used for operations | **8** | **(26)** | 29 | (4) | (2) |
| Other | **(1)** | **2** | 1 | 1 | 8 |
| Total Other Changes in Net Position | **54** | **36** | 54 | 14 | 16 |
| Change in Net Position | **$ 31** | **$ 26** | $ 112 | $ 14 | $ 4 |

## ***Operating and Nonoperating Revenue***

UMS revenues and expenses are categorized as either operating or nonoperating.

- In addition to tuition and fees, the System receives operating revenue from other sources such as governmental and privately funded grants and contracts; educational sales and services; and auxiliary enterprises.
- Certain significant recurring revenues and expenses are considered nonoperating including state noncapital appropriations, federal Pell grants, coronavirus relief funding, gifts, endowment return used for operations, investment income, and interest expense.

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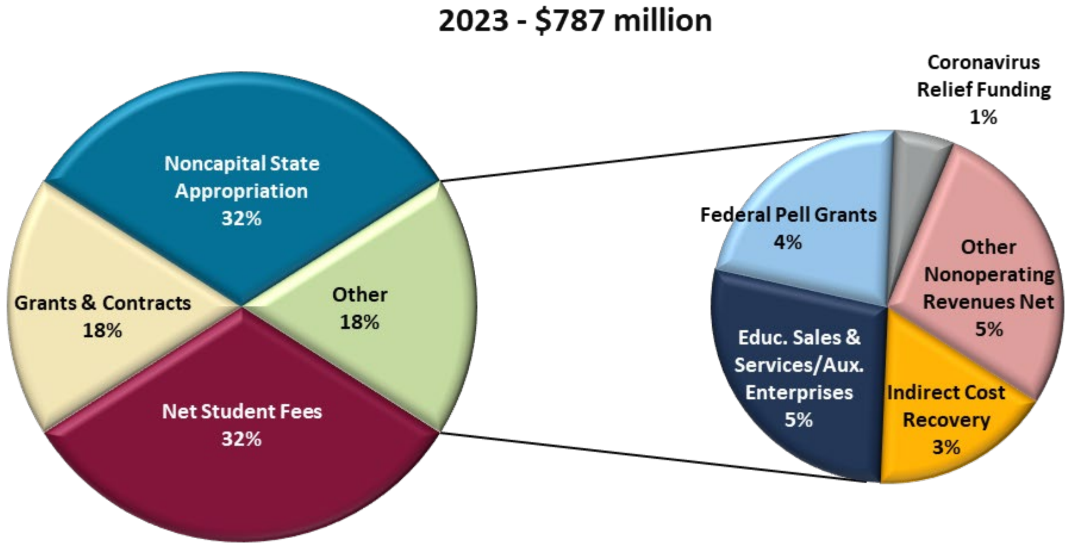
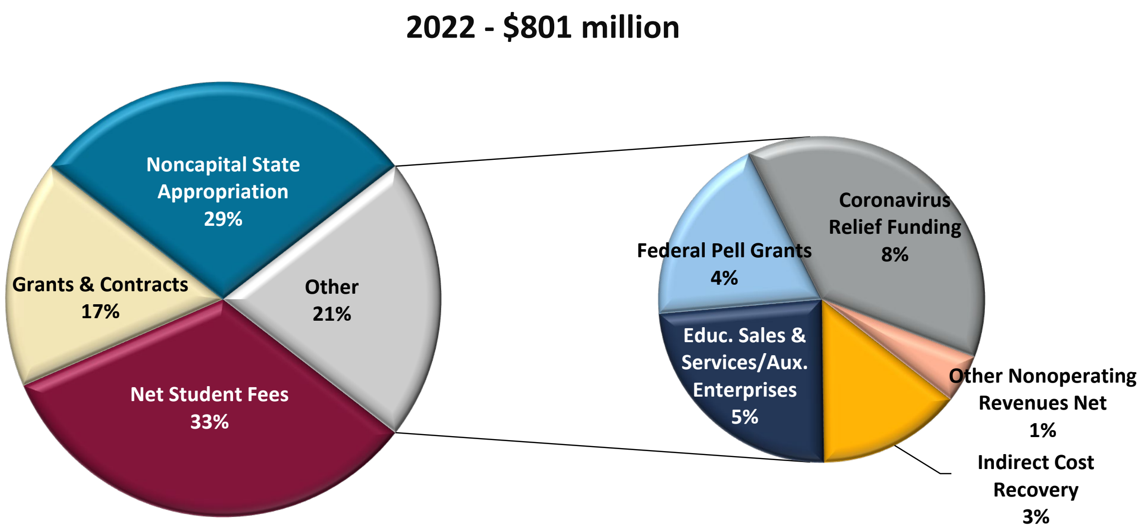
The following pie charts illustrate the total operating and net nonoperating revenue sources used to fund the System's activities for FY23 and FY22.

## Chart 6: Total Operating and Net Nonoperating Revenue



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## ***Net Student Fees Revenue***

Net student fees revenue of $251 million for FY23, is the largest source of revenues used to fund operating expenses, representing 32% of total operating and net nonoperating revenues. Net student fees of $263 million for FY22 represented 33% of that year's total operating and net nonoperating revenues.

Net student fees revenue is comprised of tuition and fees and residence and dining fees less scholarship allowances:

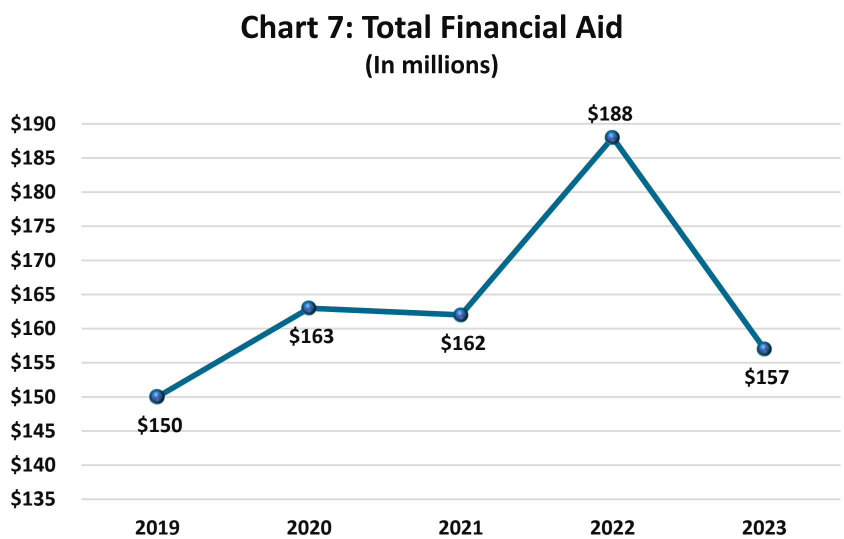
- Tuition and fees totaled $314 million in FY23, decreasing $14 million, or 4%, from the prior year. FY22 revenues increased $7 million, or 2%, from FY21.
- Residence and dining fees of $67 million in FY23 were up $2 million, or 3%, compared with FY22. FY22 residence and dining fees increased $25 million, or 63%, compared with FY21.
- Scholarship allowances totaled $130 million in FY23, remaining flat with the prior year. The FY22 scholarship allowances increased $8 million, or 7%, from FY21.

## ***Student Financial Aid***

Student financial aid awards are made from a variety of sources including federal, state, private, and university funds. Funding received by the UMS from third parties is recognized as grants and contracts revenue (operating), federal Pell grants revenue (nonoperating) or gift revenue (nonoperating) on the Statements of Revenues, Expenses, and Changes in Net Position while the distribution of aid from all sources is shown as one of two components:

1. Scholarship Allowances – financial aid retained by the System to cover students' tuition, fees, and on-campus housing and meals. These amounts are reported as a direct offset to operating revenues as a component of the net student fees revenue line.
2. Student Aid Expense – financial aid refunded to students to cover off-campus living costs, books, and other personal living expenses. These amounts are reported as operating expense.

Federal financial aid awards are based on a student's financial need considering their total cost of education which includes tuition and fees, housing and meals (both on and off campus), books, and other personal living expenses.




During FY23, total financial aid provided to students was $157 million, decreasing $31 million, or 16%, from FY22 financial aid of $188 million. This net decrease includes a $4 million decrease in unrestricted institutional aid, a $2 million decrease in both PELL awards and State of Maine Grant funds, and a decrease of $23 million in funding from the federal coronavirus relief funds.

During FY22, total financial aid provided to students was $188 million, increasing $26 million, or 16%, from FY21 financial aid of $162 million. The net increase includes a $1 million decrease in Pell awards, an increase of $18 million in funding from the federal coronavirus relief funds, $6 million increase in State of Maine Grant funds and $3 million increase in unrestricted institutional aid.

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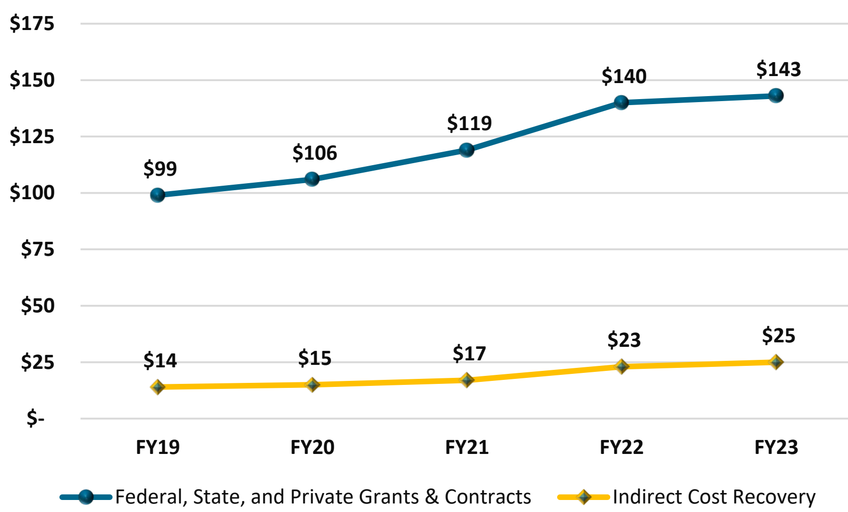
## ***Grants, Contracts, and Indirect Cost Recovery***

Grants and contracts revenues are recognized to the extent of related expenses. Consequently, reported revenues will fluctuate based on the timing of expenses across fiscal years. The System receives funding from federal, state, and private sources for student aid, research and other activities with the majority of funding being provided by the federal government. State research and development funding is often used to leverage federal dollars.

**Chart 8: Grants, Contracts and Indirect Cost Recovery**
**(In millions)**




Grants and contracts operating revenues totaled $143 million in FY23, increasing $3 million, or 2%, from FY22. This increase is the net change in funding from over 400 different sponsors. The largest sponsor increase was $4 million related to National Science Foundation funding.

FY22 operating grants and contracts revenues totaled $140 million, increasing $21 million, or 18%, from FY21. This increase was the net change in funding from over 400 different sponsors. The largest sponsor increase was a $6 million related to State of Maine funding for financial aid.

In addition to providing for direct costs, grants and contracts sponsors provide for recovery of Facilities and Administrative (F&A) costs, which are also known as indirect costs. The amount of allowable F&A costs is calculated for each grant and contract using the applicable negotiated rate subject to specific sponsor limitations and other proposal and award conditions. Recovery of indirect costs totaled $25 million for FY23, increasing $2 million from FY22. Recovery of indirect costs totaled $23 million for FY22, which was an increase of $6 million from FY21.

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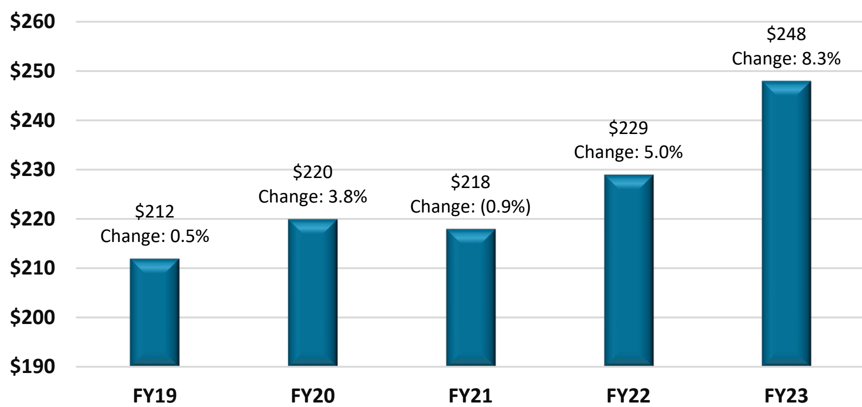
## ***Noncapital State of Maine Appropriations***

State noncapital appropriation revenue includes amounts for general operations and amounts legislatively earmarked for research and development, financial aid, and various other areas. Although not considered operating revenue under GASB reporting requirements, the noncapital state appropriation was the second largest funding source for educational and general operations behind net student fees.

As shown in Chart 9, the System received $248 million in noncapital state appropriation revenue during FY23, up $19 million, or 8% from FY22. The System received $229 million in noncapital state appropriation revenue during FY22, up $11 million, or 5%, from FY21.

At $248 million, noncapital state appropriation revenue covered 72% of the $346 million operating loss in FY23, up from the operating loss coverage level of 66% in FY22.

**Chart 9: Noncapital State Appropriation and Annual Percentage Change (In millions)**




## ***Coronavirus Relief Funding***

The coronavirus relief funding of $3 million and $63 million for FY23 and FY22, respectively includes both a federal component and a state component.

### ***Federal Funding***

In response to the COVID-19 pandemic that began in March 2020, the federal government signed into law various acts to provide economic relief to the nation, including higher education. The U.S. Department of Education has awarded the System a total of $104 million under the following acts:

- Coronavirus Aid, Relief and Economic Security (CARES) Act - $18 million awarded in FY20.

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- Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - $32 million awarded in FY21.
- American Rescue Plan (ARP) Act - $54 million awarded in late FY21.

Under these acts, the System received total awards of $45 million to use for emergency aid to students and total awards of $59 million to use for various other pandemic related costs including reimbursement of refunded room and board revenues and recovery of lost revenues.

In the accompanying financial statements, the System has recognized revenue from the above federal awards in accordance with GASB guidance. Under this guidance, revenue recognition does not necessarily correlate with the same fiscal year that the System applied allowable costs against the awards. For example, some of the FY23 revenue recognized in the accompanying financial statements related to costs applied against the federal awards in FY22. Also, certain costs applied against the federal awards in FY21 were not recognized as revenue until FY22.

FY23 federal coronavirus relief funding revenue totals $1 million and is related to the following costs:

- Emergency awards made to students in FY23 - $237 thousand
- Recovery of lost FY21 and FY22 revenues - $490 thousand
- Other pandemic related costs - $273 thousand

In FY23, an additional $2 million of federal coronavirus relief funding is reported in the Statements of Revenues, Expenses, and Changes in Net Position as part of capital grants and gifts revenue as the monies were utilized for capital improvements.

FY22 federal coronavirus relief funding revenue totaled $55 million and is related to the following costs:

- Emergency awards made to students in FY22 - $28 million
- Recovery of lost FY21 and FY22 revenues - $22 million
- Other pandemic related costs - $5 million

***State Funding***

From its American Rescue Plan Act funds, the State of Maine awarded the System a total of $35 million to be used for projects related to the Maine Jobs and Recovery Plan (MJRP). During FY23, the System recognized $2 million of coronavirus relief funding from this source of funds. In FY23, the System has reported an additional $4 million of MJRP funds as part of capital grants and gifts revenue in the Statements of Revenues, Expenses, and Changes in Net Position as the monies were utilized for capital improvements.

During FY22, the System recognized $8 million of coronavirus relief funding from a $15 million State of Maine grant awarded to the System in FY21 for COVID-19 testing costs, personal protective equipment, and quarantine related costs.

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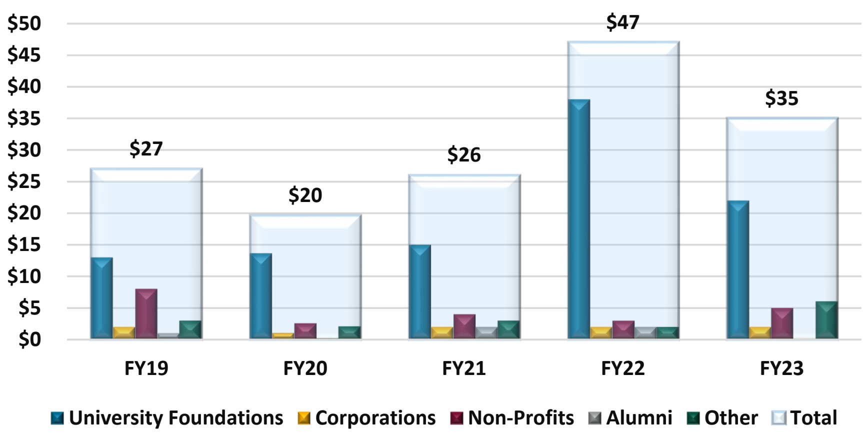
## ***Cash Gifts***

As shown in Chart 10, total cash gifts of $35 million received in FY23 were down $12 million from the prior year, mainly as a result of decreased fundraising for engineering capital projects as those projects were completed during FY23. FY23 gifts from university foundations decreased $16 million, while corporation gifts remained flat. Gifts from non-profits increased $2 million while alumni gifts decreased $2 million and other donor types increased $4 million.

FY22 gifts were up $21 million from the prior year mainly as a result of fundraising for engineering capital projects. Gifts from university foundations increased $23 million, while corporation and alumni gifts remained flat. Gifts from non-profits, and other donor types each decreased $1 million.

Of the $35 million in gifts received in FY23, 89% were restricted, 10% were endowed, and 1% were unrestricted. Of the $47 million in gifts received in FY22, 93% were restricted, 6% were endowed, and 1% were unrestricted.

**Chart 10: Gifts by Donor Type**
**(In millions)**



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## *Operating Expenses*

Table 6 shows expenses on a functional basis while Table 7 shows expenses by natural classification.

### Table 6: Operating Expenses by Functional Classification
### For the Years Ended June 30
**(In millions)**

| | 2023 | | Restated 2022 | | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Instruction | **$199** | **24%** | **$202** | **25%** | $188 | 28% | $183 | 25% | $181 | 25% |
| Academic support | **79** | **10%** | **78** | **10%** | 75 | 11% | 73 | 10% | 73 | 10% |
| Student services | **76** | **9%** | **69** | **8%** | 57 | 8% | 62 | 9% | 61 | 9% |
| Subtotal | **354** | **43%** | **349** | **43%** | 320 | 47% | 318 | 44% | 315 | 44% |
| Research | **110** | **14%** | **100** | **12%** | 86 | 13% | 80 | 11% | 80 | 11% |
| Public service | **72** | **9%** | **65** | **8%** | 59 | 9% | 58 | 8% | 59 | 8% |
| Institutional support | **72** | **9%** | **66** | **8%** | 12 | 2% | 65 | 9% | 74 | 10% |
| Operation and maintenance of plant | **55** | **7%** | **61** | **8%** | 62 | 9% | 50 | 7% | 52 | 7% |
| Depreciation and amortization | **50** | **6%** | **47** | **6%** | 44 | 6% | 42 | 6% | 41 | 6% |
| Student aid | **27** | **3%** | **58** | **7%** | 40 | 6% | 40 | 6% | 36 | 5% |
| Auxiliary enterprises | **70** | **9%** | **65** | **8%** | 57 | 8% | 63 | 9% | 67 | 9% |
| **Total Operating Expenses** | **$810** | **100%** | **$811** | **100%** | $680 | 100% | $716 | 100% | $724 | 100% |

### Table 7: Total Expenses by Natural Classification
### For the Years Ended June 30
**(In millions)**

| | 2023 | | Restated 2022 | | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating: | | | | | | | | | | |
| Compensation | **$379** | **47%** | **$362** | **44%** | $336 | 49% | $331 | 46% | $322 | 44% |
| Benefits | **147** | **18%** | **148** | **18%** | 87 | 13% | 129 | 18% | 139 | 19% |
| Utilities | **27** | **3%** | **30** | **4%** | 27 | 5% | 28 | 4% | 31 | 4% |
| Supplies and Services | **180** | **22%** | **166** | **20%** | 146 | 20% | 146 | 20% | 155 | 21% |
| Depreciation and Amortization | **50** | **6%** | **47** | **6%** | 44 | 6% | 42 | 6% | 41 | 6% |
| Student Aid | **27** | **3%** | **58** | **7%** | 40 | 6% | 40 | 5% | 36 | 5% |
| **Total Operating Expenses** | **810** | **99%** | **811** | **99%** | 680 | 99% | 716 | 99% | 724 | 99% |
| Nonoperating: | | | | | | | | | | |
| Interest | **8** | **1%** | **4** | **1%** | 4 | 1% | 4 | 1% | 4 | 1% |
| **Total Expenses** | **$818** | **100%** | **$815** | **100%** | $684 | 100% | $720 | 100% | $728 | 100% |

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Compensation costs were $379 million in FY23, up 4.7% from the FY22 total of $362 million while FY23 benefits totaled $147 million, down $1 million from the FY22 total of $148 million. Compensation costs for FY22 saw an increase of 7.7% over the FY21 total of $336 million and FY22 benefits were up 70% from the FY21 total of $87 million primarily related to one-time changes in FY21 to the System's OPEB plan.

## *STATEMENTS OF CASH FLOWS*

The Statements of Cash Flows examines the changes in cash position for each year of operations. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the System during the fiscal year. These statements help users assess the System's ability to generate future cash flows, its ability to meet obligations as they become due, and its need for external financing.

## *STATEMENTS OF FIDUCIARY NET POSITION*

The Statements of Fiduciary Net Position present assets that the System holds in a fiduciary or trustee capacity on behalf of various external entities and groups, including the following:

- UMS OPEB Trust
- UMS Defined Benefit Pension plan
- Maine Maritime Academy (withdrew in spring 2022)
- University of Maine School of Law Foundation
- University of Maine at Fort Kent Foundation
- University of Southern Maine Foundation
- John L. Martin Scholarship Fund, Inc.
- USM Osher Map Library Foundation (withdrew in spring 2023)
- Student government groups

As shown in the Condensed Statements of Fiduciary Net Position in Table 8, the System holds a total of $235 million in assets on behalf of the above noted entities. The vast majority of these assets are in the form of pooled investments, representing investment in the System's MIP, either directly or indirectly through the UMS Endowment Pool. See the discussion of the UMS' Managed Investment Pool and Endowments on pages 20 and 22, respectively for more information about these investments.

The Statements of Fiduciary Net Position also present liabilities and net position associated with the assets held on behalf of the external entities.

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**Table 8: Condensed Statements of Fiduciary Net Position as of June 30**
**(In millions)**

| | **2023** | **% Change** | **2022** | **% Change** | 2021 | % Change | 2020 |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | **$ 3** | **50%** | **$ 2** | **0%** | $ 2 | 0% | $ 2 |
| Investments - pooled | **213** | **8%** | **197** | **-30%** | 283 | 30% | 218 |
| Investments - other | **19** | **-10%** | **21** | **-16%** | 25 | 0% | 25 |
| **Total Assets** | **235** | **7%** | **220** | **-29%** | 310 | 27% | 245 |
| | | | | | | | |
| **Total Liabilities** | **-** | **0%** | **-** | **0%** | - | 0% | - |
| Pensions | **19** | **-5%** | **20** | **-20%** | 25 | 0% | 25 |
| Postemployment benefits other than pensions | **174** | **12%** | **156** | **-13%** | 180 | 31% | 137 |
| Pool participants | **39** | **-5%** | **41** | **-60%** | 102 | 26% | 81 |
| Student and other groups | **3** | **0%** | **3** | **0%** | 3 | 50% | 2 |
| **Total Net Position** | **$235** | **7%** | **$220** | **-29%** | $310 | 27% | $245 |

## *STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION*

The Statements of Changes in Fiduciary Net Position show the fiscal year changes in the net position associated with assets held on behalf of the external entities noted in the prior discussion of the Statements of Fiduciary Net Position.

## *STRATEGIC VISION AND PRIORITIES*

### ***Strategic Plan***

The University's new Strategic Plan final structure was approved by the Board of Trustees at its May 2023 meeting. Since then, four general items have been identified as the starting point: Retention, Enrollment, Research, and Economic and Workforce Development with work continuing on goal setting and implementation.

The Strategic Plan will be implemented through an inclusive and transparent process involving faculty, students, staff and leadership. Numerous and ongoing opportunities will exist for members of the University community to take part in the work, and regular public updates will be provided on progress, including reports to the Board's Strategic Planning Committee, the full Board, and related bodies.

The body of the plan is organized around five core commitments:

1. Advancing the state of Maine through teaching, research, and service.

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2. Strengthening our System through financial sustainability and effective academic and infrastructure portfolio management.

3. Making our System a destination for public higher education and a respected, engaging, and rewarding place to work.

4. Creating a sense of belonging in our System through our commitments to justice, equity, diversity, and inclusion, including opportunities for learning presented through multiple modalities (i.e., types of course delivery).

5. Expanding the ability of our universities and law school to collaborate and flourish through our unified accreditation.

Under each Commitment is a set of Actions indicating what we will do to grow and improve our student-focused, innovative, and financially sustainable universities and law school over the next five years. Under each Action is a set of 3 Goals: the steps we will take to operationalize our Actions in the service of our Commitments. In short:

- Our Commitments are what we value.
- Our Actions are the ways we express our values.
- Our Goals are how we will achieve measurable results.

Guided by this plan, our Board of Trustees, Chancellor, presidents, faculty, students, staff, administrators, alumni, and external stakeholders will work together to lead the University of Maine System to a vibrant and sustainable future.

We invite you to learn more about our plan by reviewing the full Strategic Plan located on the University's website.

## ***Research and Innovation***

The need to grow the size and skill of Maine's workforce is paramount to the success of Maine's economic development goals. The University is doing its part in this journey. Research and development-based experiential learning is preparing our students for the Maine workforce and beyond, allowing our students to be problem-solvers and innovators. Affordable, high-quality baccalaureate and graduate education provided by our public universities is the most proven path to social mobility for Mainers and to economic prosperity for our state.

## ***Increase Statewide University Research Activity to Diversify and Grow Maine's Economy***

Governor Mills' proposed FY24–25 biennial budget includes a $3 million increase in commercially promising public university research and innovation through the Maine Economic Improvement Fund (MEIF). In 2022, MEIF had a 6:1 rate of return for the state and allowed UMS universities — led by the R1 flagship UMaine — to directly support hundreds of Maine

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companies and provide high-impact, hands-on paid research learning experiences for over a thousand students. Additional investment will enable UMS to better prepare more graduates to be problem-solvers and innovators in the Maine workforce and help companies here grow and create more great-paying jobs while sustaining the state's abundant natural resources.

Private enterprise in Maine is almost entirely comprised of small businesses, many of which lack their own R&D capacity and rely on UMS expertise and facilities to develop the talent, technology, and new and improved products and processes they need to be competitive.

## ***The Maine Jobs and Recovery Plan – University Funding Allocation***

The federal American Rescue Plan provided relief funding for states including a $1.13 billion allocation to the state of Maine for discretionary use by the Governor and Legislature to respond to the pandemic and support economic recovery. The passage of the Maine Jobs and Recovery Plan (MJRP) identifies priorities for using these funds including $35 million to be invested in critical university workforce infrastructure and experience opportunities thereby advancing economic recovery and Maine's 10-year strategic plan.

These resources will accelerate talent development, research and innovation and the long-term economic growth and global competitiveness of Maine that responds to the COVID-19 public health emergency. Students will experience greater opportunities for exploratory learning, paid internships, and career preparation programs connected to the Maine workforce.
The UMS MJRP Initiative, called Talent, Research & Innovation for Maine (TRI-Maine), includes various projects and a small grants process, with a portion of each budget directly targeted for workforce development. Projects include those related to Green Engineering, Sustainable Aquaculture, Food Innovation and Quality, Early Childhood Education, a Farm Research and Education Center, Digital Science and Innovation, Rural Career Pathways, and Marine Sciences.

## ***University Credit Rating***

The System routinely issues revenue bonds for its capital needs and S&P Global Ratings (S&P) reviews the credit worthiness of the System and its debt. In May 2023, S&P affirmed its AA-rating with a negative outlook for the UMS' revenue bonds. In its overview, S&P assessed UMS' enterprise profile as strong, characterized by our breadth and depth of institutions and with offsetting factors including persistent weakness across demand metrics, with retention, matriculation, and graduation rates falling short of many similarly rated peers and UMS' enrollment, which had generally remained stable, but have recently seen some softening due, in part, to unfavorable state demographics and strong regional competition. Further, they assessed UMS' financial profile as very strong, recognizing our robust financial resources and healthy financial management policies, while noting a history of full-accrual operating deficits and significant future debt plans as a limiting factor. Historically, they viewed UMS' short debt amortization as an additional strength, although the series 2022 bonds extended debt service to 2062.

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## *UNIVERSITY OF MAINE SYSTEM*
## *STATEMENTS OF NET POSITION*
## *JUNE 30, 2023 AND 2022 (IN THOUSANDS)*

| | 2023 | 2022 Restated |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents *(Note 2)* | $ 6,588 | $ 7,441 |
| Operating investments *(Note 3)* | 258,542 | 307,077 |
| Accounts, grants, and pledges receivable, net *(Note 4)* | 75,867 | 64,482 |
| Inventories and prepaid expenses | 7,286 | 6,288 |
| Notes and leases receivable, net *(Note 5)* | 340 | 351 |
| **Total Current Assets** | 348,623 | 385,639 |
| Noncurrent Assets | | |
| Deposits with trustees *(Notes 3 and 6)* | 26,443 | 3,659 |
| Accounts, grants and pledges receivable, net *(Note 4)* | 1,952 | 5,858 |
| Notes and leases receivable, net *(Note 5)* | 22,839 | 26,172 |
| Net OPEB asset *(Note 14)* | 21,169 | - |
| Endowment investments *(Note 3)* | 150,432 | 141,168 |
| Capital assets, net *(Note 6)* | 934,857 | 812,529 |
| Irrevocable split interest agreements | 218 | 470 |
| **Total Noncurrent Assets** | 1,157,910 | 989,856 |
| **Total Assets** | 1,506,533 | 1,375,495 |
| **Deferred Outflows of Resources *(Note 15)*** | 17,193 | 31,707 |
| **Total Assets and Deferred Outflows of Resources** | **$ 1,523,726** | **$ 1,407,202** |
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts payable | $ 31,787 | $ 36,104 |
| Unearned revenue and deposits *(Note 8)* | 34,041 | 29,181 |
| Accrued liabilities - current portion *(Notes 7, 11 and 13)* | 28,395 | 47,384 |
| Obligations for right of use assets - current portion *(Note 7)* | 5,997 | 5,759 |
| Long-term debt - current portion *(Note 7)* | 19,931 | 55,755 |
| Total Current Liabilities | 120,151 | 174,183 |
| Noncurrent Liabilities | | |
| Unearned revenue and other liabilities - noncurrent *(Note 8)* | 7,228 | 4,174 |
| Accrued liabilities *(Notes 7, 11, 13)* | 49,635 | 70,079 |
| Obligations for right of use assets *(Note 7)* | 65,564 | 46,656 |
| Long-term debt *(Note 7)* | 216,808 | 96,138 |
| Government advances refundable *(Note 9)* | 10,008 | 14,152 |
| Total Noncurrent Liabilities | 349,243 | 231,199 |
| **Total Liabilities** | 469,394 | 405,382 |
| **Deferred Inflows of Resources *(Note 15)*** | 53,617 | 32,540 |
| **Net Position** | | |
| Net investment in capital assets *(Note 10)* | 634,614 | 589,331 |
| Restricted nonexpendable *(Note 10)* | 72,410 | 71,249 |
| Restricted expendable *(Notes 3 and 10)* | 152,055 | 147,419 |
| Unrestricted *(Notes 3 and 10)* | 141,636 | 161,281 |
| **Total Net Position** | 1,000,715 | 969,280 |
| **Total Liabilities, Deferred Inflows of Resources and Net Position** | **$ 1,523,726** | **$ 1,407,202** |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***STATEMENTS OF FINANCIAL POSITION – DISCRETELY PRESENTED COMPONENT UNIT***
***DECEMBER 31, 2022 AND 2021 (IN THOUSANDS)***

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ | 4,831 | $ | 4,128 |
| Other receivables | | - | | 49 |
| Promises to give, less allowance for uncollectible pledges of $40 and $140, respectively | | 3,726 | | 4,303 |
| Short-term investments | | 12,971 | | 32,499 |
| Cash surrender value of life insurance | | 244 | | 238 |
| Long-term investments, endowment | | 283,942 | | 329,042 |
| Long-term investments, life income plans | | 5,170 | | 6,454 |
| Notes receivable | | - | | 21 |
| Equity in Buchanan Alumni House | | 2,582 | | 2,625 |
| Investment real estate | | 5,558 | | 5,516 |
| Property and equipment, net of accumulated depreciation of $280 and $252, respectively | | 128 | | 131 |
| Other assets | | 594 | | 520 |
| Irrevocable trusts | | 6,490 | | 7,045 |
| **Total Assets** | **$** | **326,236** | **$** | **392,571** |
| | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ | 694 | $ | 1,806 |
| Liabilities under split-interest agreements | | 2,038 | | 1,869 |
| Accrued expenses | | 1,170 | | 988 |
| Deferred revenue | | 1,891 | | 1,857 |
| Custodial accounts payable | | 3,569 | | 4,116 |
| **Total Liabilities** | | 9,362 | | 10,636 |
| **Net Assets** | | | | |
| Without donor restrictions | | 16,974 | | 17,480 |
| With donor restrictions | | 299,900 | | 364,455 |
| **Total Net Assets** | | 316,874 | | 381,935 |
| **Total Liabilities and Net Assets** | **$** | **326,236** | **$** | **392,571** |

See accompanying notes to the basic financial statements.

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## *UNIVERSITY OF MAINE SYSTEM*
## *STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*
## *YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)*

| | 2023 | 2022 restated |
|---|---|---|
| **Operating Revenues** | | |
| Tuition and fees | $ 314,122 | $ 328,080 |
| Residence and dining fees | 67,278 | 65,160 |
| Less: scholarship allowances | (129,910) | (130,416) |
| **Net student fees** | 251,490 | 262,824 |
| Federal, state and private grants and contracts | 143,399 | 139,545 |
| Recovery of indirect costs | 24,924 | 23,498 |
| Educational sales and services and other revenues | 34,576 | 30,520 |
| Other auxiliary enterprises | 10,101 | 10,327 |
| **Total Operating Revenues** | 464,490 | 466,714 |
| **Operating Expenses** | | |
| Instruction | 199,123 | 201,957 |
| Research | 110,061 | 99,531 |
| Public service | 71,507 | 65,217 |
| Academic support | 78,554 | 78,274 |
| Student services | 76,111 | 69,190 |
| Institutional support | 71,919 | 66,188 |
| Operation and maintenance of plant | 55,405 | 61,238 |
| Depreciation and amortization *(Note 6)* | 50,335 | 46,873 |
| Student aid | 27,263 | 57,578 |
| Auxiliary enterprises | 70,204 | 64,552 |
| **Total Operating Expenses** | 810,482 | 810,598 |
| **Operating Loss** | (345,992) | (343,884) |
| **Nonoperating Revenues (Expenses)** | | |
| Noncapital State of Maine appropriations | 247,992 | 229,357 |
| Federal Pell Grants | 32,131 | 33,735 |
| Coronavirus relief funding | 3,020 | 62,886 |
| Gifts currently expendable | 28,544 | 19,883 |
| Endowment return used for operations *(Note 3)* | 6,494 | 6,154 |
| Investment income (loss) *(Note 3)* | 13,475 | (13,664) |
| Interest expense, net *(Note 7)* | (8,877) | (4,193) |
| **Net Nonoperating Revenues (Expenses)** | 322,779 | 334,158 |
| **Loss Before Other Changes in Net Position** | (23,213) | (9,726) |
| **Other Changes in Net Position** | | |
| State of Maine capital appropriations | 21,301 | 25,392 |
| Capital grants and gifts | 26,355 | 34,437 |
| Endowment return (loss), net of amount used for operations *(Note 3)* | 7,937 | (26,295) |
| True and quasi endowment gifts | 1,222 | 2,782 |
| Loss on disposal of capital assets | (2,167) | (558) |
| **Total Other Changes in Net Position** | 54,648 | 35,758 |
| **Change in Net Position** | 31,435 | 26,032 |
| **Net Position - Beginning of the Year-As Restated** | 969,280 | 943,248 |
| **Net Position - End of Year - As Restated *(Note 17)*** | $ 1,000,715 | $ 969,280 |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***STATEMENTS OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNIT***
***YEAR ENDED DECEMBER 31, 2022 AND SIX MONTHS ENDED DECEMBER 31, 2021***
***(IN THOUSANDS)***

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenues, Gains, Losses, and Reclassification** | | | | | | |
| Contributions | $ 7,045 | $ 17,931 | $ 24,976 | $ 4,461 | $ 8,231 | $ 12,692 |
| Advancement services | 3,745 | - | 3,745 | 1,857 | - | 1,857 |
| Investment returns (loss) and other revenue | (984) | (49,093) | (50,077) | 622 | 17,284 | 17,906 |
| Reinvestment of donor funds | - | - | - | 78 | (78) | - |
| Net assets released from restrictions pursuant to endowment spending distribution | 7,163 | (7,163) | - | 3,532 | (3,532) | - |
| Net assets released from restrictions - other | 26,230 | (26,230) | - | 2,883 | (2,883) | - |
| **Total Revenues, Gains, Losses, and Reclassification** | 43,199 | (64,555) | (21,356) | 13,433 | 19,022 | 32,455 |
| **Expenses and Losses** | | | | | | |
| Program services | 38,823 | - | 38,823 | 9,272 | - | 9,272 |
| Management and general | 1,307 | - | 1,307 | 540 | - | 540 |
| Fundraising | 3,575 | - | 3,575 | 1,555 | - | 1,555 |
| **Total Expenses** | 43,705 | - | 43,705 | 11,367 | - | 11,367 |
| **Change in Net Assets** | **(506)** | **(64,555)** | **(65,061)** | **2,066** | **19,022** | **21,088** |
| **Net Assets - Beginning of Year** | 17,480 | 364,455 | 381,935 | 15,414 | 345,433 | 360,847 |
| **Net Assets - End of Year** | $ 16,974 | $ 299,900 | $ 316,874 | $ 17,480 | $ 364,455 | $ 381,935 |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***STATEMENTS OF CASH FLOWS***
***YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)***

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Tuition, residence, dining, and other student fees | $ 254,940 | $ 261,234 |
| Grants and contracts | 162,980 | 167,867 |
| Educational sales and services and other auxiliary enterprise revenues | 40,130 | 39,080 |
| Payments to and on behalf of employees | (548,831) | (501,215) |
| Financial aid paid to students | (32,619) | (62,334) |
| Payments to suppliers | (202,110) | (195,892) |
| Loans issued to students | (1,981) | (1,778) |
| Collection of loans to students | 3,617 | 4,774 |
| **Net Cash Used for Operating Activities** | (323,874) | (288,264) |
| **Cash Flows From Noncapital Financing Activities** | | |
| State appropriations | 247,992 | 229,357 |
| Federal Pell Grants | 31,985 | 34,602 |
| Coronavirus relief funding | 7,573 | 73,915 |
| Noncapital grants and gifts | 28,228 | 20,920 |
| Agency transactions | (1,144) | 655 |
| **Net Cash Provided by Noncapital Financing Activities** | 314,634 | 359,449 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Proceeds from capital debt issuances | 90,875 | - |
| Capital appropriations | 30,479 | 23,832 |
| Capital grants and gifts | 17,598 | 31,454 |
| Proceeds from sale of capital assets | 1,073 | 45 |
| Acquisition and construction of capital assets | (141,153) | (102,823) |
| Principal paid on capital debt and obligations of right of use assets | (25,652) | (15,218) |
| Interest paid on capital debt and leases | (9,073) | (5,223) |
| **Net Cash Used for Capital and Related Financing Activities** | (35,853) | (67,933) |
| **Cash Flows From Investing Activities** | | |
| Proceeds from sales and maturities of investments | 713,778 | 562,486 |
| Purchases of investments | (672,499) | (568,421) |
| Earnings from investments | 2,961 | 7,094 |
| **Net Cash Provided by Investing Activities** | 44,240 | 1,159 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (853) | 4,411 |
| **Cash and Cash Equivalents - Beginning of Year** | 7,441 | 3,030 |
| **Cash and Cash Equivalents - End of Year** | **$ 6,588** | **$ 7,441** |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***STATEMENTS OF CASH FLOWS***
***YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)***

**Reconciliation of operating loss to net cash used for operating activities:**

| | 2023 | 2022 Restated |
|---|---|---|
| Operating Loss | $ (345,992) | $ (343,884) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation and amortization | 50,335 | 46,873 |
| Changes in assets, liabilities, deferred outflows and deferred inflows: | | |
| Accounts and grants receivable, net | (6,871) | 924 |
| Inventories and prepaid expenses | (998) | (726) |
| Notes and leases receivable, net | 3,017 | 4,579 |
| Net OPEB (asset) liability | (21,169) | 18,058 |
| Irrevocable split interest agreements | 252 | 377 |
| Deferred outflows related to pensions | 1,127 | (794) |
| Deferred outflows related to OPEB | 11,976 | (13,556) |
| Accounts payable | 3,050 | 2,224 |
| Unearned revenue and deposits | 5,624 | 2,993 |
| Accrued liabilities | (41,158) | 24,892 |
| Grants refundable | (4,144) | (5,208) |
| Deferred inflows related to pensions | (102) | (923) |
| Deferred inflows related to OPEB | 21,406 | (23,775) |
| Deferred inflows related to split interest agreements | (252) | (377) |
| Deferred inflows related to leases | 25 | 59 |
| **Net Cash Used for Operating Activities** | **$ (323,874)** | **$ (288,264)** |

**Noncash investing, capital, and financing activities:**

| | 2023 | 2022 Restated |
|---|---|---|
| Capital asset additions included in accounts payable and accrued liabilities as of June 30 | $ 15,088 | $ 22,459 |
| Capital asset additions acquired through long-term debt | $ 812 | $ 105 |
| Capital asset additions acquired through obligations of right of use assets | $ 25,177 | $ 22,587 |
| Bond issuance costs financed with bond payable | $ 420 | $ - |
| Refunding of debt through new bond issuance | $ 81,582 | $ - |
| Liquidation of debt service reserve | $ 45 | $ - |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***STATEMENTS OF FIDUCIARY NET POSITION***
***JUNE 30, 2023 AND 2022*** ***(IN THOUSANDS)***

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | | Custodial Funds | | | Custodial Funds | |
| | Pension and Other Employee Benefit Trust Funds | External Investment Pools | Other Custodial Funds | Pension and Other Employee Benefit Trust Funds | External Investment Pools | Other Custodial Funds |
| **Assets** | | | | | | |
| Cash and cash equivalents *(Note 2)* | $ - | $ - | $ 2,662 | $ - | $ - | $ 2,687 |
| Investment in UMS managed investment pool *(Note 3)* | 174,427 | 5,073 | - | 156,012 | 10,683 | - |
| Investment in UMS endowment pool *(Note 3)* | - | 33,912 | - | - | 30,150 | - |
| Other investments *(Note 3)* | 18,986 | 391 | - | 20,392 | 168 | - |
| Prepaid expenses | - | - | 24 | - | - | 5 |
| **Total Assets** | 193,413 | 39,376 | 2,686 | 176,404 | 41,001 | 2,692 |
| **Liabilities** | | | | | | |
| Accounts payable and other liabilities | - | - | 80 | - | - | 6 |
| Requested by beneficiaries | - | 391 | - | - | 168 | - |
| **Total Liabilities** | - | 391 | 80 | - | 168 | 6 |
| **Net Position Restricted for:** | | | | | | |
| Pensions | 18,986 | - | - | 20,392 | - | - |
| Postemployment benefits other than pensions | 174,427 | - | - | 156,012 | - | - |
| Pool participants | - | 38,985 | 39 | - | 40,833 | 27 |
| Student and other groups | - | - | 2,567 | - | - | 2,659 |
| **Total Net Position** | $ 193,413 | $ 38,985 | $ 2,606 | $ 176,404 | $ 40,833 | $ 2,686 |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION***
***YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)***

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | | Custodial Funds | | | Custodial Funds | |
| | Pension and Other Employee Benefit Trust Funds | External Investment Pools | Other Custodial Funds | Pension and Other Employee Benefit Trust Funds | External Investment Pools | Other Custodial Funds |
| **Additions** | | | | | | |
| Contributions | | | | | | |
| Employer contributions | $ 9,721 | $ - | $ - | $ 5,609 | $ - | $ - |
| Retiree contributions | 1,770 | - | - | 1,688 | - | - |
| Contributions to investment pools | - | 1,935 | - | - | 10,722 | - |
| Private donations | - | - | - | - | - | 29 |
| Total contributions | 11,491 | 1,935 | - | 7,297 | 10,722 | 29 |
| Investment income (loss) | | | | | | |
| Interest and dividends | 3,981 | 875 | 92 | 2,312 | 1,019 | 2 |
| Net increase (decrease) in fair value of investments | 15,252 | 3,459 | - | (25,461) | (7,885) | - |
| Total investment income (loss) | 19,233 | 4,334 | 92 | (23,149) | (6,866) | 2 |
| Less investment expense | (1,235) | (250) | - | (1,269) | (396) | - |
| Net investment income (loss) | 17,998 | 4,084 | 92 | (24,418) | (7,262) | 2 |
| Other additions | | | | | | |
| Student activity fees | - | - | 2,102 | - | - | 2,172 |
| Endowment income distribution | - | - | 1,167 | - | - | 1,100 |
| Other income | - | - | 300 | - | - | 280 |
| Total other additions | - | - | 3,569 | - | - | 3,552 |
| **Total additions** | 29,489 | 6,019 | 3,661 | (17,121) | 3,460 | 3,583 |
| **Deductions** | | | | | | |
| Beneficiary payments | 12,470 | - | - | 12,018 | - | - |
| Investment pool distributions | - | 7,867 | - | - | 62,664 | - |
| Distribute activity fees | - | - | 1,336 | - | - | 1,407 |
| Distribute amount requested | - | - | 53 | - | - | - |
| Distribute other revenues | - | - | - | - | - | 29 |
| Donations and sponsorships | - | - | 1,151 | - | 2,111 | 1,084 |
| Purchases by student and other groups | - | - | 1,201 | - | - | 1,027 |
| Administrative costs | 10 | - | - | 18 | - | - |
| **Total deductions** | 12,480 | 7,867 | 3,741 | 12,036 | 64,775 | 3,547 |
| **Change in Fiduciary Net Position** | 17,009 | (1,848) | (80) | (29,157) | (61,315) | 36 |
| **Net Position - Beginning of the Year** | 176,404 | 40,833 | 2,686 | 205,561 | 102,148 | 2,650 |
| **Net Position - End of Year** | $ 193,413 | $ 38,985 | $ 2,606 | $ 176,404 | $ 40,833 | $ 2,686 |

See accompanying notes to the basic financial statements.

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***UNIVERSITY OF MAINE SYSTEM***
***NOTES TO FINANCIAL STATEMENTS***
***YEARS ENDED JUNE 30, 2023 AND 2022 (IN THOUSANDS)***

## *1. SIGNIFICANT ACCOUNTING POLICIES*

### *a. Organization*

The University of Maine System ("the System"), a discretely presented component unit of the State of Maine, consists of seven universities, eight centers, and a central administrative office. All activities of the System are included in the accompanying financial statements, including those of its discretely presented component unit, the University of Maine Foundation, which is a not-for-profit entity controlled by a separate governing board whose goal is to support the System (see Note 16). The component unit receives funds primarily through donations and contributes funds to the System for student scholarships, institutional support and capital construction support.

### *b. Basis of Presentation*

The accompanying financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

Under the System's policy, operating activities in the Statements of Revenues, Expenses, and Changes in Net Position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services and certain grants. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* These nonoperating activities include the System's noncapital appropriations from the State of Maine, federal pell grants, coronavirus relief funding, gifts currently expendable, endowment return used for operations, net investment income, and interest expense.

In FY23, the System adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* (PPPs), (GASB No. 94). This statement increases the usefulness of governments' financial statements by requiring disclosures that will allow users to understand the scale and important aspects of the System's PPPs and evaluate future obligations and assets resulting from PPPs.

The System adopted the provisions of GASB No. 94 retroactive to July 1, 2021. The implementation resulted in no restatement of FY22 revenues and expenses; however, service concession arrangements formerly reported in conformity with GASB No. 60, *Accounting and*

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

*Financial Reporting for Service Concession Arrangements,* were reclassed from Deferred Inflows of Resources to current and noncurrent Unearned Revenue in the Statements of Net Position in the FY22 financial statements, in accordance with the provisions of GASB No. 94.

In FY23, the System also adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB No. 96). This statement increases the usefulness of governments' financial statements by requiring the recognition of a right of use subscription asset, an intangible asset, and a corresponding subscription liability based on the payment provisions of the arrangement, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The System adopted the provisions of GASB No. 96 retroactive to July 1, 2021, and has restated its FY22 financial statements in accordance with the provisions of GASB No. 96. The adoption of GASB No. 96 is described further in Note 17.

### ***c. Fiduciary Funds***

The System holds these funds on behalf of other entities as a trustee or fiduciary. The System is responsible for ensuring such assets are used only for their intended purposes and by those to whom the assets belong.

The System reports its fiduciary funds in the following financial statements that accompany these notes.

> **Statements of Fiduciary Net Position** – Presents the assets held by the System in a fiduciary capacity as of June 30 along with the related deferred outflows of resources, liabilities, deferred inflows of resources, and net position.
>
> **Statements of Changes in Fiduciary Net Position** – Presents the components of the fiscal year change in net position of the fiduciary funds.

The System's fiduciary financial statements include the following types of fiduciary funds:

> **Pension and Other Employee Benefit Trusts** – The respective Trust includes assets of the System's Defined Benefit Pension Plan for classified employees and its OPEB health plan.
>
> **External Investment Pools** – These are a type of custodial fund and represent amounts invested by external parties in the System's managed investment and endowment pools.
>
> **Other Custodial Funds** – These custodial funds are held on behalf of various student government groups.

### ***d. Net Position***

The accompanying Statements of Net Position present the System's net position (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) in the following four categories:

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

**Net investment in capital assets:** Capital assets, net of accumulated depreciation and amortizaton and outstanding principal balances of debt, leases and SBITAs attributable to the acquisition, construction, repair or improvement of those assets. It also includes the premiums/discounts related to the outstanding debt. This category excludes the portion of debt attributable to unspent bond proceeds.

**Restricted – nonexpendable:** Net position subject to externally imposed conditions that the System maintain them in perpetuity. Such net position includes the historical gift value of restricted true endowment funds. In the event that market fluctuations have caused the fair value of an endowment to fall below corpus, the related net position is valued at the lower fair value amount.

**Restricted – expendable:** Net position subject to externally imposed conditions that can be fulfilled by the actions of the System or by the passage of time. Such net position includes the accumulated net gains on true endowment funds, restricted gifts and income, and other similarly restricted funds.

**Unrestricted:** All other categories of net position. Unrestricted net position may be committed by actions of the System's Board of Trustees.

The System has adopted a policy of generally utilizing restricted – expendable resources, when available, prior to unrestricted resources.

### *e. Cash and Cash Equivalents*

The System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### *f. Investments*

All investments are reported at fair value except for the state pool, which is reported at amortized cost. System management is responsible for the fair measurement of investments reported in the financial statements. The System has implemented policies and procedures to assess the reasonableness of the fair values provided and believes that reported fair values at the Statements of Net Position dates are reasonable.

**Pooled Third party investments:** During FY23 three outside entities, the UMS Other Postemployment Benefit (OPEB) Trust, the USM Osher Map Library Foundation and the University of Maine School of Law Foundation, pooled monies with the System's endowment pool. Investment performance results of these pooled monies are allocated on a pro rata basis based on the number of pool shares held by each entity. The USM Osher Map Library Foundation withdrew from the pool during FY23. During FY22, Maine Maritime Academy withdrew from the pool.

Contributions to and withdrawals from the pool are allowed only on the first business day of a calendar quarter.

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### *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

Investment of these monies follows guidelines approved by the System's Board of Trustees Investment Committee. These guidelines are further disclosed in the remainder of this Note and Note 3 to these financial statements as part of the discussion of endowments.

**Endowment**: The System follows the pooled investment concept for its endowed funds, whereby all invested funds are included in one pool, except for funds that are separately invested as directed by the donor. Investment income is allocated to each endowed fund in the pool based on its pro rata share of the pool.

The income produced by the fund, including realized and unrealized gains, can be used to meet the spending objective. As determined by policy, the expendable income objective was 4.5% for FY23 and FY22. The percentage was applied to a twelve-quarter market value average to determine expendable income.

Under State of Maine law, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The System's policy is to spend endowment appreciation to the extent of the approved annual spending rate while not invading corpus. The return (loss) net of the amount used for operations is presented as Other Changes in Net Position in the Statements of Revenues, Expenses and Changes in Net Position.

**Authorized Investment Vehicles - Operating Investments:** The System has a three-tiered approach regarding its operating investments:

- **Liquidity Pool** – The purpose of this pool is to meet the day-to-day obligations of the System. It consists of funds that are invested in a portfolio of highest quality short-term fixed-income securities (e.g., Treasury obligations, agency securities, repurchase agreements, money market funds, commercial paper, and/or short-term bond mutual funds) with adequate liquidity. The average quality of the pool will be rated at least "A-1" by Standard and Poor's (or equivalent).
- **Income Pool** – The purpose of this pool is to provide sufficient income to meet budgetary goals and provide additional diversification to minimize downside risk. This pool invests in a diversified portfolio which may include items such as, but not limited to, fixed income securities, Federal Deposit Insurance Corporation insured or adequately collateralized certificates of deposit (CDs), or unconstrained, short or intermediate term bond funds with a normal average duration of -2 to 7 years. The pool may invest in funds rated from BB to AAA quality. The overall average quality rating of this pool will be at least "A-" by Standard and Poor's (or equivalent).

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

- **Total Return Pool** – This pool is expected to add diversification and growth to the portfolio and may invest in diversified assets made up of, but not limited to, equities, hedge funds, and global asset allocation mandates.

**Authorized Investment Vehicles - Endowment Investments:** The fund is diversified both by asset class and within asset classes. To have a reasonable probability of consistently achieving the Fund's return objectives, the following asset allocation policy ranges were applicable as of June 30, 2023 and 2022.

| | **2023** | **2022** |
|---|---|---|
| Equity securities | 49-69% | 49-69% |
| Fixed income securities | 16-36% | 16-36% |
| Other | 5-25% | 5-25% |
| Cash | 0-10% | 0-10% |

**Authorized Investment Vehicles - Deposits with Trustees**: These monies are invested in accordance with the governing bond resolutions and arbitrage certificates.

### ***g. Gifts and Pledges***

Gifts are recorded at their fair value at the date of gift. Promises to donate to the System are recorded as receivables and revenues when the System has met all applicable eligibility and time requirements. Gifts and bequests to be used for endowment purposes are categorized as endowment gifts. Other gifts are categorized as currently expendable. Pledges receivable are reported net of amounts deemed uncollectible and after discounting to the present value of the expected future cash flows. Since the System cannot fulfill the time requirement for gifts to endowments until the gift is received, pledges to endowments are not reported. Because of uncertainties with regard to their realizability and valuation, bequests and intentions to give and other conditional promises are not recognized as assets until the specified conditions are met.

### ***h. Grants and Contracts and Capital Appropriations***

The System records a receivable and corresponding revenue for grants and contracts and capital appropriations at the point all eligibility requirements (e.g., allowable costs are incurred) are met.

### ***i. Inventories***

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

### ***j. Capital Assets***

Capital assets which include property, plant, equipment, intangible assets and library holdings are recorded at cost when purchased or constructed, at net present value of lease and SBITA agreements and at acquisition value at date of donation. Costs for maintenance,

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

repairs and minor renewals and replacements are expensed as incurred; major renewals and replacements are capitalized.

Prior to July 1, 2003, library materials were generally capitalized and depreciated over a ten-year period. Effective July 1, 2003, the System began to expense library materials as incurred. The System will retain the undepreciated library materials balance as a core non-depreciating asset.

The System does not capitalize and depreciate its collections of historical treasures and works of art because it is the System's policy that:

- Works of art and historical treasures are to be held for public exhibition, education, or research in furtherance of public service, rather than for financial gain.
- Works of art and historical treasures are to be protected, kept unencumbered, cared for, and preserved.
- Proceeds from sale of works of art and historical treasures are to be used to acquire other items for the collections.

A capitalization threshold of $50 is used for buildings, building additions and improvements, land improvements, internally generated intangibles and SBITA agreements. Equipment (including equipment acquired under leases) and purchased software are capitalized with a unit cost of $5 or more. These assets, with the exception of land, are depreciated and amortized using the straight-line basis over the estimated useful lives of the related assets, which range from 4 to 60 years.

### *k. Obligations for Right of Use Assets and Subscription Based Information Technology Arrangements*

The System is a lessee and a lessor for various noncancelable leases of buildings and has noncancelable SBITAs or the right to use information technology hardware and software.

**Short-term Leases and SBITAs:** For leases and SBITAs with a maximum possible term of 12 months or less at commencement, the System recognizes expense based on the provisions of the contract.

**Leases and SBITAs Other Than Short-term:** For all other leases and SBITAs (i.e. those that are not short-term), the System recognizes an obligation for right of use assets and an intangible right of use asset or a lease receivable and deferred inflow of resources.

**Measurement of Lease and SBITA Amounts:** At lease or SBITA commencement, the System initially measures the liability or receivable at the present value of payments expected to be made during the term. Subsequently, the lease or SBITA liability is reduced by the principal portion of payments made and the underlying asset is amortized on a straight-line basis over the shorter of the lease or SBITA term or the useful life of the underlying asset. The lease receivable is reduced by the principal portion of payments received and the related deferred inflows are amortized under the interest method to recognize rental revenue.

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

**Key Estimates and Judgments:** Key estimates and judgments include how the System determines (1) the discount rate it uses to calculate the present value of the expected lease or SBITA payments, and (2) lease or SBITA term. The System generally uses its estimated incremental borrowing rate as the discount rate for lease and SBITA arrangements unless the rate that the lessor/vendor charges is known.

- The lease or SBITA term includes the noncancelable period of the lease or SBITA arrangement plus any additional periods covered by either the System or lessor/vendor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the System and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or SBITA term.
- Payments are evaluated by the System to determine if they should be included in the measurement of the lease or SBITA liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

**Remeasurement of Lease and SBITA Amounts:** The System monitors changes in circumstances that may require remeasurement of a lease or SBITA arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or SBITA liability, the liability is remeasured and a corresponding adjustment is made to the right of use asset.

### *l. Irrevocable Split-Interest Agreements*

The System's irrevocable split-interest agreements consist of the System's remainder interest in trusts held by third parties. The System reports these irrevocable split-interest agreements as assets and deferred inflows of resources when it becomes aware of the agreement and has sufficient information to measure its beneficial interest. The System recognizes the annual change in the fair values of the split interest agreements as an increase or decrease in the asset and the related deferred inflows of resources. The System will recognize revenue at the termination of the agreement, as stipulated in the irrevocable split-interest agreement. Also, at the termination of the agreement, the split-interest asset and the related deferred inflow of resources will be eliminated.

### *m. Unearned Revenue and Deposits*

Unearned revenue and deposits in the Statements of Net Position consists primarily of grant and contract advances and deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year. Unearned revenue for summer programs is presented net of waivers. Other expenses related to unearned revenue for summer programs are presented as prepaids in the Statements of Net Position (e.g., scholarships, supplies).

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

### ***n. Compensated Absences***

Employees earn the right to be compensated during absences for annual vacation leave. The accompanying Statements of Net Position reflect an accrual for the amounts earned, including related benefits ultimately payable. The System accounts for the vacation leave hours on a last-in, first-out basis. A portion of this liability is classified as current and represents the System's estimate of vacation time that will be paid during the next fiscal year to employees leaving the System.

### ***o. Deferred Outflows and Deferred Inflows of Resources***

Deferred outflows of resources are the consumption of assets or increase in liabilities that is applicable to future reporting periods. Deferred outflows of resources are presented separately after Total Assets in the Statements of Net Position.

The System's deferred outflows consist of:

1. The difference between the reacquisition price and the carrying value of refunded revenue bonds. These amounts are to be recognized as a component of interest expense over the shorter of the remaining life of the refunded bonds or the life of the new bonds.
2. Assumption and experience changes and net investment losses that increase the pension and OPEB liabilities. These amounts are to be recognized as components of pension and postemployment health expense in future reporting periods.

Deferred inflows of resources are the acquisition of assets or reduction of liabilities that is applicable to future reporting periods. Deferred inflows of resources are presented separately after Total Liabilities in the Statements of Net Position.

The System's deferred inflows of resources consist of:

1. Assumption and experience changes and net investment gains that reduce the pension and OPEB liabilities. These amounts are to be recognized as components of pension and postemployment health expense in future reporting periods.
2. An offsetting credit to the fair value of the System's remainder interest in irrevocable split-interest agreements. These deferrals will be recognized as gift income at the termination of the split-interest agreement.
3. An offsetting credit to the net present value of the System's lease receivables. These amounts will be recognized as rental income over the life of the agreement.

### ***p. Net Student Fees***

Student tuition, dining, residence, and other fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as student aid expense.

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## *1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

### ***q. Tax Status***

The System is exempt from income taxes under Section 115 of the Internal Revenue Code ("the Code") as a governmental entity. It is also recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code.

### ***r. Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates in the financial statements include liabilities for self-insured plans, pension and other retirement benefit obligations, as well as allowances for uncollectible receivables. Actual results could differ from those estimates.

### ***s. Reclassifications***

Certain FY22 items in the accompanying financial statements have been reclassified, without effect on total net position, to conform with GASB No. 94 by reclassifying service concession arrangements from deferred inflows of resources to current and noncurrent unearned revenue; and to conform to the FY23 presentation by reclassifying Lease Liabilities in the Statements of Net Position to Obligations for Right of Use Assets.

## *2. CASH AND CASH EQUIVALENTS*

Custodial credit risk is the risk that in the event of bank failure, the System's deposits, including those held in a fiduciary capacity, may not be returned. Deposits are considered uninsured if they are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the System's name. The System's policy is that with the exception of daily operating cash, it will carry no deposits that are uncollateralized or uninsured. As of June 30, 2023 and 2022, bank balances with uninsured or uncollateralized operating cash deposits were $2,270 and $4,561, respectively.

## *3. INVESTMENTS*

### ***a. Composition and Fair Value Measurements***

***Composition and Purpose of Investments:***

The System uses a pooled investment approach for its endowments (including Affiliates' endowments invested with the System) unless otherwise required by the donor. As previously noted, four outside entities - the UMS OPEB Trust, Maine Maritime Academy (ended FY22), the

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *3. INVESTMENTS - CONTINUED*

University of Maine School of Law Foundation, and the USM Osher Map Library Foundation (new FY22 and ended FY23) - pool monies for investment purposes with the System's endowment. Investment policies and strategies are determined for this combined Managed Investment Pool (MIP). Fair values, credit ratings, and interest rate risk for the entire investment pool are presented below under "DB Plan and MIP investments". The amount held for the outside entities are shown as "MIP held on behalf of outside entities".

***Operating Investments:*** The System's operating investments are available to fund operations or other purposes as determined by System management.

***Deposits with Trustees***: Deposits with trustees are composed of unexpended bond proceeds from bond issuances, bond anticipation notes and escrow accounts associated with the System's lease-purchase program.

***Endowment Investments:*** Except for certain gifts invested separately at the request of the donors ($1,981 and $1,851 at June 30, 2023 and 2022, respectively), the System's endowment is managed as a pooled investment fund using external investment managers. The University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation, and the John L. Martin Scholarship Fund, Inc. participate in the System's endowment pool through a management agreement. The fair values of the investments held for these affiliated organizations at June 30, 2023 and 2022, respectively are $33,912 and $30,150, and are reported as investment in the UMS endowment pool in the accompanying Statements of Fiduciary Net Position.

Endowed gifts are invested to generate income to be used to fund various activities such as scholarships and research as specified by the donors. The total endowment accumulated net income and appreciation available to the System for spending is as follows at June 30:

| | 2023 | 2022 |
|---|---|---|
| Restricted - expendable | $59,463 | $52,519 |
| Unrestricted | 18,328 | 17,183 |
| Total available for spending | $77,791 | $69,702 |

***Investments for the Defined Benefit Plan – Classified Employees:*** These pension plan investments offset the Total Pension Liability of the System's Defined Benefit Plan – Classified Employees (DB Plan) described in Note 13d. They are managed by the System and their fair values, credit ratings, and interest rate risk are presented below in the "DB Plan and MIP investments".

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## *3. INVESTMENTS - CONTINUED*

***Fair Value Measurements:***

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the entity's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB No. 72 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and describes three levels of inputs that may be used to measure fair value:

Level 1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.

Level 2. Valuations based on significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilites, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement. They reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The above hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements. Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The System measures the fair value of investments in certain entities that do not have a quoted market price at the calculated NAV per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

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### *3. INVESTMENTS - CONTINUED*

The **System's operating investments and deposits with trustees** were composed of the following at June 30, 2023:

| | Total | Fair Value Measurements Using: Level 1 | Level 2 | Level 3 | Credit Rating | Interest Rate Risk | |
|---|---|---|---|---|---|---|---|
| **Operating Investments measured at fair value:** | | | | | | | |
| Equities: | | | | | | | |
| Multi-strategy funds | $ 52,246 | $ 23,255 | $ 28,991 | $ - | | | |
| Fixed income funds: | | | | | | | |
| Bonds | 124,993 | 43,725 | 81,268 | - | Not rated | 3.4-6.31 years | Duration |
| Money markets | 21,319 | 21,319 | - | - | Not rated | 16-33 days | Weighted Average Maturity |
| **Total operating investments at fair value level** | **198,558** | **$ 88,299** | **$ 110,259** | **$ -** | | | |
| Operating investments measured at NAV | | | | | | | |
| Equities: Multi-Strategy | 16,387 | | | | | | |
| Bank loans | 19,601 | | | | Not rated | .12 years | Duration |
| Total operating investments measured at NAV | 35,988 | | | | | | |
| Total operating investments measured at fair value plus NAV | 234,546 | | | | | | |
| State pool measured at amortized cost | 23,996 | | | | Not rated | .65 years | Duration |
| **Total operating investments** | **$ 258,542** | | | | | | |
| | | | | | | | |
| **Deposits with Trustees:** | | | | | | | |
| Bonds and money markets | **$ 26,443** | **$ 26,443** | **$ -** | **$ -** | Not rated | 16-39 days | Weighted Average Maturity |

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### *3. INVESTMENTS – CONTINUED*

The **System's DB Plan, MIP and separately invested endowments** were composed of the following at June 30, 2023:

| | Total | Fair Value Measurements Using: Level 1 | Level 2 | Level 3 | Credit Rating | Interest Rate Risk | |
|---|---|---|---|---|---|---|---|
| **Investments measured at fair value:** | | | | | | | |
| Equities: | | | | | | | |
| Equity securities | $ 9,049 | $ 9,049 | $ - | $ - | | | |
| Equity funds | 121,380 | 27,067 | 94,313 | - | | | |
| Multi-strategy funds | 27,359 | 27,359 | - | - | Not rated | Not rated | |
| Fixed income funds: | | | | | | | |
| Money markets | 18,899 | 18,899 | - | - | Not rated | 31 days | Weighted Average Maturity |
| Bonds | 41,206 | 41,206 | - | - | Not rated | 2.7-7.3 years | Duration |
| Real assets | 1,789 | - | - | 1,789 | Not rated | Not rated | |
| Total DB Plan, MIP and separately held at fair value level | 219,682 | $ 123,580 | $ 94,313 | $ 1,789 | | | |
| **Investments measured at NAV:** | | | | | | | |
| Equity securities | 56,500 | | | | | | |
| Equity funds | 32,829 | | | | | | |
| Multi-strategy funds | 28,159 | | | | | | |
| Fixed income funds - bonds | 23,390 | | | | | | |
| Bank loans | 20,466 | | | | Not rated | 0.12 years | Duration |
| Total DB Plan and MIP investments measured at NAV | 161,344 | | | | | | |
| **Total DB Plan, MIP and separately held investments** | $ 381,026 | | | | | | |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *3. INVESTMENTS – CONTINUED*

Breakdown of investments by portfolio at June 30, 2023:

| | | Fair Value Measurements Using: | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Breakdown of above investments by portfolio plus separately invested endowments:** | | | | |
| DB Plan at fair value level | $ 10,614 | $ 8,825 | $ - | $ 1,789 |
| DB Plan at NAV | 8,372 | | | |
| **Total DB Plan Investments** | **$ 18,986** | | | |
| **Fiduciary funds separately invested at fair level** | **$ 391** | $ 391 | | |
| MIP held on behalf of outside entities at fair level | $ 103,575 | $ 56,764 | $ 46,811 | $ - |
| MIP held on behalf of outside entities at NAV | 75,925 | | | |
| **Total MIP held on behalf of outside entities** | **$ 179,500** | | | |
| Fiduciary Funds held in Endowment Pool at fair value level | $ 19,583 | $ 10,749 | $ 8,834 | $ - |
| Fiduciary Funds held in Endowment Pool at NAV | 14,329 | | | |
| **Total Fiduciary Funds held in Endowment Pool** | **$ 33,912** | | | |
| Endowment pool investments included in the MIP at fair value | $ 85,520 | $ 46,852 | $ 38,668 | $ - |
| Endowment pool investments included in the MIP at NAV | 62,718 | | | |
| Total endowment pool investments included in the MIP | 148,238 | | | |
| Endowment investments - separately invested | 2,194 | $ 2,194 | $ - | $ - |
| **Total endowment investments** | **$ 150,432** | | | |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *3. INVESTMENTS - CONTINUED*

Additional disclosures for **System investments,** including the DB Plan and MIP, measured at NAV at June 30, 2023:

| | Fair Value | Redemption Frequency (If Currently Eligible) | Redemption Period Notice |
|---|---|---|---|
| **Operating Investments measured at NAV:** | | | |
| Equities: Multi-strategy [1] | $16,387 | Quarterly, Monthly | 60, 90 days |
| Bank loans [2] | 19,601 | Bi-monthly | 15 days |
| **Total operating investments measured at NAV** | $35,988 | | |
| | | | |
| **Investments measured at NAV:** | | | |
| Equity securities | $56,500 | Monthly | 30 days |
| Equity funds | 32,829 | Monthly | 30 days |
| Multi-strategy funds [1] | 28,159 | Quarterly, Monthly | 30, 45, 60, 90 days |
| Fixed income funds - bonds | 23,390 | Monthly | 5 days |
| Bank loans [2] | 20,466 | Monthly | 30 days |
| **Total DB Plan and MIP investments measured at NAV** | $161,344 | | |
| | | | |
| **Further breakdown of above DB Plan and MIP investments:** | | | |
| DB Plan at NAV | $8,372 | | |
| MIP held on behalf of outside entities at NAV | 75,925 | | |
| Fiduciary funds held in the Endowment Pool for others | 14,329 | | |
| Endowment pool investments included in the MIP at NAV | 62,718 | | |
| **Total investments measured at NAV by portfolio** | $161,344 | | |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## 3. INVESTMENTS - CONTINUED

The **System's operating investments and deposits with trustees** were composed of the following at June 30, 2022:

| | Total | Fair Value Measurements Using Level 1 | Level 2 | Level 3 | Credit Rating | Interest Rate Risk | |
|---|---|---|---|---|---|---|---|
| **Operating Investments measured at fair value:** | | | | | | | |
| Equities: | | | | | | | |
| Multi-strategy funds | $ 47,207 | $ 47,207 | $ - | $ - | | | |
| Fixed income funds: | | | | | | | |
| Bonds | 123,279 | 43,398 | 79,881 | - | Not rated | 1.3-6.44 years | Duration |
| Money markets | 43,826 | 43,826 | - | - | Not rated | 16-33 days | Weighted Average Maturity |
| **Total operating investments at fair value level** | **214,312** | **$134,431** | **$79,881** | **$ -** | | | |
| Operating investments measured at NAV | | | | | | | |
| Equities: Multi-Strategy | 15,557 | | | | | | |
| Bank loans | 17,910 | | | | Not rated | .30 years | Duration |
| Total operating investments measured at NAV | 33,467 | | | | | | |
| Total operating investments measured at fair value plus NAV | 247,779 | | | | | | |
| State pool measured at amortized cost | 59,298 | | | | Not rated | .74 years | Duration |
| **Total operating investments** | **$ 307,077** | | | | | | |
| | | | | | | | |
| **Deposits with Trustees:** | | | | | | | |
| Bonds and money markets | **$ 3,659** | **$ 3,659** | **$ -** | **$ -** | Not rated | 16-48 days | Weighted Average Maturity |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *3. INVESTMENTS - CONTINUED*

The **System's DB Plan, MIP and separately invested endowments** were composed of the following at June 30, 2022:

| | Total | Fair Value Measurements Using: Level 1 | Level 2 | Level 3 | Credit Rating | Interest Rate Risk | |
|---|---|---|---|---|---|---|---|
| **Investments measured at fair value:** | | | | | | | |
| Equities: | | | | | | | |
| Equity securities | $ 9,200 | $ 9,200 | $ - | $ - | | | |
| Equity funds | 42,652 | 20,198 | 22,454 | - | | | |
| Multi-strategy funds | 29,347 | 29,347 | - | - | Not rated | Not rated | |
| Fixed income funds: | | | | | | | |
| Money markets | 2,031 | 2,031 | - | - | Not rated | 14 days | Weighted Average Maturity |
| Bonds | 37,674 | 37,674 | - | - | Not rated | 1.8-7.6 years | Duration |
| Real assets | 2,004 | - | - | 2,004 | Not rated | Not rated | |
| Total DB Plan, MIP and separately held at fair value level | 122,908 | $ 98,450 | $ 22,454 | $ 2,004 | | | |
| **Investments measured at NAV:** | | | | | | | |
| Equity securities | 48,406 | | | | | | |
| Equity funds | 87,098 | | | | | | |
| Multi-strategy funds | 32,837 | | | | | | |
| Fixed income funds - bonds | 45,040 | | | | | | |
| Bank loans | 18,976 | | | | Not rated | 0.3 years | Duration |
| Total DB Plan and MIP investments measured at NAV | 232,357 | | | | | | |
| **Total DB Plan, MIP and separately held investments** | $ 355,265 | | | | | | |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *3. INVESTMENTS - CONTINUED*

Breakdown of investments by portfolio at June 30, 2022:

| | | Fair Value Measurements Using: | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| **Breakdown of above investments by portfolio plus separately invested endowments:** | | | | |
| DB Plan at fair value level | $ 11,681 | $ 9,677 | $ - | $ 2,004 |
| DB Plan at NAV | 8,711 | | | |
| **Total DB Plan Investments** | **$ 20,392** | | | |
| **Fiduciary funds separately invested at fair level** | **$ 168** | $ 168 | $ - | $ - |
| MIP held on behalf of outside entities at fair level | $ 55,312 | $ 44,129 | $11,183 | $ - |
| MIP held on behalf of outside entities at NAV | 111,383 | | | |
| **Total MIP held on behalf of outside entities** | **$ 166,695** | | | |
| Fiduciary Funds held in Endowment Pool at fair value level | $ 10,004 | $ 7,981 | $ 2,023 | $ - |
| Fiduciary Funds held in Endowment Pool at NAV | 20,146 | | | |
| **Total Fiduciary Funds held in Endowment Pool** | **$ 30,150** | | | |
| Endowment pool investments included in the MIP at fair value | $ 45,743 | $ 36,495 | $ 9,248 | $ - |
| Endowment pool investments included in the MIP at NAV | 92,117 | | | |
| Total endowment pool investments included in the MIP | 137,860 | | | |
| Endowment investments - separately invested | 3,308 | $ 3,308 | $ - | $ - |
| **Total endowment investments** | **$ 141,168** | | | |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### 3. INVESTMENTS - CONTINUED

Additional disclosures for **System investments,** including the DB Plan and MIP, measured at NAV at June 30, 2022:

| | Fair Value | Redemption Frequency (If Currently Eligible) | Redemption Period Notice |
|---|---|---|---|
| **Operating Investments measured at NAV:** | | | |
| Equities: Multi-strategy [1] | $ 15,557 | Quarterly, Monthly | 60, 90 days |
| Bank loans [2] | 17,910 | Bi-monthly | 15 days |
| **Total operating investments measured at NAV** | **$ 33,467** | | |
| | | | |
| **Investments measured at NAV:** | | | |
| Equity securities | $ 48,406 | Monthly | 30 days |
| Equity funds | 87,098 | Monthly | 30 days |
| Multi-strategy funds [1] | 32,837 | Quarterly, Monthly | 30, 45, 60, 90 days |
| Fixed income funds - bonds | 45,040 | Monthly | 5 days |
| Bank loans [2] | 18,976 | Monthly | 30 days |
| **Total DB Plan and MIP investments measured at NAV** | **$ 232,357** | | |
| | | | |
| **Further breakdown of above DB Plan and MIP investments:** | | | |
| DB Plan at NAV | $ 8,711 | | |
| MIP held on behalf of outside entities at NAV | 111,383 | | |
| Fiduciary funds held in the Endowment Pool for others | 20,146 | | |
| Endowment pool investments included in the MIP at NAV | 92,117 | | |
| **Total investments measured at NAV by portfolio** | **$ 232,357** | | |

Additional information for investments measured at NAV at June 30, 2023 and 2022 is as follows:

[1] Multi-strategy funds: Includes investments in equities and limited partnerships. Limited partnerships may invest in pooled vehicles in global equities, fixed income instruments, currencies, commodities; long and short positions with respect to bonds, leveraged loans, trade claims and other investments; or other hedge funds with objectives to outperform certain benchmarks. Fair values of these investments are completed on a monthly or quarterly basis using other significant direct or indirect observable inputs or recent observable transaction information for similar investments. Includes investments in liquidation status awaiting final distributions.

[2] Bank loans: Investments in these funds include floating rate loans in a diverse set of industries and are traditionally rated below investment grade. Other observable inputs determine fair value of this investment.

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### *3. INVESTMENTS - CONTINUED*

### ***b. Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's policy for managing interest rate risk is as follows:

***Operating Investments:*** To limit interest rate exposure, the System diversifies its investments as specified in Note 1.f.

***Endowment Investments:*** To limit interest rate exposure, the endowment investment policy restricts the average effective duration of the fixed income portfolio to no more than 1 year from the duration of the applicable benchmark (e.g., the Barclays Capital Aggregate Bond Index was 6.30 years and 6.40 years at June 30, 2023 and 2022, respectively).

***Investments for the Defined Benefit Plan – Classified Employees:*** To limit interest rate exposure, the defined benefit plan investment policy restricts the average effective duration of the fixed income portfolio to no more than 1 year from the duration of the applicable benchmark (e.g., the Barclays Capital Aggregate Bond Index was 6.30 years and 6.40 years at June 30, 2023 and 2022, respectively).

### ***c. Foreign Currency Risk***

***Operating Investments:*** The System's operating investments include various fixed income, equity, and hedge fund holdings that have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $20,785 and $15,687 at June 30, 2023 and 2022, respectively.

***Endowment Investments:*** The System's endowments are invested in the System MIP. The MIP invests in various fixed income, equity, and hedge funds which have foreign currency exposure, with some funds hedging against foreign currency risk. The endowment investments share of the foreign currency exposure in the MIP was $36,241 and $37,055 at June 30, 2023 and 2022, respectively. This includes $8,291 and $6,650 at June 30, 2023 and 2022, respectively, for investments held for affiliated organizations.

***Investments for the Defined Benefit Plan – Classified Employees:*** Pension investments include various fixed income, equity, and hedge fund holdings that have foreign currency exposure, with some funds hedging against foreign currency risk. Portfolio foreign currency exposure was $3,227 and $3,151 at June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *3. INVESTMENTS - CONTINUED*

### *d. Investment Income*

Income related to the **System's investments** and reported in the accompanying Statements of Revenues, Expenses and Changes in Net Position is as follows:

**2023**

| | Net Gains | Interest and Dividends | Investment Fees | Net Income (Loss) |
|---|---|---|---|---|
| Endowment investment income and fees | $ 12,326 | $ 3,051 | $ (907) | $ 14,470 |
| Net income allocated to annuities payable to others | | | | (39) |
| System endowment net income | | | | $ 14,431 |
| Reported as endowment return used for operations | | | | $ 6,494 |
| Reported as endowment return, net of amount used for operations | | | | 7,937 |
| System endowment income | | | | $ 14,431 |
| Operating investments | $ 2,475 | $ 10,488 | $ (1,234) | $ 11,729 |
| Lease Receivables | - | 39 | - | 39 |
| Perkins savings account | - | 65 | - | 65 |
| Deposits with trustees | - | 1,642 | - | 1,642 |
| Total other investment income (loss) | $ 2,475 | $ 12,234 | $ (1,234) | $ 13,475 |

**2022**

| | Net Losses | Interest and Dividends | Investment Fees | Net Income (Loss) |
|---|---|---|---|---|
| Endowment investment income and fees | $ (20,996) | $ 1,770 | $ (949) | $ (20,175) |
| Net loss allocated to annuities payable to others | | | | 34 |
| System endowment net loss | | | | $ (20,141) |
| Reported as endowment return used for operations | | | | $ 6,154 |
| Reported as endowment return, net of amount used for operations | | | | (26,295) |
| System endowment loss | | | | $ (20,141) |
| Operating investments | $ (18,697) | $ 5,962 | $ (991) | $ (13,726) |
| Lease Receivables | - | 41 | - | 41 |
| Perkins savings account | - | 8 | - | 8 |
| Deposits with trustees | - | 13 | - | 13 |
| Total other investment income (loss) | $ (18,697) | $ 6,024 | $ (991) | $ (13,664) |

See Note 13d for investment returns related to the **Defined Benefit Plan – Classified Employees**.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## 4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

Accounts, grants, and pledges receivable include the following at June 30:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Total | Current Portion | Noncurrent Portion | Total | Current Portion | Noncurrent Portion |
| Student and other accounts receivable | $53,842 | $53,093 | $749 | $46,725 | $46,200 | $ 525 |
| Grants receivable | 42,284 | 42,047 | 237 | 41,835 | 37,101 | 4,734 |
| Pledges receivable | 2,044 | 955 | 1,089 | 1,513 | 812 | 701 |
| Total gross receivables | 98,170 | 96,095 | 2,075 | 90,073 | 84,113 | 5,960 |
| Less allowance for doubtful accounts | (20,248) | (20,228) | (20) | (19,643) | (19,631) | (12) |
| Less discount on pledges receivable | (103) | - | (103) | (90) | - | (90) |
| Total receivables, net | $77,819 | $75,867 | $1,952 | $70,340 | $64,482 | $5,858 |

In accordance with GASB Statement No. 35, grants receivable related to the acquisition of capital assets is reported as a noncurrent receivable even though collection is expected within the next twelve months.

## 5. NOTES AND LEASES RECEIVABLE

Notes and leases receivable include the following at June 30:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Total | Current Portion | Noncurrent Portion | Total | Current Portion | Noncurrent Portion |
| Perkins loans | $ 6,624 | $ - | $ 6,624 | $10,422 | $ - | $10,422 |
| Nursing loans | 2,025 | - | 2,025 | 2,095 | - | 2,095 |
| Institutional loans | 11,621 | - | 11,621 | 11,121 | - | 11,121 |
| Leases receivable **(a)** | 3,783 | 340 | 3,443 | 3,759 | 351 | 3,408 |
| Total notes and leases receivable | 24,053 | 340 | 23,713 | 27,397 | 351 | 27,046 |
| Less allowance for doubtful accounts | (874) | - | (874) | (874) | - | (874) |
| Total notes and leases receivable, net | $23,179 | $340 | $22,839 | $26,523 | $351 | $26,172 |

Collections of the notes receivable for Perkins, Nursing, and Institutional loans may not be used to pay current liabilities, as the proceeds are restricted for making new loans. Accordingly, these notes receivable are recorded in the accompanying Statements of Net Position as noncurrent assets.

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### *5. NOTES AND LEASES RECEIVABLE - CONTINUED*

**(a)** The System, acting as lessor, leases building space for various terms under long-term noncancelable lease agreements. The original lease terms expire at various dates through 2027 and provide for renewal options (ranging from 1-20 years) which extend them to 2047. During the years ended June 30, 2023 and 2022, the System recognized $327 and $353 in lease revenue and $39 and $41 in lease interest, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

The System leases office space to a related party, and a related lease receivable and deferred inflow of resources have been recorded. The lease provides for minimum semi annual lease payments of $13 through January 2030.

Total future minimum lease payments to be received under lease agreements are as follows:

| Year Ending June 30: | Principal | Interest |
|---|---|---|
| 2024 | $ 340 | $ 51 |
| 2025 | 294 | 47 |
| 2026 | 289 | 44 |
| 2027 | 276 | 41 |
| 2028 | 281 | 38 |
| 2029-2033 | 860 | 145 |
| 2034-2038 | 809 | 76 |
| 2039-2043 | 470 | 22 |
| 2044-2047 | 164 | 2 |
| **Total Payments** | $ 3,783 | $ 466 |

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## *6. CAPITAL ASSETS*

Capital asset activity for the year ended June 30 is as follows:

**2023**

| | Beginning Balance Restated | Additions | Reclassifications | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Land | $ 18,376 | $ - | $ - | $ - | $ 18,376 |
| Library materials | 25,687 | - | - | - | 25,687 |
| Construction in progress | 147,161 | 143,396 | (123,297) | - | 167,260 |
| Total nondepreciable assets | 191,224 | 143,396 | (123,297) | - | 211,323 |
| Land improvements | 66,789 | - | 4,933 | - | 71,722 |
| Buildings & improvements | 972,317 | - | 109,501 | (4,879) | 1,076,939 |
| Equipment | 171,409 | 7,030 | 8,863 | (4,801) | 182,501 |
| Software | 31,216 | - | - | (186) | 31,030 |
| Right of use assets, buildings (Note 7) | 39,077 | 23,837 | - | - | 62,914 |
| Subscription based IT arrangements | 21,107 | 1,663 | - | - | 22,770 |
| Total depreciable assets | 1,301,915 | 32,530 | 123,297 | (9,866) | 1,447,876 |
| Less accumulated depreciation: | | | | | |
| Land improvements | 46,716 | 2,516 | - | - | 49,232 |
| Buildings & improvements | 464,928 | 30,504 | - | (1,755) | 493,677 |
| Equipment | 131,193 | 10,604 | - | (4,662) | 137,135 |
| Software | 30,391 | 583 | - | (186) | 30,788 |
| Right of use assets, buildings (Note 7) | 4,055 | 2,426 | - | - | 6,481 |
| Subscription based IT arrangements | 3,327 | 3,702 | - | - | 7,029 |
| Total accumulated depreciation | 680,610 | 50,335 | - | (6,603) | 724,342 |
| Net depreciable assets | 621,305 | (17,805) | 123,297 | (3,263) | 723,534 |
| Total capital assets, net | $ 812,529 | $ 125,591 | $ - | $ (3,263) | $ 934,857 |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *6. CAPITAL ASSETS - CONTINUED*

Capital asset activity for the year ended June 30 is as follows:

**2022 Restated**

| | Beginning Balance | Additions | Reclassifications | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Land | $ 18,376 | $ - | $ - | $ - | $ 18,376 |
| Library materials | 25,687 | - | - | - | 25,687 |
| Construction in progress | 50,455 | 114,000 | (17,294) | - | 147,161 |
| Total nondepreciable assets | 94,518 | 114,000 | (17,294) | - | 191,224 |
| Land improvements | 63,597 | - | 3,498 | (306) | 66,789 |
| Buildings & improvements | 961,281 | - | 12,235 | (1,199) | 972,317 |
| Equipment | 167,685 | 4,605 | 1,561 | (2,442) | 171,409 |
| Software | 31,311 | 6 | - | (101) | 31,216 |
| Right of use assets, buildings (Note 7) | 16,490 | 22,587 | - | - | 39,077 |
| Subscription based IT arrangements | 17,056 | 4,051 | - | - | 21,107 |
| Total depreciable assets | 1,257,420 | 31,249 | 17,294 | (4,048) | 1,301,915 |
| Less accumulated depreciation: | | | | | |
| Land improvements | 44,688 | 2,325 | - | (297) | 46,716 |
| Buildings & improvements | 438,259 | 27,421 | - | (752) | 464,928 |
| Equipment | 122,998 | 10,490 | - | (2,295) | 131,193 |
| Software | 29,613 | 879 | - | (101) | 30,391 |
| Right of use assets, buildings (Note 7) | 1,624 | 2,431 | - | - | 4,055 |
| Subscription based IT arrangements | - | 3,327 | - | - | 3,327 |
| Total accumulated depreciation | 637,182 | 46,873 | - | (3,445) | 680,610 |
| Net depreciable assets | 620,238 | (15,624) | 17,294 | (603) | 621,305 |
| Total capital assets, net | $ 714,756 | $ 98,376 | $ - | $ (603) | $ 812,529 |

As of June 30, 2023 and 2022, $26,443 and $3,659, respectively, in proceeds from debt issuances remain unspent. These amounts are included in the accompanying Statements of Net Position as part of deposits with trustees along with amounts restricted for debt service.

Also remaining unspent as of June 30, 2023 and 2022 is $4,257 and $15,756, respectively, in capital appropriations awarded by the State of Maine. These amounts are not included in the accompanying financial statements because the System has not met all eligibility requirements (e.g., incurred costs).

Both the debt proceeds and capital appropriation monies are earmarked for specific projects, most of which are capital construction projects. As monies are spent on these projects, the costs are included in capital assets in the accompanying Statements of Net Position.

Outstanding commitments on uncompleted construction contracts totaled $46,730 and $69,160 at June 30, 2023 and 2022, respectively.

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## *7. ACCRUED LIABILITIES, LEASE LIABILITIES AND LONG-TERM DEBT*

Changes in accrued liabilities, obligations for right of use assets and long-term debt during the year ended June 30 include the following:

**2023**

| | Beginning Balance Restated | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Accrued liabilities: | | | | | |
| Workers' compensation *(Note 11)* | $ 1,926 | $ 373 | $ (568) | $ 1,731 | $ 490 |
| Health insurance *(Note 11)* | 6,382 | 90,580 | (90,320) | 6,642 | 6,642 |
| Postemployment health plan *(Note 14)* | 17,782 | 27,188 | (44,970) | - | - |
| Other employee benefit programs *(Note 13)* | 67,458 | 75,689 | (82,644) | 60,503 | 12,109 |
| Other | 23,915 | 9,154 | (23,915) | 9,154 | 9,154 |
| Total accrued liabilities | $ 117,463 | $ 202,984 | $ (242,417) | $ 78,030 | $ 28,395 |
| Obligations for right of use assets | $ 52,415 | $ 25,182 | $ (6,036) | $ 71,561 | $ 5,997 |
| Long-term debt: | | | | | |
| Bonds payable [b] | $ 105,227 | $ 173,963 | $ (56,568) | $ 222,622 | $ 18,305 |
| Direct borrowings [b] | 46,666 | 11,812 | (44,361) | 14,117 | 1,626 |
| Total long-term debt | $ 151,893 | $ 185,775 | $ (100,929) | $ 236,739 | $ 19,931 |

Changes in accrued liabilities, lease liabilities and long-term debt during the year ended June 30 include the following:

**2022 Restated**

| | Beginning Balance Restated | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Accrued liabilities: | | | | | |
| Workers' compensation *(Note 11)* | $ 2,201 | $ 249 | $ (524) | $ 1,926 | $ 533 |
| Health insurance *(Note 11)* | 6,287 | 85,666 | (85,571) | 6,382 | 6,382 |
| Postemployment health plan *(Note 14)* | - | 29,255 | (11,473) | 17,782 | - |
| Other employee benefit programs *(Note 13)* | 55,538 | 82,870 | (70,950) | 67,458 | 16,554 |
| Other | 27,124 | 23,915 | (27,124) | 23,915 | 23,915 |
| Total accrued liabilities | $ 91,150 | $ 221,955 | $ (195,642) | $ 117,463 | $ 47,384 |
| Obligations for right of use assets | $ 31,405 | $ 26,642 | $ (5,632) | $ 52,415 | $ 5,759 |
| Long-term debt: | | | | | |
| Bonds payable [b] | $ 117,502 | $ - | $ (12,275) | $ 105,227 | $ 11,473 |
| Direct borrowings [b] | 47,870 | 104 | (1,308) | 46,666 | 44,282 |
| Total long-term debt | $ 165,372 | $ 104 | $ (13,583) | $ 151,893 | $ 55,755 |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *7. ACCRUED LIABILITIES, LEASE LIABILITIES AND LONG-TERM DEBT - CONTINUED*

### *a. Obligations for right of use assets*

The System leases building space for various terms under long-term noncancelable lease agreements. The original lease terms expire at various dates through 2036 and provide for renewal options (ranging from 1-15 years) which extend them to 2043. The System also has noncancelable SBITAs for the right to use information technology hardware and software. The original lease terms expire at various dates through 2028 and provide for renewal options (ranging from 2-10 years) which extend them to 2035.

Lease liabilities include leases with options to purchase after three to five years. Monthly installments for FY23 total $958 including interest at rates of 1.02% to 2.96%.

Certain leases and SBITA liabilities provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease and SBITA payments as of June 30, 2023 are as follows:

| | Lease Liabilities | | Subscription Based IT Liabilities | |
|---|---|---|---|---|
| **Year Ending June 30:** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2024 | $ 2,471 | $ 840 | $ 3,526 | $ 199 |
| 2025 | 2,322 | 1,013 | 2,657 | 159 |
| 2026 | 2,391 | 983 | 2,421 | 114 |
| 2027 | 38,594 | 404 | 1,485 | 70 |
| 2028 | 1,474 | 173 | 1,210 | 48 |
| 2029-2033 | 6,025 | 607 | 2,678 | 143 |
| 2034-2038 | 2,318 | 265 | 754 | 10 |
| 2039-2043 | 1,235 | 74 | - | - |
| **Total Payments** | $56,830 | $4,359 | $14,731 | $ 743 |

As of June 30, 2023 and 2022, right of use lease assets acquired through outstanding leases consisting of building and office space totalled $56,433 (net of $6,481 accumulated amortization) and $35,021 (net of $4,056 accumulated amortization), respectively *(Note 6)*.

As of June 30, 2023 and 2022, subscription based IT arrangements for the right to use information technology hardware and software totaled $15,740 (net of $7,029 accumulated amortization) and $17,780 (net of $3,327 accumulated amortization), respectively *(Note 6)*.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *7. ACCRUED LIABILITIES, LEASE LIABILITIES AND LONG-TERM DEBT - CONTINUED*

### *b. Bonds Payable and Direct Borrowings*

Bonds payable and direct borrowings consist of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| **Bonds Payable:** | | |
| 2023 Series A Revenue Bonds (original principal $37,510) Serial bonds, maturing from 2024 to 2034, with annual principal payments from $2,150 to $4,615 and coupon interest rate of 5.0%. Issued to refund 2013 Series A Revenue bonds and to provide funding for capital projects. Includes premiums of $4,139 and $0 respectively. | $41,649 | $ - |
| 2022 Series A Revenue Bonds (original principal $120,325) Serial and Term bonds, maturing from 2024 to 2062, with annual principal payments from $1,165 to $6,050 and coupon interest rates from 5.0% to 5.5%. Issued to provide funding for capital projects. Includes premiums of $10,867 and $0, respectively. | 126,562 | - |
| 2017 Series A Revenue Bonds (original principal of $30,340) Serial bonds, maturing from 2018 to 2026, with annual principal payments from $2,285 to $4,460 and coupon interest rates from 4.0% to 5.0%. Issued to refund 2007A Series Revenue bonds and to provide funding for capital projects. Includes premiums of $319 and $637, respectively. | 8,954 | 13,032 |
| 2015 Series A Revenue Bonds (original principal of $48,450) Serial bonds, maturing from 2016 to 2037, with annual principal payments from $405 to $3,760 and coupon interest rates from 3.0% to 5.0%. Issued to refund 2004A, 2005A, and 2007A Series Revenue bonds and to provide funding for capital projects. Includes premiums of $791 and $1,099, respectively. | 32,941 | 35,754 |
| 2013 Series A Revenue Bonds (original principal of $65,255) Serial and Term bonds, refinanced May 2023 with 2023 Series A Revenue Serial bonds; with annual principal payments from $1,275 to $4,425 and coupon interest rates from 2.0% to 5.0%. Issued to refund 2000A, 2003A, 2004A, and 2005A Series Revenue bonds. Includes premiums of $0 and $1,568 respectively. | - | 42,818 |
| 2012 Series A Revenue Bonds (original principal of $34,975) Serial and Term bonds, maturing from 2013 to 2033, with annual principal payments from $1,070 to $2,620 and coupon interest rates from 2.0% to 4.0%. Issued to refund balloon on the 2002A Series Revenue bonds and to provide funding for a capital project. Includes premiums of $271 and $308, respectively. | 12,516 | 13,623 |
| Total bonds payable, net | 222,622 | 105,227 |

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## ***b. Bonds Payable and Direct Borrowings - continued***

| | | |
|---|---|---|
| **Direct Borrowings:** | | |
| TD Bank, N.A.: $43,000 bond anticipation note, Series 2021, monthly interest only payments at .31%, matured July 2022. | $ - | $ 43,000 |
| Key Government Finance Inc. (KGF): $832 loan secured by five-year software license agreement, annual payments of $182, including interest at 3.78%, matured July 2023. The loan agreement contains a provision that in the event of default, KGF may exercise one or more of the following remedies in its sole discretion: a) terminate the agreement and all of the UMS' rights to the software license agreement, b) seek court action to enforce payment, c) cause the Licensor to terminate the license with the UMS, d) declare all unpaid installment payments to be immediately due and payable. Late charges will be assessed on any delinquent payments from the due date of the payment until paid at the rate of 5% per annum or the highest rate permitted by law, whichever is less. | 176 | 346 |
| Efficiency Maine Trust: $2,595 loan for biomass energy project, quarterly principal payments of $65 plus interest at 1.5% beginning in June 2016 and continuing through March 2026. The promissory note contains a provision that in the event of default, all outstanding principal shall be immediately due and payable, and interest on the unpaid principal balance shall thereafter accrue at an interest rate equal to 12%. | 714 | 973 |
| Banc of America Public Capital Corp. (BOAPCC): Master lease purchase agreement, secured by equipment and vehicles, quarterly or semi-annual payments including interest at 1.19% to 4.14%, maturing from October 2022 to May 2037. The master lease purchase agreement contains a provision that in the event of default, BOAPCC has the right, at its sole option, to take one or any combination of the following steps: a) declare all remaining payments due and payable, b) repossess the financed property, c) whatever action at law or in equity may appear necessary or desirable to enforce its rights under the agreement. | 13,227 | 2,347 |
| Total direct borrowings | 14,117 | 46,666 |
| Total bonds payable and direct borrowings | $236,739 | $151,893 |

| | | |
|---|---|---|
| Total par value of bonds payable and direct borrowings | $220,352 | $148,281 |
| Total unamortized premiums and discounts | 16,387 | 3,612 |
| Total bonds payable and direct borrowings | $236,739 | $151,893 |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *b. Bonds Payable and Direct Borrowings - continued*

Costs associated with the issuance of revenue bonds have been expensed as incurred and included in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Premiums, discounts, and deferred amounts on refunding are being amortized over the life of the respective bond issuances as part of interest expense using the effective interest method.

Principal and interest payments on bonds payable and direct borrowings for the next five years and in subsequent five-year periods are as follows at June 30, 2023:

| | Bonds Payable | | Direct Borrowings | |
|---|---|---|---|---|
| **Year Ending June 30:** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2024 | $ 16,120 | $ 9,961 | $ 1,626 | $ 425 |
| 2025 | 14,885 | 9,579 | 906 | 385 |
| 2026 | 15,615 | 8,828 | 758 | 347 |
| 2027 | 13,855 | 7,757 | 566 | 10 |
| 2028 | 14,460 | 7,438 | 491 | 329 |
| 2029-2033 | 48,385 | 28,957 | 2,600 | 1,422 |
| 2034-2038 | 11,910 | 21,407 | 3,271 | 963 |
| 2039-2043 | 8,565 | 18,689 | 3,899 | 403 |
| 2044-2048 | 10,930 | 15,919 | - | - |
| 2049-2053 | 14,165 | 12,691 | - | - |
| 2054-2058 | 18,520 | 8,344 | - | - |
| 2059-2062 | 18,825 | 2,658 | - | - |
| **Total Payments** | $ 206,235 | $ 152,228 | $ 14,117 | $4,284 |

Interest costs related to the revenue bonds for FY23 and FY22 were $7,970 and $3,408, respectively.

### *Issuance of 2022 Series A Revenue Bonds*

On July 20, 2022, the System issued $120,325 of 2022 Series A Revenue Bonds to pay off $43,000 of bond anticipation notes and to provide $83,396 for new projects. An escrow account was not needed because the bond anticipation notes matured in July 2022 and could be paid off in advance of the final maturity date without penalty.

### *Issuance of 2023 Series A Revenue Bonds*

On May 24, 2023, the System issued $37,510 of 2023 Series A Revenue Bonds to currently refund $38,190 of 2013 Series A Revenue Bonds and to provide $2,850 for projects. The System completed the refunding to reduce its total debt service payments over the following twelve years by $3,023 and to obtain economic gain (difference between the present values of the old and new debt service payments) of $2,174. The principal amount of debt refunded through in-substance defeasance was $38,190. The amount still outstanding at June 30, 2023 was $0. Refunding bond

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## *b. Bonds Payable and Direct Borrowings - continued*

proceeds of $38,582 were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective call dates, which was June 23, 2023.

The refunding of the 2013 Series A bonds resulted in a deferred amount on refunding of ($869) which represents the difference between the reacquisition price and the carrying value of the refunded bonds. Amortization of this deferred amount on refunding will be charged to operations as additional interest expense through the year FY34. The unamortized portion of the deferred amount on refunding, which was ($869) and $0 as of June 30, 2023 and 2022, respectively, is included in deferred outflows in the accompanying Statements of Net Position.

## *8. UNEARNED REVENUE AND DEPOSITS*

Unearned revenue and deposits as of June 30 consist of the following:

| | 2023 | | | 2022 Restated | | |
|---|---|---|---|---|---|---|
| | **Total** | **Current Portion** | **Noncurrent Portion** | **Total** | **Current Portion** | **Noncurrent Portion** |
| Unearned grant advances | $14,386 | $14,386 | $ - | $14,618 | $14,618 | $ - |
| Unearned summer session revenue | 8,223 | 8,223 | - | 7,730 | 7,730 | - |
| Student deposits and advance payments | 6,196 | 6,196 | - | 4,546 | 4,546 | - |
| Funds Held for Others | 594 | 476 | 118 | 1,811 | 1,735 | 76 |
| Unearned revenue, dining | 6,797 | 850 | 5,947 | 4,196 | 513 | 3,683 |
| Other unearned revenue and deposits | 5,073 | 3,910 | 1,163 | 454 | 39 | 415 |
| Total unearned revenue, deposits and other liabilities | $41,269 | $34,041 | $ 7,228 | $33,355 | $29,181 | $ 4,174 |

The System recognizes grant and contract revenue to the extent that it has fulfilled the eligibility requirements (e.g., incurred allowable costs) of the grant or contract award. Some awards pay the System in advance of the System fulfilling its obligations. In such situations, the System reports the cash as an asset and the offset as unearned revenue and deposits (see unearned grant advances in the above table) which is a current liability in the Statements of Net Position.

The vast majority of grant and contract awards made to the System pay funds to the System on a reimbursement basis. To the extent that the System has eligible, unreimbursed expenses, it recognizes a grant receivable in the Statements of Net Position. The System excludes from its financial statements the portion of an award not currently reimbursable because the System has not yet met the eligibility requirements. As of June 30, 2023 and 2022, the portion of outstanding awards excluded from the financial statements totaled $99,747 and $71,848, respectively.

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## 9. GOVERNMENT ADVANCES REFUNDABLE

The System participates in the Federal Perkins Loan and Nursing Loan Programs. These programs are funded through a combination of federal and institutional resources. The portion of these programs that has been funded with federal funds is ultimately refundable to the U.S. Government upon the termination of the System's participation in the programs. The portion that would be refundable if the programs were terminated as of June 30, 2023 and 2022 has been included in the accompanying Statements of Net Position as a noncurrent liability.

## 10. NET POSITION

The System's net position is composed of the following as of June 30:

| | 2023 | 2022 Restated |
|---|---|---|
| Net investment in capital assets | $ 634,614 | $ 589,331 |
| Restricted - Nonexpendable: | | |
| Endowment funds | 72,410 | 71,249 |
| Restricted - Expendable: | | |
| Student financial aid | 57,111 | 52,241 |
| Capital assets and retirement of debt | 9,923 | 21,414 |
| Loans | 17,319 | 17,096 |
| Academic support | 20,390 | 16,917 |
| Research and public service | 16,035 | 11,675 |
| Library | 4,648 | 4,059 |
| Other | 26,629 | 24,017 |
| Total restricted - expendable | 152,055 | 147,419 |
| Unrestricted: | | |
| Educational and general reserves | 53,577 | 83,858 |
| Risk management | 4,022 | 3,603 |
| Budget stabilization | 4,997 | 4,873 |
| Auxiliary enterprises | 2,054 | 7,643 |
| Benefit pool carryover | 35,909 | 28,732 |
| Implementation of GASB 75 for OPEB | (33,795) | (33,795) |
| Information technology initiatives | 2,932 | 2,695 |
| Internally designated projects | 20,251 | 21,499 |
| Facility projects | 29,117 | 36,418 |
| Quasi endowment corpus | 12,051 | 11,347 |
| Endowment appreciation | 6,276 | 5,836 |
| Cost sharing and other | 4,245 | (11,428) |
| Total unrestricted | 141,636 | 161,281 |
| Total Net Position | $ 1,000,715 | $ 969,280 |

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## *11. COMMITMENTS AND CONTINGENCIES*

### ***a. Grant Program Involvement***

The System participates in a number of federal programs subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the System does not expect these amounts, if any, to be material to the financial statements.

### ***b. Risk Management – Insurance Programs***

The System is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries; environmental pollution and natural disasters. The System manages these risks through a combination of commercial insurance policies purchased in the name of the System, a large deductible all-risk property insurance program and a self-insured retention program for physical damage to vehicles and mobile equipment.

The System's retention obligation for the general liability and vehicle liability is capped at $400 per claim, with an aggregate limit of $25,000 per year. Educator's legal liability risks are subject to a $200 per loss retention with an aggregate limit of $25,000. The System's estimate of the amount payable under these retention levels has been included in the accompanying Statements of Net Position as part of current accrued liabilities. As of June 30, 2023 and 2022 certain legal claims existed for which the probability or amount of payment could not be determined. The System, however, does not expect these amounts, if any, to be material to the financial statements.

At October 1, 2016, the System moved from a self-funded workers' compensation model to commercial insurance. The liability for pre-existing unpaid claims is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The System's estimated liability at June 30, 2023 and 2022 of $1,731 and $1,926, respectively, for pre-existing workers' compensation claims is included in accrued liabilities in the accompanying Statements of Net Position (see Note 7). The System now purchases commercial workers' compensation insurance which limits UMS' insurable exposure for any one incident to $1.5.

The System's active employee and under age 65 retiree health plans are self-funded with an Administrative Services Only agreement with a commercial carrier. The System purchases stop-loss insurance which limits the exposure to $1,000 per individual. For retirees who are Medicare eligible, effective for calendar year 2021, the System began offering two health plan options. The legacy option is a fully insured Medicare Advantage Private Fee for Service program with a commercial carrier. The new option is a Medicare Exchange program including a funded Health Reimbursement Account (HRA). As of June 30, 2023 and 2022, the estimated liability for claims incurred but not reported is included in total health insurance accrued liabilities in the accompanying Statements of Net Position (see Note 7).

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## *11. COMMITMENTS AND CONTINGENCIES - CONTINUED*

The System's health insurance liability at June 30 consists of the following:

| | 2023 | 2022 |
|---|---|---|
| Claims incurred but not reported | $5,816 | $5,418 |
| Reported claims | 826 | 964 |
| Total health insurance liability *(Note 7)* | $6,642 | $6,382 |

Related to the System's self-insured health plan, certain collective bargaining agreements with System employees provide for a health insurance 'premium rebate' in the event that the total aggregate premium amount for the applicable two-year period (the "calculation period") exceeds, by a stated percentage, the total aggregate costs paid for claims and other expenses for the same period. Throughout each calculation period, the System receives periodic reports on how actual costs are trending in relation to the premiums; however, probability of a rebate cannot be determined until the end of the calculation period, which was December 31, 2022. As of June 30, 2023 and 2022 the estimated liability for the premium rebate of $1,321 and $0, respectively, has been included in the accompanying Statements of Net Position as a current liability.

## *12. PASS THROUGH GRANTS*

During FY23 and FY22, the System distributed $92,110 and $96,450, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

## *13. PENSION PLANS*

The System has several single-employer pension plans, each of which is described in more detail below. The System's pension expense for each of these plans was as follows for the years ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Faculty and Professional Employees: | | |
| Contributory retirement plan* | $ 33,084 | $ 24,046 |
| Incentive retirement plan | 1,474 | 1,315 |
| Hourly Employees: | | |
| Basic retirement plan | 3,578 | 3,353 |
| Defined benefit plan | 431 | 1,014 |
| Total pension expense | $ 38,567 | $ 29,728 |

*Includes early retirement incentives (See Note13f).

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## ***13a. Contributory Retirement Plan - Faculty and Professional Employees***

Eligible salaried employees participate in the University of Maine System Retirement Plan for Faculty and Professional Employees (Contributory Plan), a defined contribution retirement plan administered by the Teachers Insurance and Annuity Association of America (TIAA). The Board of Trustees and collective bargaining agreements establish benefit terms and mandatory employee and employer contribution rates.

All full-time employees are eligible once employment begins. Part-time employees are eligible upon achieving the equivalent of five years of continuous, full-time, regular service. All eligible employees are required to participate when they reach thirty years of age. The System contributes an amount equal to 10% of each participant's base salary and each participant contributes 4% of base salary. Participants may make additional voluntary contributions up to limits allowable by the Internal Revenue Service. The System has a five-year vesting schedule for the employer matching contribution for certain salaried employees hired on or after January 1, 2010. All participant contributions are fully and immediately vested.

Effective June 1, 2014, TIAA became the sole record-keeper for the Contributory Retirement Plan. Upon separation from the System, participants may withdraw up to 100% of their vested account balances or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Contributory Plan.

Employee contributions made to the Contributory Plan were $10,158 in FY23 and $9,618 in FY22.

## ***b. Incentive Retirement Plan – Faculty and Professional Employees***

### Plan Description

***Plan Administration:*** The Incentive Retirement Plan is a single employer plan administered by the System. The Plan does not issue standalone financial statements.

***Benefits Provided:*** Represented faculty who were employed before July 1, 1996 and other professional employees who were employed before July 1, 2006 participate in the University of Maine System Incentive Retirement Plan (Incentive Plan), a defined benefit plan, which was established on July 1, 1975. The Board of Trustees has authority to establish and amend provisions under the Incentive Plan subject to collective bargaining.

The Incentive Plan provides that eligible retiring employees with at least 10 years of continuous regular full-time equivalent service immediately prior to retirement will receive a benefit equivalent to 1½% times their completed years of service (up to a maximum of 27 years) times their final annual base salary. This amount is to be paid as a lump-sum contribution to the participant's retirement account. Employees may elect to retire at any age on or after 55.

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## *13b. Incentive Retirement Plan – Faculty and Professional Employees - continued*

***Plan Membership:*** At June 30, 2023 and 2022, active plan participants consisted of 608 and 699, respectively.

***Contributions:*** The Incentive Plan is funded on a terminal funding basis - funded when costs become due and payable. Employees do not make contributions under the Incentive Plan.

### Net Pension Liability

The total pension liability related to the Incentive Plan at the measurement date of June 30, 2023 and 2022 was $17,206 and $19,090, respectively. The fiduciary net position as a percentage of the total pension liability was 0.00% as this plan has no assets. The total pension liability as of June 30, 2023 and 2022 was determined by an actuarial valuation as of July 1, 2023 and July 1, 2021 rolled forward to the measurement date of June 30, 2022, respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Inflation | Not explicitly assumed |
| Salary increases | 3.5% per year, including longevity |
| Discount rate | 3.65% as of June 30, 2023 |
| | 3.54% as of June 30, 2022 |
| Life expectancy | 2023 and 2022: Mortality rates were based on the Pub-2010 Mortality Table projected with Scale MP-2021 and Scale MP2020, respectively. |

***Discount rate***: GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* requires projected benefit payments be discounted to their actuarial present value using a tax-exempt, high-quality municipal bond rate.

For the Incentive Plan, which does not hold assets, the total pension liability is based on the discount rate of 3.65% and 3.54% as of June 30, 2023 and 2022, respectively. The rates are based on the municipal bond rates as of the measurement dates. The municipal bond rates for 2023 and 2022 are based on the Bond Buyer 20-Bond General Obligation (GO) Index published for the weeks of June 30, 2023 and June 30, 2022, respectively.

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## *13b. Incentive Retirement Plan – Faculty and Professional Employees - continued*

***Sensitivity of the net pension liability to changes in the discount rate:*** The following table presents the total pension liability as of June 30, calculated using the respective current discount rate as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

| | June 30, 2023 | | | June 30, 2022 | | |
|---|---|---|---|---|---|---|
| | 1% Decrease (2.65%) | Current Discount Rate (3.65%) | 1% Increase (4.65%) | 1% Decrease (2.54%) | Current Discount Rate (3.54%) | 1% Increase (4.54%) |
| Total pension liability | $17,758 | $17,206 | $16,651 | $19,667 | $19,090 | $18,510 |

Changes in Total Pension Liability for the **Incentive Retirement Plan**:

| Fiscal Year Ended June 30 | 2023 | 2022 |
|---|---|---|
| Total pension liability – beginning | $ 19,090 | $ 21,208 |
| Changes for the year: | | |
| Service cost | 503 | 616 |
| Interest | 645 | 446 |
| Differences between expected and actual experience | (216) | - |
| Changes of assumptions and other inputs | (59) | (792) |
| Benefit payments | (2,757) | (2,388) |
| Total pension liability – ending (a) | 17,206 | 19,090 |
| Fiduciary net position – beginning | - | - |
| Contributions – employer | 2,757 | 2,388 |
| Benefit payments | (2,757) | (2,388) |
| Fiduciary net position – ending (b) | - | - |
| Net pension liability – ending (a)-(b) | $ 17,206 | $ 19,090 |
| Plan fiduciary net position as a percentage of the total pension liability | 0.00% | 0.00% |
| Covered payroll | $ 51,931 | $ 59,119 |
| Net pension liability as a percentage of covered payroll | 33.13% | 32.29% |
| Contributions as a percentage of covered payroll | 5.31% | 4.04% |

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## ***13c. Basic Retirement Plan - Classified Employees***

The Basic Retirement Plan (Basic Plan) is a single employer defined contribution plan (DC Plan) administered by the System and does not issue standalone financial statements. This DC Plan was created on July 1, 1998 in accordance with Section 403(b) of the Internal Revenue Code. Classified employees hired July 1, 1998 or later participate in this DC Plan.

Eligible employees who were hired before July 1, 1998 could elect to roll over to the DC Plan the value of their accrued benefit in the Defined Benefit Retirement Plan for Classified Staff (DB Plan), as described further below, or remain in the DB Plan. Eligible employees that remained in the DB Plan and were age 50 and over on June 30, 1998 would continue to accrue additional benefits while the value of the benefit for those under age 50 would remain static. The majority of those under age 50 chose to roll over the value of their accrued benefit to the DC Plan.

Full-time employees are eligible to participate in the DC Plan once employment begins. Part-time employees are eligible once they achieve the equivalent of five years of continuous, full-time regular service. Since June 1, 2014, all contributions have been directed to TIAA as the sole record-keeper.

Employees hired prior to July 1, 1998 and who have more than five years of completed service may voluntarily contribute up to 4% of base pay to the DC Plan and receive a 100% match from the System. Employees hired July 1, 1998 or later are required to contribute 1%. Employee contributions to the DC Plan of up to 4% of base pay are matched 100% by the System. In addition, employees who have four or more years of completed service and do not participate in the DB Plan, receive System contributions equal to 6% of their base pay, for a total maximum employer contribution of 10%.

Employees hired before January 1, 2010 were fully and immediately vested in the employer matching contribution. The System implemented a four-year vesting schedule for the employer matching contribution for classified employees hired on or after January 1, 2010 and, on January 1, 2013, implemented a five-year vesting schedule for employer matching contributions. All participant contributions are fully and immediately vested.

Upon separation from the System, participants may withdraw up to 100% of their vested account balances or transfer funds to other investment alternatives subject to Internal Revenue Service limitations and the contractual provisions of the Basic Plan.

Employee contributions made to the Basic Plan were $1,563 in FY23 and $1,422 in FY22.

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## *13d. Defined Benefit Plan – Classified Employees*

### Plan Description

***Plan Administration:*** The Defined Benefit Plan (the Plan) is a single employer plan administered by the System. The Plan does not issue standalone financial statements. The Plan is maintained for eligible classified employees who chose not to join the Basic Plan.

The System's Board of Trustees has authority to establish or amend provisions of all classified employee plans, including contribution requirements, subject to collective bargaining agreements.

***Benefits Provided:*** Participants are eligible for normal retirement benefits upon attaining age 65 and retirement. The monthly retirement benefit is based on a formula specified by policy in collective bargaining agreements. Eligible employees receive the sum of:

a. 1.25% or 1.50% (based on years of service) of the participant's average annual compensation times credited service (up to a maximum of 30 years); plus
b. 1.25% or 1.50% (based on years of service) of the participant's unused sick leave.

Participants are eligible for early retirement benefits upon the attainment of age 55 and completion of five years of continuous service. The benefit is computed in accordance with the normal retirement age benefit, but is reduced by an actuarial factor because benefits will be paid over a longer period of time. No reduction is made if an employee retires after attaining 62 years of age with 25 or more years of service. Participants are also eligible for disability and death benefits.

Employees who participate in the Plan may also participate in the Optional Retirement Savings Plan (ORSP). The ORSP is a voluntary, employee-funded defined contribution plan. Employees may contribute up to 4% of their base pay and receive a 100% match from the System. The ORSP is administered by TIAA.

***Plan Membership:*** The Plan is closed to new entrants. At June 30, pension plan membership consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Inactive plan participants or beneficiaries currently receiving benefits | 637 | 669 |
| Inactive plan participants entitled to but not yet receiving benefits | 178 | 187 |
| Active plan participants | 1 | 1 |
| Total plan participants | 816 | 857 |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *13d. Defined Benefit Plan – Classified Employees – continued*

***Contributions:*** The System adopted a funding strategy for the Plan on February 27, 2014. The System's funding strategy follows a long-term contribution schedule, such that a level annual dollar amount will be contributed to the plan indefinitely, while never allowing the Plan's assets to be depleted. The actuarially determined annual projected contribution to the Plan is $880 through and including FY53, at which point the projected fiduciary net position is estimated to be sufficient to meet annual benefit payments. The required employer contribution will be re-determined with each actuarial valuation as market performance and other factors will impact the required funding amount. Funding the Plan over the long-term allows the System to minimize contribution volatility.

Employees do not make contributions under this Plan.

### Plan Investments

***Method Used to Value Investments:*** Investments are reported at fair value. See Note 3 for information related to the fair value measurement, interest rate risk, and foreign currency risk associated with the Plan's investments.

***Investment Policy:*** The Plan's investments are diversified both by asset class and within asset classes. To have a reasonable probability of consistently achieving the Plan's return objectives, the following asset allocation policy ranges were in effect as of June 20, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Equity securities | 25-45% | 25-45% |
| Fixed income securities | 38-58% | 35-55% |
| Other | 10-20% | 15-35% |
| Cash | 0-10% | 0-10% |

***Rate of Return:*** For the years ended June 30, 2023 and 2022, the annual money-weighted rate of return, net of investment expenses, was 6.53% and -7.21%, respectively.

### Net Pension Liability

The components of the net pension liability at the measurement date of June 30 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Total pension liability | $ 29,698 | $ 32,044 |
| Fiduciary net position | (18,987) | (20,392) |
| Net pension liability | $ 10,711 | $ 11,652 |
| Fiduciary net position as a percentage of the total pension liability | 63.9% | 63.6% |

For purposes of determining fiduciary net position, benefits are recorded when paid.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### ***13d. Defined Benefit Plan – Classified Employees – continued***

***Actuarial Assumptions:*** The total pension liability as of June 30, 2023 and 2022 was determined by an actuarial valuation as of July 1, 2023 and as of July 1, 2021 rolled forward to the measurement date of June 30, 2022, respectively, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Actuarial asset method | The actuarial value of assets is the market value of assets |
| Inflation | 2.7% and 2.5% as of June 30, 2023 and 2022 respectively |
| Salary increases | 3.5% for all years |
| Investment rate of return | 6.25% net of investment expenses, including inflation |
| Life expectancy | 2023 and 2022: Pre-retirement and post-retirement mortality rates were based on the Pub-2010 Mortality Table projected with Scale MP-2021 and Scale MP2020, respectively. For disabled lives, the mortality rates were based on the Pub-2010 amount-weighted Disabled Mortality Table with Scale MP-2021 and Scale MP2020, respectively. |

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30 are summarized in the following table.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rates of Return** | **Target Allocation** | **Long-Term Expected Real Rates of Return** |
| Global Equity | 30% | 4.70% | 30% | 5.20% |
| Emerging Market Equity | 3% | 6.60% | 3% | 7.10% |
| Fixed Income | 48% | 2.21% | 43% | 1.82% |
| Global Asset Allocation | 8% | 3.50% | 8% | 3.60% |
| Real Estate | 3% | 3.10% | 8% | 2.70% |
| Alternative Investments | 5% | 3.40% | 5% | 3.80% |
| Cash | 3% | 0.70% | 3% | 0.40% |
| Total | 100% | | 100.% | |

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## 13d. Defined Benefit Plan – Classified Employees - continued

***Discount Rate***: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires that projected benefit payments be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's assets are sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

For the Plan, the discount rate used to measure the total pension liability at June 30, 2023 and 2022 was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made in accordance with the Plan's funding policy adopted on February 27, 2014. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

***Sensitivity of the net pension liability to changes in the discount rate:*** The following presents the net pension liability as of June 30 calculated using the discount rate of 6.25%, as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate:

| | June 30, 2023 | | | June 30, 2022 | | |
|---|---|---|---|---|---|---|
| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
| Total pension liability | $ 31,678 | $ 29,698 | $ 27,944 | $ 34,202 | $ 32,044 | $ 30,134 |
| Fiduciary net position | 18,987 | 18,987 | 18,987 | 20,392 | 20,392 | 20,392 |
| Net pension liability | $ 12,691 | $ 10,711 | $ 8,957 | $ 13,810 | $ 11,652 | $ 9,742 |

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## *13d. Defined Benefit Plan – Classified Employees - continued*

Changes in Net Pension Liability for the **Defined Benefit Pension Plan**:

| Fiscal Year Ended June 30 | 2023 | 2022 |
|---|---|---|
| Total pension liability – beginning | $ 32,044 | $ 33,840 |
| Changes for the year: | | |
| Service cost | 1 | 1 |
| Interest | 1,891 | 1,996 |
| Differences between expected and actual experience | (748) | - |
| Changes of assumptions | 95 | - |
| Benefit payments | (3,585) | (3,793) |
| Total pension liability – ending (a) | 29,698 | 32,044 |
| Fiduciary net position – beginning | 20,392 | 25,291 |
| Contributions – employer | 948 | 672 |
| Net investment income | 1,241 | (1,760) |
| Benefit payments | (3,585) | (3,793) |
| Administrative expenses | (9) | (18) |
| Fiduciary net position – ending (b) | 18,987 | 20,392 |
| Net pension liability – ending (a)-(b) | $ 10,711 | $ 11,652 |
| Plan fiduciary net position as a percentage of the total pension liability | 63.93% | 63.64% |
| Covered payroll | $ 59 | $ 48 |
| Net pension liability as a percentage of covered payroll | 18283.28% | 24138.26% |
| Contributions as a percentage of covered payroll | 1618.13% | 1392.86% |
| Plan assets measured at fair value | $ 18,987 | $ 20,392 |

## *13e. Funding of Basic and Defined Benefit Plans – Classified Employees*

While the Basic Plan and Defined Benefit Plan are administratively separate, they are both part of the Retirement Plan for Classified Employees and are covered by the same plan document. In accordance with Section 414(k) of the Internal Revenue Code, the System may elect to fund employer contributions to the Basic Plan and ORSP from any excess assets in the Defined Benefit Plan, subject to certain limitations.

## *13f. Early retirement incentives*

In FY23, the System offered a second phase of early retirement incentives to eligible faculty who made the election to retire during FY24. Eligibility was based on the member attaining the age of 62 and having 10 or more years of consecutive service at the time of retirement; or age 60 or older and having 20 or more years of service. The incentives are equal to 50% of the employee's annual salary and is to be paid as a lump-sum contribution to the participant's retirement account in FY24, subject to IRS limits, unless the retirement date is deferred upon request of the System's administrators.

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### *13f. Early retirement incentives - continued*

In FY22, the System offered early retirement incentives to eligible faculty members who made the election to retire during FY23. Eligibility was based on the member attaining the age of 62 and having 10 or more years of consecutive service at the time of retirement; or age 60 or older and having 20 or more years of service. The incentives are equal to 100% of the employee's annual salary and is to be paid as a lump-sum contribution to the participant's retirement account in FY23, subject to IRS limits, unless the retirement date is deferred upon request of the System's administrators.

The System's early incentive retirement expense for FY23 and FY22 was $2,505 and $9,657, respectively, and is included in pension expense. The related liability at June 30, 2023 and 2022 was $5,448 and $9,657, respectively, and is included in accrued liabilities in the accompanying Statements of Net Position.

## *14. POSTEMPLOYMENT HEALTH PLAN*

### Plan Description

***Plan Administration:*** The Other Postemployment Benefits (OPEB) Health Plan ("OPEB Plan") is a defined benefit, single employer plan, administered by the System. The OPEB Plan does not produce standalone financial statements. Within certain limits, the Board of Trustees has authority to establish and amend provisions under the Plan for retirees. This authority is subject to collective bargaining agreements for active employees.

***Plan Benefits:*** System retirees at or above the normal retirement age of 65 with at least ten years of continuous full-time regular university service immediately prior to retirement, and who are in the System health plan upon retirement, are eligible for post-retirement health coverage. This coverage is also extended to those former eligible employees who receive benefits under the System's long-term disability (LTD) insurance and to widows/widowers of university employees and retirees. Employees who retire on or after April 1, 2008 and former employees receiving LTD benefits will have a one-time election to cease coverage under the System health plan and later reenroll for coverage provided continuous coverage is documented.

The System Medicare eligible retiree health plan options include a Medicare Exchange program with an HRA and a group health plan which subsidizes the cost of insurance for eligible persons who are retired from the System and have reached age 65, who are under age 65 and are part of a special retirement incentive program, and who are former employees and approved for LTD benefits regardless of age or years of service. The level of subsidy may vary depending on plan selected, retirement incentive programs, retirement date and years of service. The System also provides a subsidy for eligible spouses and dependents. With certain restrictions, spouses and dependents are eligible to continue coverage after the death of a retiree meeting the above criteria.

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### *14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED*

Persons eligible for a subsidy from the System may not convert their benefit into an in-lieu-of payment to secure coverage under independent plans.

The System's OPEB expense for June 30, 2023 and 2022 was $3,205 and $3,444, respectively.

***Plan membership:*** At June 30, OPEB Plan membership consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| Inactive plan participants or beneficiaries currently receiving benefits | 2,252 | 2,166 |
| Active plan participants | 4,058 | 4,036 |
| Total plan participants | 6,310 | 6,202 |

***Contributions:*** The System annually makes an actuarially determined contribution to a Trust, based on the results of the most recent actuarial valuation.

Funding the OPEB Plan over the long-term allows the System to smooth market impacts and limit contribution volatility. The required contribution amount will be re-determined with each actuarial valuation as market performance, experience, assumptions, and other factors will impact the funding needed.

### Plan Investments

Assets of the OPEB Plan are invested in the System's Managed Investment Pool. See Notes 1f and 3 for more information on the MIP which includes this OPEB Trust with balances as reported below as Fiduciary net position.

### Net OPEB Liability

The components of the net OPEB liability at June 30 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Total OPEB liability | $153,258 | $173,794 |
| Fiduciary net position | (174,427) | (156,012) |
| Net OPEB liability (asset) | $(21,169) | $ 17,782 |
| Fiduciary net position as a percentage of the total OPEB liability | 113.81% | 89.77% |

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## *14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED*

***Actuarial Assumptions:*** The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of July 1, 2023. The results of the June 30, 2022 measurement date are based on a roll forward of the liabilities developed for the June 30, 2021 valuation. The following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Actuarial asset method | Market value |
| Inflation | 2.5% as of June 30, 2023; 2.4% as of June 30, 2022 |
| Investment rate of return | 7.25% net of investment expenses, including inflation as of June 30, 2023 and 2022 |
| Healthcare cost trend rate (Cigna Plans) | 8% for 2023 decreasing .5% per year to 5.5%, then grading down to an ultimate trend rate of 4.1%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075. |
| Healthcare cost trend rates (Aetna Medicare Advantage) | Annual increases of 6% in year 1 grading down 0.5% per year to an ultimate trend rate of 4%, recognizing that over the last several years there have been plan design changes that have impacted the premium rates. |
| Healthcare cost trend rates | 2021 to 2022: 6% for 2022 decreasing .25% per year to 5.25% then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075. |
| Prescription drug trend rates (Catastrophic prescription Drug HRA) | 20% for year 1, 19% for year 2, 18% for year 3, decreasing at varying rates per year to an ultimate trend rate of 6%. The ultimate prescription trend rate is reached in 2042.<br>2021 to 2022: 6.5% for 2022, decreasing .25% per year to an ultimate trend rate of 5 percent. |
| Life expectancy | Pre-retirement and post-retirement mortality rates were based on the Pub-2010 headcount-weighted Mortality Table projected with fully generational mortality improvement using Scale MP-2021 for 2023 and Scale MP-2020 for 2021.<br>For disabled lives, the mortality rates were based on the Pub-2010 headcount-weighted Disabled Mortality Table projected with fully generational mortality improvement using Scale MP-2021 for 2023 and Scale MP-2020 for 2021. |

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### *14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED*

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30 are summarized in the following table.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rate of Return** | **Target Allocation** | **Long-Term Expected Real Rate of Return** |
| Large Cap Equities | 25.0% | 4.00% | 22.0% | 4.40% |
| Domestic Small/Mid Cap | 5.0% | 4.80% | 6.0% | 5.00% |
| International Equities | 10.0% | 3.80% | 10.0% | 4.50% |
| International Small Cap Equities | 2.0% | 5.10% | 4.0% | 5.30% |
| Emerging Market Equities | 5.0% | 6.70% | 3.5% | 7.00% |
| Emerging Small Cap Market Equities | 2.0% | 6.60% | 3.5% | 7.10% |
| Global Equity | 10.0% | 4.70% | 10.0% | 5.20% |
| Domestic Core Bonds | 6.5% | 2.00% | 9.5% | 1.50% |
| Treasury Inflation Protected Sec (TIPS) | 5.0% | 1.40% | 3.5% | 1.10% |
| Short-term TIPS | 5.0% | 1.70% | 3.5% | 0.70% |
| Bank Loans | 5.0% | 4.10% | 5.0% | 3.80% |
| Absolute Return Fixed Income | 5.0% | 3.00% | 5.0% | 2.80% |
| Global Asset Allocation | 7.5% | 3.50% | 7.5% | 3.60% |
| Hedge Funds | 7.0% | 3.40% | 7.0% | 3.80% |
| Total | 100% | | 100% | |

***Discount Rate***: Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB Plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

The discount rate used to measure the total OPEB liability at the measurement dates of June 30, 2023 and 2022 was 7.25%. The projection of cash flows used to determine the discount rate

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED*

assumed that contributions from the System will be made in accordance with the OPEB Plan's funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the net OPEB liability to changes in the discount rate:*** The following presents the net OPEB liability as of June 30, calculated using the respective current discount rate as well as using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate.

| | June 30, 2023 | | | June 30, 2022 | | |
|---|---|---|---|---|---|---|
| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
| Total OPEB liability | $169,518 | $153,258 | $139,458 | $194,701 | $173,794 | $156,357 |
| Fiduciary net position | 174,427 | 174,427 | 174,427 | 156,012 | 156,012 | 156,012 |
| Net OPEB liability (asset) | $(4,909) | $(21,169) | $(34,969) | $ 38,689 | $ 17,782 | $ 345 |

***Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:*** The following presents the net OPEB liability as of June 30, calculated using the respective current healthcare cost trend rates as well as using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates.

| | June 30, 2023 | | | June 30, 2022 | | |
|---|---|---|---|---|---|---|
| | 1% Decrease 7% Year 1 Decreasing to 3.1% | Healthcare Cost TrendRates 8% Year 1 Decreasing to 4.1% | 1% Increase 9% Year 1 Decreasing to 5.1% | 1% Decrease 5% Year 1 Decreasing to 3% | Healthcare Cost TrendRates 6% Year 1 Decreasing to 4% | 1% Increase 7% Year 1 Decreasing to 5% |
| Total OPEB liability | $137,740 | $153,258 | $171,881 | $153,076 | $173,794 | $199,108 |
| Fiduciary net position | 174,427 | 174,427 | 174,427 | 156,012 | 156,012 | 156,012 |
| Net OPEB liability (asset) | $(36,687) | $(21,169) | $(2,546) | $ (2,936) | $ 17,782 | $ 43,096 |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED*

Changes in the net OPEB liability:

| **Fiscal Year Ended June 30** | **2023** | **2022** |
|---|---|---|
| Total OPEB liability – beginning | $ 173,794 | $ 162,212 |
| Changes for the year: | | |
| Service cost | 6,364 | 6,150 |
| Interest | 12,803 | 11,969 |
| Changes of benefit terms | 4,499 | - |
| Differences between expected and actual experience | (27,303) | - |
| Changes of assumptions | (9,784) | - |
| Benefit payments | (7,115) | (6,537) |
| Total OPEB liability – ending (a) | 153,258 | 173,794 |
| Fiduciary net position – beginning | 156,012 | 180,270 |
| Contributions – employer | 8,774 | 4,937 |
| Net investment income (loss) | 16,756 | (22,658) |
| Benefit payments | (7,115) | (6,537) |
| Fiduciary net position – ending (b) | 174,427 | 156,012 |
| Net OPEB liability (asset)– ending (a)-(b) | $ (21,169) | $ 17,782 |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 113.81% | 89.77% |
| Covered payroll | $ 292,603 | $ 267,061 |
| Net OPEB liability (asset) as a percentage of covered employee payroll | -7.23% | 6.66% |
| Contributions as a percentage of covered payroll | 3.00% | 1.85% |
| Plan assets measured at fair value | $ 174,427 | $ 156,012 |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *15. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES*

The composition of deferred outflows and inflows of resources at June 30 is summarized as follows.

**2023**

| | **Pension Liability** | **OPEB** | **Deferred Amount on Debt Refunding** | **Irrevocable Split-Interest Agreements** | **Leases** | **Total** |
|---|---|---|---|---|---|---|
| Deferred outflows of resources | $ 2,329 | $13,094 | $ 1,770 | $ - | $ - | $17,193 |
| Deferred inflows of resources | $ 891 | $48,725 | $ - | $ 218 | $ 3,783 | $53,617 |

**2022 Restated**

| | **Pension Liability** | **OPEB** | **Deferred Amount on Debt Refunding** | **Irrevocable Split-Interest Agreements** | **Leases** | **Total** |
|---|---|---|---|---|---|---|
| Deferred outflows of resources | $ 3,456 | $25,070 | $ 3,181 | $ - | $ - | $31,707 |
| Deferred inflows of resources | $ 993 | $27,319 | $ - | $ 470 | $ 3,758 | $32,540 |

Deferred outflows of resources and deferred inflows of resources for pensions and OPEB were related to the following sources for the year ended June 30.

**2023**

| | Incentive Retirement Plan | Defined Benefit Plan | Total Pension | OPEB |
|---|---|---|---|---|
| Deferred outflows of resources | | | | |
| Changes of assumption or other inputs | $ 726 | $ - | $ 726 | $ 5,180 |
| Difference between expected and actual experience | 485 | - | 485 | - |
| Net difference between projected and actual earnings on plan investments | - | 1,118 | 1,118 | 7,914 |
| Total deferred outflows of resources | 1,211 | 1,118 | 2,329 | 13,094 |
| Deferred inflows of resources | | | | |
| Changes of assumption or other inputs | 652 | - | 652 | 12,868 |
| Difference between expected and actual experience | 239 | - | 239 | 35,857 |
| Total deferred inflows of resources | 891 | - | 891 | 48,725 |
| Net deferred outflows (inflows) | $ 320 | $ 1,118 | $ 1,438 | $ (35,631) |

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *15. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES – CONTINUED*

Deferred outflows of resources and deferred inflows of resources for pensions and OPEB were related to the following sources for the year ended June 30.

**2022**

| | Incentive Retirement Plan | Defined Benefit Plan | Total Pension | OPEB |
|---|---|---|---|---|
| Deferred outflows of resources | | | | |
| Changes of assumption or other inputs | $ 1,120 | $ - | $ 1,120 | $ 8,290 |
| Difference between expected and actual experience | 794 | - | 794 | - |
| Net difference between projected and actual earnings on plan investments | - | 1,542 | 1,542 | 16,780 |
| Total deferred outflows of resources | 1,914 | 1,542 | 3,456 | 25,070 |
| Deferred inflows of resources | | | | |
| Changes of assumption or other inputs | 846 | - | 846 | 6,035 |
| Difference between expected and actual experience | 147 | - | 147 | 21,284 |
| Total deferred inflows of resources | 993 | - | 993 | 27,319 |
| Net deferred outflows (inflows) | $ 921 | $ 1,542 | $ 2,463 | $(2,249) |

Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense and postemployment health expense, respectively, during the years ending June 30 as follows.

| Year Ending June 30: | Incentive Retirement Plan | Defined Benefit Plan | Total Pension | OPEB |
|---|---|---|---|---|
| 2024 | $218 | $278 | $496 | $(8,856) |
| 2025 | 179 | 199 | 378 | (10,072) |
| 2026 | 121 | 647 | 768 | (2,199) |
| 2027 | (107) | (6) | (113) | (9,610) |
| 2028 | (86) | - | (86) | (4,894) |
| Thereafter | (5) | - | (5) | - |
| | $320 | $1,118 | $1,438 | $(35,631) |

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## *16. COMPONENT UNITS*

The System is supported in part by several foundations and alumni associations that raise funds on the System's behalf. The System determined that one of those entities, the University of Maine Foundation ("the Foundation"), meets the criteria set forth under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, for inclusion as a discretely presented component unit of the System.

The Foundation is a legally separate, tax-exempt organization, which acts primarily as a fund-raising organization to supplement the resources that are available to the System in support of its programs. The Board of Directors of the Foundation is self-perpetuating and independent of the System's Board of Trustees. Although the System does not control the timing or amount of receipts from the Foundation, the Foundation holds and invests resources almost entirely for the System's benefit (specifically the University of Maine); the System is entitled to access a majority of the economic resources held; and the economic resources held are "significant to the System" based on 5% of net position and 5% of total assets thresholds.

During 2021 the Foundation changed their fiscal year end from June 30, 2021 to December 31, 2021 and has accordingly been discretely presented as a component unit of the System in the accompanying financial statements as of and for the year and six months ended December 31, 2022 and December 31, 2021, respectively, and is reported in separate financial statements as the Foundation reports its financial results under Financial Accounting Standards Board standards rather than GASB standards. Contributions and additions to the Foundation's endowments with donor restrictions were $14,409 for the year ending December 31, 2022 and $7,409 for the six months ending December 30, 2021.

The Foundation asset category, long-term investments, endowment, comprised 87% and 84% of the Foundation's total assets as of December 31, 2022 and December, 2021, respectively. Remaining disclosures in this note relate to this asset group.

**Long-term investments, endowment**

The Foundation maintains a general pool of investments for its endowments. These investment securities are stated at fair value based on quoted market prices within active markets. The fair values of alternative investments are determined from information supplied by the investment managers based on the market values of underlying investments on a net asset value basis. Investment income is reflected in the Statements of Activities as "without donor restrictions" or "with donor restrictions" based upon the existence and nature of any donor-imposed restrictions.

The Foundation has established a specific set of investment objectives and guidelines for investment managers that attempt to provide a predictable stream of income while seeking to maintain the purchasing power of the endowment assets over the long-term. The investment policy establishes an achievable return objective and seeks to manage risk through diversification of asset classes. The current long-term return objective is to return 7.25% for

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### *16. COMPONENT UNITS - CONTINUED*

December 31, 2022 and December 31, 2021. Actual returns in any given year may vary from these amounts.

**Endowment spending policy**

The Foundation utilizes a spending policy for its pooled endowment in order to provide for the current and long-term needs of endowment recipients. The spending policy determines the endowment income to be distributed. For the periods ended December 31, 2022 and December 31, 2021 the spending policy was 4.5% of the average market value for the twelve previous quarters ending September 30.

Endowment spending is contingent upon a fund's market value exceeding its historic dollar value (principal). In accordance with the Uniform Prudent Management of Institutional Funds Act, a prudent expenditure may be allowed unless the donor has explicitly prohibited expenditure of principal. During the year ended December 31, 2022 and the six months ended December 31, 2021 the Foundation distributed $36,946 and $8,243, respectively, to the System for both restricted and unrestricted purposes.

**Fair value measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2. Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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### *16. COMPONENT UNITS - CONTINUED*

The Foundation's short-term investments measured at fair value valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) as of December 31, 2022 and December 31, 2021 were $12,971 and $32,499, respectively. These investments include money markets, certificates of deposit, U.S. government obligations and bonds.

The following table summarizes the Foundation's long-term endowment investments by class in the fair value hierarchy as of December 31, 2022:

| | NAV | Level 1 | Level 2 | Level 3 | Total | Liquidity |
|---|---|---|---|---|---|---|
| U.S. equities | $ 71,694 | $ 12,976 | $ - | $ - | $ 84,670 | Daily/Monthly |
| Non-U.S. equities | 19,173 | 28,251 | - | - | 47,424 | Daily/Monthly/Quarterly |
| Global equities | 28,789 | - | - | - | 28,789 | Monthly/Quarterly |
| U.S. fixed income | - | 32,910 | - | - | 32,910 | Daily |
| Total private investments | 50,968 | - | - | - | 50,968 | Illiquid |
| Alternative investments | 25,355 | - | - | - | 25,355 | Monthly/Quarterly/Semi-Annually |
| Cash | - | 13,826 | - | - | 13,826 | Daily |
| **Total long-term investments, endowment** | **$195,979** | **$ 87,963** | **$ -** | **$ -** | **$283,942** | |

The following table summarizes the Foundation's long-term endowment investments by class in the fair value hierarchy as of December 31, 2021:

| | NAV | Level 1 | Level 2 | Level 3 | Total | Liquidity |
|---|---|---|---|---|---|---|
| U.S. equities | $ 90,337 | $15,306 | $ - | $ - | $105,643 | Daily/Monthly |
| Non-U.S. equities | 31,324 | 27,321 | - | - | 58,645 | Daily/Monthly/Quarterly |
| Global equities | 41,398 | - | - | - | 41,398 | Monthly/Quarterly |
| U.S. fixed income | - | 35,109 | - | - | 35,109 | Daily |
| Total private investments | 49,269 | - | - | - | 49,269 | Illiquid |
| Alternative investments | 38,017 | - | - | - | 38,017 | Monthly/Quarterly/Semi-Annually/Annually |
| Cash | - | 961 | - | - | 961 | Daily |
| **Total long-term investments, endowment** | **$250,345** | **$78,697** | **$ -** | **$ -** | **$329,042** | |

Complete financial statements for the Foundation may be obtained from the Foundation's office at Two Alumni Place, Orono, ME 04469-5792.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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## *17. PRIOR PERIOD ADJUSTMENTS*

The provisions of GASB No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), are effective for periods beginning after June 15, 2022 and all reporting periods thereafter. This statement applies to the System's SBITA obligations and right of use assets (see Note 1b.) and the System adopted GASB No. 96 for its June 30, 2023 financial statements. The change represents a change from one generally accepted accounting principle to another generally accepted accounting principle that is the current industry practice.

The changes adopted to conform to the provisions of GASB No. 96 are applied retroactively by restating the FY22 financial statements. The effect of the restatement was to reduce the beginning balance of net position (investment in capital assets), decrease the FY22 change in net position and decrease ending net position (unrestricted) by the following amounts.

| | |
|---|---|
| Net Position – Beginning of year – As previously reported | $943,517 |
| Cumulative adjustment to Net Position | (269) |
| Net Position – Beginning of year – As restated | 943,248 |
| FY22 Change in Net Position – As previously reported | 26,097 |
| FY22 effect on Change in Net Position | |
| SBITA expenses | |
| Amortization of right of use assets | (2,639) |
| Payments applied to interest expense | (239) |
| Net decrease in other expenses | 2,813 |
| Total effect on Change in Net Position | (65) |
| FY22 Change in Net Position – As restated | 26,032 |
| Net Position – At end of year – As restated | $969,280 |

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## *18. SUBSEQUENT EVENTS*

**Public, Private Partnership:** On August 15, 2022, the System entered into a public private partnership (P3) with Radnor Property Group, LLC (RPG). The P3 agreement is for a $28,000 project including the renovation of Coburn and Holmes Halls and the construction of a new 24,800-square-foot building adjacent to Holmes Hall for the creation of a boutique hotel ensemble and extended stay residence on the University of Maine campus in Orono. This project will provide 95 hotel rooms and a café. The hotel is expected to open in the spring of 2024 under the operation of Olympia Hotel Management, LLC.

Under the 99-year arrangement, the System has agreed to a ground lease, a performance guarantee, and an income sharing arrangement. Commencing with the date of project stabilization, the System will lease ground and buildings to RPG at a base rent of $38 per annum to be paid quarterly. Base rent is scheduled to increase 5% each fifth year. Once the hotel is operational, revenues will be collected by RPG and to the extent the revenues fall below annual pro forma projections during the first 25 operating years of the arrangement, the System will supplement the shortfall as outlined in the contract. In consideration for services the System will provide under the arrangement the System will receive 20% of all net operating income, on a cumulative basis, earned annually in excess of annual amounts outlined in the contract and subject to an annual maximum of $600. Both the shortfall supplement and the income sharing are variable in nature and will be recognized as incurred.

The University commitment to the project is $3,000 with $1,180 disbursed at closing for the aforementioned parking lot and site improvements and the remaining $1,320 towards construction of the hotels to be paid following request by the operator. The University has further committed $515 as a tax reimbursement payment. Both remaining payments are anticipated to be made in December 2023. At the end of fiscal year 2023, UMS has recognized an asset of $1,180 for construction in progress related to the hotel parking lot. Construction of the hotel is ongoing and the improvements were not yet placed into service at year end.

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***UNIVERSITY OF MAINE SYSTEM***
***REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT AND OPEB PLANS***
***YEAR ENDED JUNE 30, 2022 (UNAUDITED)***
***(IN THOUSANDS)***

***INCENTIVE RETIREMENT PLAN:***

**Changes in Total Pension Liability and Related Ratios**

| **Fiscal Year Ended June 30** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|
| Service cost | $ 503 | $ 616 | $ 692 | $ 538 | $ 595 | $ 604 | $ 862 | $ 718 | $ 880 |
| Interest | 645 | 446 | 456 | 719 | 813 | 785 | 629 | 877 | 1,110 |
| Differences between expected and actual experience | (216) | - | 833 | - | (217) | - | 1,287 | - | (1,831) |
| Changes of assumptions and other inputs | (59) | (792) | 376 | 851 | 562 | (225) | (628) | 921 | 505 |
| Benefit payments | (2,757) | (2,388) | (2,198) | (2,141) | (2,175) | (1,972) | (2,084) | (5,260) | (3,114) |
| Net change in total pension liability | (1,884) | (2,118) | 159 | (33) | (422) | (808) | 66 | (2,744) | (2,450) |
| Total pension liability – beginning | 19,090 | 21,208 | 21,049 | 21,082 | 21,504 | 22,312 | 22,246 | 24,990 | 27,440 |
| Total pension liability – ending | $17,206 | $19,090 | $21,208 | $21,049 | $21,082 | $21,504 | $22,312 | $22,246 | $24,990 |
| Covered payroll | $51,931 | $59,119 | $62,646 | $67,303 | $68,685 | $72,541 | $77,644 | $95,653 | $92,419 |
| Total pension liability as a percentage of covered payroll | 33.13% | 32.29% | 33.85% | 31.27% | 30.69% | 29.64% | 28.74% | 23.26% | 27.04% |

**Schedule of Employer Contributions**

| **Fiscal Year Ended June 30** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Contributions in relation to the actuarially determined contribution | 2,757 | 2,388 | 2,198 | 2,141 | 2,175 | 1,972 | 2,084 | 5,260 | 3,114 |
| Contribution deficiency (excess) | $(2,757) | $(2,388) | $(2,198) | $(2,141) | $(2,175) | $(1,972) | $(2,084) | $(5,260) | $(3,114) |
| Covered payroll | $51,931 | $59,119 | $62,646 | $67,303 | $68,685 | $72,541 | $77,644 | $95,653 | $92,419 |
| Contributions as a percentage of covered payroll | 5.31% | 4.04% | 3.51% | 3.18% | 3.17% | 2.72% | 2.68% | 5.50% | 3.37% |

REQUIRED SUPPLEMENTAL INFORMATION – RETIRMENT PLANS (UNAUDITED) (IN THOUSANDS)

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***INCENTIVE RETIREMENT PLAN – CONTINUED:***

**Notes to Required Supplementary Information:**

*Changes of benefit terms:* None.

*Changes of assumptions and other inputs:*

2023: The discount rate changed from 3.54% as of the beginning of the measurement period to 3.65% as of the end of the measurement period. The mortality improvement table was updated from MP-2020 to MP-2021.

2022: The discount rate changed from 2.16% as of the beginning of the measurement period to 3.54% as of the end of the measurement period.

2021: The discount rate changed from 2.21% as of the beginning of the measurement period to 2.16% as of the end of the measurement period. In addition, the mortality tables were updated to the Pub-2010 mortality tables with mortality improvement scale MP-2020.

2020: The discount rate changed from 3.5% as of the beginning of the measurement period to 2.21% as of the end of the measurement period.

2019: The discount rate changed from 3.87% as of the beginning of the measurement period to 3.5% as of the end of the measurement period.

2018: The discount rate changed from 3.58% as of the beginning of the measurement period to 3.87% as of the end of the measurement period.

2017: The discount rate changed from 2.85% as of the beginning of the measurement period to 3.58% as of the end of the measurement period.

*Methods and assumptions used in calculations of actuarially determined contributions:*

The University of Maine System Incentive Retirement Plan is funded on a terminal funding basis - funded when costs become due and payable.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Inflation | Not explicitly assumed |
| Salary increases | 3.5% per year, including longevity |
| Payroll increases | 3.5% per year |
| Assets | There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73. |

REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

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## *DEFINED BENEFIT PENSION PLAN:*

**Changes in Total Pension Liability and Related Ratios**

| Fiscal Year Ended June 30 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014** |
|---|---|---|---|---|---|---|---|---|---|---|
| Changes for the year: | | | | | | | | | | |
| Service cost | $ 1 | $ 1 | $ 1 | $ 1 | $ 1 | $ 1 | $ 6 | $ 5 | $ 40 | $ - |
| Interest | 1,891 | 1,996 | 2,148 | 2,255 | 2,270 | 2,385 | 2,545 | 2,769 | 2,884 | |
| Differences between expected and actual experience | (748) | - | (285) | - | (1,238) | - | (759) | - | 12 | |
| Changes of assumptions | 95 | - | (426) | - | 2,828 | - | - | 1,427 | - | |
| Benefit payments | (3,585) | (3,793) | (3,916) | (4,043) | (4,153) | (4,280) | (4,435) | (4,585) | (4,693) | |
| Net change in total pension liability | (2,346) | (1,796) | (2,478) | (1,787) | (292) | (1,894) | (2,643) | (384) | (1,757) | |
| Total pension liability – beginning | 32,044 | 33,840 | 36,318 | 38,105 | 38,397 | 40,291 | 42,934 | 43,318 | 45,075 | |
| Total pension liability – ending (a) | 29,698 | 32,044 | 33,840 | 36,318 | 38,105 | 38,397 | 40,291 | 42,934 | 43,318 | 45,075 |
| Contributions – employer | 948 | 672 | 907 | 896 | 714 | 695 | 735 | 538 | 1,100 | |
| Net investment income | 1,241 | (1,760) | 3,704 | 1,213 | 1,112 | 1,335 | 2,173 | 202 | 27 | |
| Benefit payments | (3,585) | (3,793) | (3,916) | (4,043) | (4,153) | (4,280) | (4,435) | (4,585) | (4,693) | |
| Administrative expenses | (9) | (18) | (13) | (33) | (27) | (36) | (20) | (19) | (8) | |
| Net change in plan fiduciary net position | (1,405) | (4,899) | 682 | (1,967) | (2,354) | (2,286) | (1,547) | (3,864) | (3,574) | |
| Fiduciary net position – beginning | 20,392 | 25,291 | 24,609 | 26,576 | 28,930 | 31,216 | 32,763 | 36,627 | 40,201 | |
| Fiduciary net position – ending (b) | 18,987 | 20,392 | 25,291 | 24,609 | 26,576 | 28,930 | 31,216 | 32,763 | 36,627 | 40,201 |
| Net pension liability – ending (a)-(b) | $10,711 | $11,652 | $ 8,549 | $11,709 | $11,529 | $ 9,467 | $ 9,075 | $10,171 | $ 6,691 | $ 4,874 |
| Plan fiduciary net position as a percentage of the total pension liability | 63.93% | 63.64% | 74.74% | 67.76% | 69.74% | 75.34% | 77.48% | 76.31% | 84.56% | 89.19% |
| Covered payroll* | $ 59 | $ 48 | $ 65 | $ 68 | $ 156 | $ 105 | $ 168 | $ 312 | $ 301 | $ 692 |
| Net pension liability as a Percentage of covered payroll | 18283.28% | 24138.26% | 13158.91% | 17284.43% | 7396.21% | 9052.65% | 5400.37% | 3259.34% | 2219.09% | 704.23% |

* Covered payroll for 2016 is the 2015 covered payroll, increased by payroll growth of 3.5%
** Detailed information regarding the change in the total pension liability for FY14 has not been presented as that information was not available.

REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

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***DEFINED BENEFIT PENSION PLAN – CONTINUED:***

**Schedule of Employer Contributions**

| Fiscal Year Ended June 30 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $948 | $672 | $907 | $896 | $714 | $695 | $735 | $538 | $550 | $550 |
| Contributions in relation to the actuarially determined contribution | 948 | 672 | 907 | 896 | 714 | 695 | 735 | 538 | 1,100 | 550 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $(550) | $ - |
| Covered payroll | $ 59 | $ 48 | $ 65 | $ 68 | $156 | $105 | $168 | $312 | $301 | $692 |
| Contributions as a percentage of covered payroll | 1618.13% | 1392.86% | 1396.00% | 1322.06% | 458.23% | 664.54% | 437.48% | 172.49% | 364.84% | 79.47% |

| Investment Returns: Fiscal Year Ended June 30 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expenses | 6.53% | -7.21% | 15.86% | 4.48% | 4.03% | 4.80% | 7.04% | 0.64% | 0.12% | 14.27% |

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

REQUIRED SUPPLEMENTAL INFORMATION – RETIRMENT PLANS (UNAUDITED) (IN THOUSANDS)

DRAFT

***DEFINED BENEFIT PENSION PLAN – CONTINUED:***

**Notes to Required Supplementary Information:**

*Changes of benefit terms:* None.
*Changes of assumptions and other inputs:*

2023: The mortality improvement table was updated from scale MP-2020 to scale MP-2021.
2022: None
2021: The mortality tables were updated to the Pub-2010 amount-weighted mortality tables with scale MP-2020
2020: None
2019: The mortality tables were updated to reflect more recent mortality tables and generational mortality improvement.
2017: None
2018: None
2016: The investment return rate was changed from 6.75% to 6.25% and the administrative expense assumption was changed from $50, increasing by 3% per year, to $30, increasing by 2% per year up to a maximum of $70.
2015: The actuarial funding method was changed from Projected Unit Credit to Entry Age Normal, the investment return rate was changed from 7.25% to 6.75% and the administrative expense assumption was changed from $90 per year to $50 per year.

*Methods and assumptions used in calculations of actuarially determined contributions:*

The actuarially determined contributions in the schedule of employers' contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

| | |
|---|---|
| Actuarial cost method | 2015 to 2023: Entry age normal<br>2014: Projected Unit Credit |
| Asset valuation method | The actuarial value of assets is the market value of assets. |
| Inflation | 2023: 2.7% per year<br>2021 to 2022: 2.5% per year<br>2020: 2.4% per year<br>2019: 2.6% per year<br>2016 to 2018: 3% per year<br>2015: 3.25% per year |
| Salary increases | 3.5% per year |
| Payroll increases | 3.5% per year |
| Investment rate of return/ discount rate | 2016 to 2023: 6.25%, net of investment expenses, compounded annually<br>2015: 6.75%, net of investment expenses, compounded annually<br>2014: 7.25%, net of investment expenses, compounded |

REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

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## *OPEB PLAN:*

**Changes in Net OPEB Liability and Related Ratios**

| **Fiscal Year Ended June 30** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016**** |
|---|---|---|---|---|---|---|---|---|
| Changes for the year: | | | | | | | | |
| Service cost | $ 6,364 | $ 6,150 | $ 6,964 | $ 6,434 | $ 6,583 | $ 6,330 | $ 6,174 | $ |
| Interest | 12,803 | 11,969 | 15,725 | 14,769 | 15,354 | 14,482 | 15,567 | |
| Changes in benefit terms | 4,499 | - | (49,469) | (102) | - | - | (8,670) | |
| Differences between expected and actual experience | (27,303) | - | (8,908) | - | (30,871) | - | (17,138) | |
| Changes of assumptions | (9,784) | - | (8,539) | 5,938 | 10,090 | - | 6,051 | |
| Benefit payments | (7,115) | (6,537) | (6,992) | (8,194) | (9,425) | (9,454) | (10,364) | |
| Net change in total OPEB liability | (20,536) | 11,582 | (51,219) | 18,845 | (8,269) | 11,358 | (8,380) | |
| Total OPEB liability – beginning | 173,794 | 162,212 | 213,431 | 194,586 | 202,855 | 191,497 | 199,877 | |
| Total OPEB liability – ending (a) | 153,258 | 173,794 | 162,212 | 213,431 | 194,586 | 202,855 | 191,497 | 199,877 |
| Contributions – employer | 8,774 | 4,937 | 12,473 | 12,694 | 11,868 | 11,942 | 16,146 | |
| Net investment income | 16,756 | (22,658) | 37,389 | 1,561 | 3,546 | 7,979 | 11,565 | |
| Benefit payments | (7,115) | (6,537) | (6,992) | (8,194) | (9,425) | (9,454) | (10,364) | |
| Net change in plan fiduciary net position | 18,415 | (24,258) | 42,870 | 6,061 | 5,989 | 10,467 | 17,347 | |
| Fiduciary net position – beginning | 156,012 | 180,270 | 137,400 | 131,339 | 125,350 | 114,883 | 97,536 | |
| Fiduciary net position – ending (b) | 174,427 | 156,012 | 180,270 | 137,400 | 131,339 | 125,350 | 114,883 | 97,536 |
| Net OPEB liability (asset) – ending (a)-(b) | $ (21,169) | $ 17,782 | $ (18,058) | $ 76,031 | $ 63,247 | $ 77,505 | $ 76,614 | $ 102,341 |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 113.81% | 89.77% | 111.13% | 64.38% | 67.50% | 61.79% | 59.99% | 48.80% |
| Covered payroll | $ 292,603 | $ 267,061 | $ 258,827 | $ 241,501 | $ 237,125 | $ 220,849 | $ 214,956 | |
| Net OPEB liability (asset) as a percentage of covered payroll | -7.23% | 6.66% | -6.98% | 31.48% | 26.67% | 35.09% | 35.64% | |

** Detailed information regarding the change in the total OPEB liability for FY16 has not been presented as that information was not available.

REQUIRED SUPPLEMENTAL INFORMATION – RETIRMENT PLANS (UNAUDITED) (IN THOUSANDS)

DRAFT

***OPEB PLAN - CONTINUED:***

**Schedule of Employer Contributions**

| **Fiscal Year Ended June 30** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 8,009 | $ 6,595 | $ 13,564 | $ 11,942 | $ 13,216 | $ 12,819 | $ 14,970 |
| Contributions in relation to the actuarially determined contribution | 8,774 | 4,937 | 12,473 | 12,694 | 11,868 | 11,942 | 16,146 |
| Contribution deficiency (excess) | $ (765) | $ 1,658 | $ 1,091 | $ (752) | $ 1,348 | $ 877 | $ (1,176) |
| Covered payroll | $292,603 | $267,061 | $258,827 | $241,501 | $237,125 | $220,849 | $214,956 |
| Contributions as a percentage of covered payroll | 3.00% | 1.85% | 4.82% | 5.26% | 5.00% | 5.41% | 7.51% |

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***OPEB PLAN - CONTINUED:***

**Notes to Required Supplementary Information:**

*Changes of benefit terms:*

2023: A Special Retirement Plan was offered to faculty age 62 with 10 full-time years of service or age 60 with 20 full-time consecutive years of service. In addition to a lump sum contribution to the 403(b) retirement plan, benefits included continuation of medical insurance coverage at the active employee rate for individuals not yet Medicare eligible, until reaching age 65 and/or becoming Medicare eligible, whichever is earlier.

2022: None

2021: Effective January 1, 2021 UMS offered a funded Health Reimbursement Account (HRA) through a retiree health exchange. Retirees can choose from various individual Medicare coverages or the UMS sponsored group coverage. The total OPEB liability decreased $51,219 from the prior year including changes of benefit terms of $49,469.

*Changes of assumptions*:

2023: The inflation assumption was increased from 2.2% per year to 2.5% per year, based on current economic data; analyses from economists and other experts, and professional judgement. The medical trend rates were increased in the short term to reflect expected future increases in the Cigna group plans and updated to the recent Getzen trend rates reflecting the adjusted inflation rate. The medical trend rates were reduced for the Aetna Medicare Advantage plan to reflect plan design changes that have impacted the premium rates. Mortality improvement scales were updated to the MP-2021 tables.

2022: The amortization method was changed from the level dollar amount over 30 years on a closed period to level dollar amount over 30 years on an open amortization period. The amortization period was reset at 30 years starting in FY23.

2021: The mortality tables were updated to the Pub-2010 amount-weighted mortality tables with scale MP-2020. The health care cost rate was updated to reflect more recent trends. The inflation rate was changed from 2.4% to 2.2%.

2020: The investment rate of return/discount rate was changed from 7.5% to 7.25%

2019: The mortality tables were updated to reflect more recent mortality tables and generational mortality improvement. The health care cost rate was updated to reflect more recent trends.

2018: *None*

2017: The investment rate of return/discount rate was changed from 7.75% to 7.5% and the actuarial funding method was changed from Projected Unit Credit to Entry Age Normal.

REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

DRAFT

***OPEB PLAN - CONTINUED:***

*Methods and assumptions used in calculations of actuarially determined contributions:*
The actuarially determined contributions in the schedule of employers' contributions are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

| | |
|---|---|
| Actuarial cost method | 2017 to 2023: Entry age normal<br>2016: Projected Unit Credit |
| Amortization method | 2023: Level dollar amount over 30 years on an open amortization period. Pursuant to Section 5 of the UMS OPEB Funding Policy adopted October 7, 2022, when the OPEB Plan funded status, which equals the market value of assets divided by the Total OPEB Liability, is greater than 100% but less than 130%, UMS will contribute a modified actuarially determined employer contribution, determined without regard to the surplus assets.<br>2022: Level dollar amount over 30 years on an open amortization period<br>2021: Level dollar amount over 25 years on a closed amortization period<br>2020: Level dollar amount over 26 years on a closed amortization period<br>2019: Level dollar amount over 28 years on a closed amortization period<br>2017 to 2018: Level dollar amount over 30 years on a closed amortization period |

REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT PLANS (UNAUDITED) (IN THOUSANDS)

DRAFT

### *OPEB PLAN - CONTINUED:*

| | |
|---|---|
| Amortization period | 2022 to 2023: 30 years<br>2021: 25 years<br>2020: 26 years<br>2019: 28 years<br>2017 to 2018: 30 years |
| Asset valuation method | Market value |
| Inflation | 2023: 2.5%<br>2022: 2.4%<br>2021: 2.2%<br>2020: 2.4%<br>2019: 2.6%<br>2017 to 2018: 3% per year |
| Medical trend rates (Cigna Plans) | 2023: 8% decreasing .5% per year to 5.5%, then grading down to an ultimate trend rate of 4.1%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075. |
| Medical trend rates (Aetna Medicare Advantage Plan) | 2023: 6% in year 1 grading down .5% per year to an ultimate trend rate of 4%, recognizing that over the last several years there have been plan design changes that have impacted the premium rates. |
| Healthcare cost trend rate | 2021 to 2022: 6% decreasing .25% per year to 5.25%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.<br>2019 to 2020: 8% decreasing .5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.<br>2017 to 2018: 8% decreasing 1% per year to an ultimate rate of 5% for 2020 and later years |
| Prescription drug trend rates (Catastrophic Prescription Drug HRA) | 2023: 20% for year 1, 19% for year 2, 18% for year 3, decreasing at varying rates per year to an ultimate trend rate of 6%. The ultimate prescription drug trend rate is reached in 2042. |
| Investment rate of return/ discount rate | 2020 to 2023: 7.25% net of investment expenses, including inflation<br>2017 to 2019: 7.5% net of investment expenses, including inflation<br>2016: 7.75% net of investment expenses, including inflation |

REQUIRED SUPPLEMENTAL INFORMATION – RETIRMENT PLANS (UNAUDITED) (IN THOUSANDS)

DRAFT

***OPEB PLAN - CONTINUED:***

| **Investment Returns: Fiscal Year Ended June 30** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** |
|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expenses | 10.67% | -12.59% | 26.88% | 1.16% | 2.81% | 6.90% | 11.56% |

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

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***UNIVERSITY OF MAINE SYSTEM***
***SUPPLEMENTAL INFORMATION REQUIRED BY THE STATE OF MAINE***
***SCHEDULES OF ACTIVITIES***
***(IN THOUSANDS)***

**Year Ended June 30, 2023**

| Functions/Programs | Expenses | Charges for Services | Program Investment Income | Operating Grants/ Contributions | Capital Grants/ Contributions | Net (Expense) Revenue |
|---|---|---|---|---|---|---|
| University of Maine System | $819,359 | $ 296,167 | $ 7,937 | $ 203,361 | $ 26,355 | $ (285,539) |
| | **General Revenues:** | | | | | |
| | Unrestricted interest and investment income | | | | | 13,475 |
| | Additions to endowments - gifts | | | | | 1,222 |
| | State of Maine noncapital appropriation | | | | | 247,992 |
| | State of Maine capital appropriation | | | | | 21,301 |
| | Federal Pell grants | | | | | 32,131 |
| | Coronavirus relief funding | | | | | 3,020 |
| | Loss on disposal of capital assets | | | | | (2,167) |
| | Total Revenues and Extraordinary Items | | | | | 316,974 |
| | Change in Net Position | | | | | 31,435 |
| | Net Position, Beginning of Year | | | | | 969,280 |
| | Net Position, End of Year | | | | | $1,000,715 |

**Year Ended June 30, 2022 Restated**

| Functions/Programs | Expenses | Charges for Services | Program Investment Income | Operating Grants/ Contributions | Capital Grants/ Contributions | Net (Expense) Revenue |
|---|---|---|---|---|---|---|
| University of Maine System | $814,791 | $ 303,671 | $ (26,295) | $ 189,080 | $ 34,437 | $ (313,898) |
| | **General Revenues:** | | | | | |
| | Unrestricted interest and investment income | | | | | (13,664) |
| | Additions to endowments - gifts | | | | | 2,782 |
| | State of Maine noncapital appropriation | | | | | 229,357 |
| | State of Maine capital appropriation | | | | | 25,392 |
| | Federal Pell grants | | | | | 33,735 |
| | Coronavirus relief funding | | | | | 62,886 |
| | Loss on disposal of capital assets | | | | | (558) |
| | Total Revenues and Extraordinary Items | | | | | 339,930 |
| | Change in Net Position | | | | | 26,032 |
| | Net Position, Beginning of Year | | | | | 943,248 |
| | Net Position, End of Year | | | | | $ 969,280 |

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
University of Maine System
Orono, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Maine System (the System) (a component unit of the state of Maine), as of and for the year ended June 30, 2023 for the business-type activities and the aggregate remaining fund information, and as of and for the year ended December 31, 2022 for the discretely presented component unit, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated REPORT DATE. Our report includes a reference to other auditors who audited the financial statements of the University of Maine Foundation (Foundation), as described in our report on the System's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.



***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Trustees
University of Maine System

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards.*

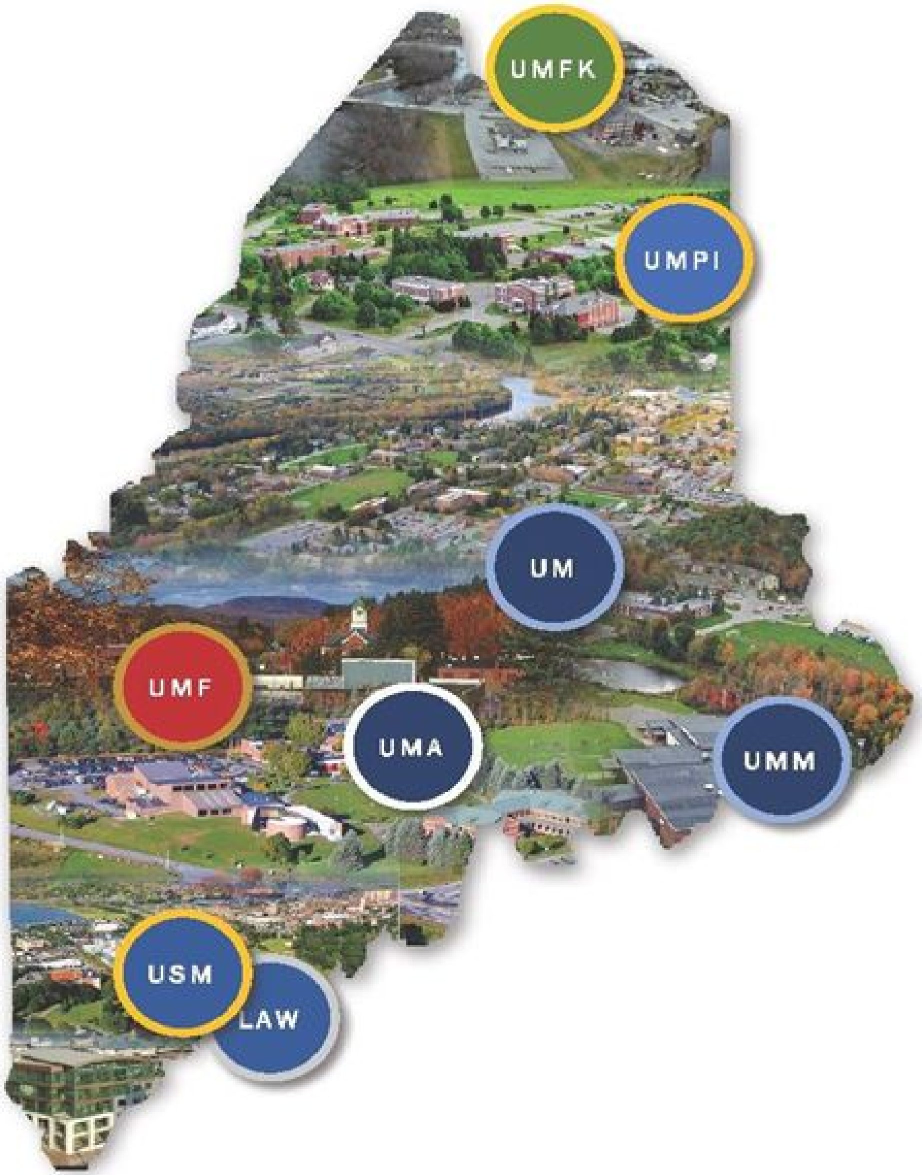
***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Quincy, Massachusetts
REPORT DATE




# UNIVERSITY OF MAINE SYSTEM

## Discussion of the DRAFT 2023

## ANNUAL FINANCIAL REPORT

Special Board of Trustees Meeting

October 27, 2023

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

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Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

# Required Financial Statements

| System-Wide | Discretely Presented Component Unit | UMS Fiduciary Activities |
|---|---|---|
| Statements of Net Position (SNP) | Statements of Financial Position | Statements of Fiduciary Net Position |
| Statements of Revenues, Expenses and Changes in Net Position (SRECNP) | Statements of Activities | Statements of Changes in Fiduciary Net Position |
| Statements of Cash Flows | | |

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

# Independent Auditor's Report

***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 business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the System, as of June 30, 2023 and 2022 for the business-type activity and the aggregate remaining fund information, and as of December 31, 2022 and December 31, 2021 for the discretely presented component unit, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended for the business-type activities and the aggregate remaining fund information, and the year and 6 month period then ended for the discretely presented component unit, in accordance with accounting principles generally accepted in the United States of America.

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

# What's New??

**2022 Revenue Bonds**

**UMF ESCO**

**2023 Revenue Bonds**

**GASB Statement No. 94**

***Public-Private and Public-Public Partnerships and Availability Payment Arrangements***

**GASB Statement No. 96**

***Subscription-Based Information Technology Arrangements***

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Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

# Impact of Other Postemployment Benefit (OPEB) Plan
## ($ in thousands)

| | | 2023 | | 2022 | | $ Variance | | OPEB Portion of $ Variance |
|---|---|---|---|---|---|---|---|---|
| **STATEMENTS OF NET POSITION** | | | | | | | | |
| **Assets** | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents | $ | 6,588 | $ | 7,441 | $ | (853) | $ | (8,774) |
| Noncurrent Assets | | | | | | | | |
| Net OPEB asset *(Note 14)* | $ | 21,169 | $ | - | $ | 21,169 | $ | 21,169 |
| **Deferred Outflows of Resources *(Note 15)*** | $ | 17,193 | $ | 31,707 | $ | (14,514) | $ | (11,976) |
| **Liabilities** | | | | | | | | |
| Noncurrent Liabilities | | | | | | | | |
| Accrued liabilities *(Notes 7, 11 and 13)* | $ | 49,635 | $ | 70,079 | $ | (20,444) | $ | (17,782) |
| **Deferred Inflows of Resources *(Note 15)*** | $ | 53,617 | $ | 32,540 | $ | 21,077 | $ | 21,406 |
| **Net Position** | | | | | | | | |
| Unrestricted *(Notes 3 and 10)* | $ | 141,636 | $ | 161,281 | $ | (19,645) | $ | (3,205) |
| **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION** | | | | | | | | |
| **Operating Expenses** | | | | | | | | |
| Institutional Support | $ | 71,919 | $ | 66,188 | $ | 5,731 | $ | (239) |

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# SRECNP – Operating Revenues Thru Operating Loss
## ($ in thousands)

| | 2023 | 2022 Restated | $ Variance | % Variance |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Tuition and fees | $ 314,122 | $ 328,080 | $ (13,958) | -4% |
| Residence and dining fees | 67,278 | 65,160 | 2,118 | 3% |
| Less: scholarship allowances | (129,910) | (130,416) | 506 | 0% |
| **Net student fees** | 251,490 | 262,824 | (11,334) | -4% |
| Federal, state and private grants and contracts | 143,399 | 139,545 | 3,854 | 3% |
| Recovery of indirect costs | 24,924 | 23,498 | 1,426 | 6% |
| Educational sales and services and other revenues | 34,576 | 30,520 | 4,056 | 13% |
| Other auxiliary enterprises | 10,101 | 10,327 | (226) | -2% |
| **Total Operating Revenues** | 464,490 | 466,714 | (2,224) | 0% |
| **Operating Expenses** | | | | |
| Instruction | 199,123 | 201,957 | (2,834) | -1% |
| Research | 110,061 | 99,531 | 10,530 | 11% |
| Public service | 71,507 | 65,217 | 6,290 | 10% |
| Academic support | 78,554 | 78,274 | 280 | 0% |
| Student services | 76,111 | 69,190 | 6,921 | 10% |
| Institutional support | 71,919 | 66,188 | 5,731 | 9% |
| Operation and maintenance of plant | 55,405 | 61,238 | (5,833) | -10% |
| Depreciation and amortization *(Note 6)* | 50,335 | 46,873 | 3,462 | 7% |
| Student aid | 27,263 | 57,578 | (30,315) | -53% |
| Auxiliary enterprises | 70,204 | 64,552 | 5,652 | 9% |
| **Total Operating Expenses** | 810,482 | 810,598 | (116) | 0% |
| **Operating Loss** | (345,992) | (343,884) | (2,108) | -1% |

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

# Operating Expenses – Natural Classification
## ($ in thousands)

| | 2023 | Restated 2022 | $ Variance | % Variance |
|---|---|---|---|---|
| Compensation | $ 379,218 | $362,187 | $ 17,031 | 5% |
| Benefits | 147,067 | 147,613 | (546) | 0% |
| Utilities | 27,198 | 29,908 | (2,710) | -9% |
| Supplies and Services | 179,401 | 166,439 | 12,962 | 8% |
| Depreciation and amortization | 50,335 | 46,873 | 3,462 | 7% |
| Student Aid | 27,263 | 57,578 | (30,315) | -53% |
| Total Operating Expenses | $ 810,482 | $810,598 | $ (116) | 0% |

Maine's Public Universities
UNIVERSITY OF MAINE SYSTEM

# SRECNP – Operating Loss Thru Change in Net Position
## ($ in thousands)

| | 2023 | 2022 Restated | $ Variance | % Variance |
|---|---|---|---|---|
| **Operating Loss** | (345,992) | (343,884) | (2,108) | -1% |
| **Nonoperating Revenues (Expenses)** | | | | |
| Noncapital State of Maine appropriations | 247,992 | 229,357 | 18,635 | 8% |
| Federal Pell Grants | 32,131 | 33,735 | (1,604) | -5% |
| Coronavirus relief funding | 3,020 | 62,886 | (59,866) | -95% |
| Gifts currently expendable | 28,544 | 19,883 | 8,661 | 44% |
| Endowment return used for operations *(Note 3)* | 6,494 | 6,154 | 340 | 6% |
| Investment income (loss) *(Note 3)* | 13,475 | (13,664) | 27,139 | 199% |
| Interest expense, net *(Note 7)* | (8,877) | (4,193) | (4,684) | -112% |
| **Net Nonoperating Revenues (Expenses)** | 322,779 | 334,158 | (11,379) | -3% |
| **Loss Before Other Changes in Net Position** | (23,213) | (9,726) | (13,487) | -139% |
| **Other Changes in Net Position** | | | | |
| State of Maine capital appropriations | 21,301 | 25,392 | (4,091) | -16% |
| Capital grants and gifts | 26,355 | 34,437 | (8,082) | -23% |
| Endowment return, net of amount used for operations *(Note 3)* | 7,937 | (26,295) | 34,232 | 130% |
| True and quasi endowment gifts | 1,222 | 2,782 | (1,560) | -56% |
| Loss on disposal of capital assets | (2,167) | (558) | (1,609) | -288% |
| **Total Other Changes in Net Position** | 54,648 | 35,758 | 18,890 | 53% |
| **Change in Net Position** | 31,435 | 26,032 | 5,403 | 21% |
| **Net Position - Beginning of the Year-As Restated** | 969,280 | 943,248 | 26,032 | 3% |
| **Net Position - End of Year - As Restated *(Note 17)*** | $ 1,000,715 | $ 969,280 | $ 31,435 | 3% |

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# SNP – Assets and Deferred Outflows of Resources
## ($ in thousands)

| | 2023 | 2022 Restated | $ Variance | % Variance |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | | | | |
| Cash and cash equivalents *(Note 2)* | $ 6,588 | $ 7,441 | $ (853) | -11% |
| Operating investments *(Note 3)* | 258,542 | 307,077 | (48,535) | -16% |
| Accounts, grants, and pledges receivable, net *(Note 4)* | 75,867 | 64,482 | 11,385 | 18% |
| Inventories and prepaid expenses | 7,286 | 6,288 | 998 | 16% |
| Notes and leases receivable, net *(Note 5)* | 340 | 351 | (11) | -3% |
| **Total Current Assets** | 348,623 | 385,639 | (37,016) | -10% |
| Noncurrent Assets | | | | |
| Deposits with trustees *(Notes 3 and 6)* | 26,443 | 3,659 | 22,784 | 623% |
| Accounts, grants and pledges receivable, net *(Note 4)* | 1,952 | 5,858 | (3,906) | -67% |
| Notes and leases receivable, net *(Note 5)* | 22,839 | 26,172 | (3,333) | -13% |
| Net OPEB asset *(Note 14)* | 21,169 | - | 21,169 | - |
| Endowment investments *(Note 3)* | 150,432 | 141,168 | 9,264 | 7% |
| Capital assets, net *(Note 6)* | 934,857 | 812,529 | 122,328 | 15% |
| Irrevocable split interest agreements | 218 | 470 | (252) | -54% |
| **Total Noncurrent Assets** | 1,157,910 | 989,856 | 168,054 | 17% |
| **Total Assets** | 1,506,533 | 1,375,495 | 131,038 | 10% |
| **Deferred Outflows of Resources *(Note 15)*** | 17,193 | 31,707 | (14,514) | -46% |
| **Total Assets and Deferred Outflows of Resources** | **$ 1,523,726** | **$ 1,407,202** | **$ 116,524** | 8% |

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# SNP – Liabilities, Deferred Inflows of Resources and Net Position
## ($ in thousands)

| | 2023 | 2022 Restated | $ Variance | % Variance |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Current Liabilities | | | | |
| Accounts payable | $ 31,787 | $ 36,104 | $ (4,317) | -12% |
| Unearned revenue and deposits *(Note 8)* | 34,041 | 29,181 | 4,860 | 17% |
| Accrued liabilities - current portion *(Notes 7, 11 and 13)* | 28,395 | 47,384 | (18,989) | -40% |
| Obligations for right of use assets - current portion *(Note 7)* | 5,997 | 5,759 | 238 | 4% |
| Long-term debt - current portion *(Note 7)* | 19,931 | 55,755 | (35,824) | -64% |
| Total Current Liabilities | 120,151 | 174,183 | (54,032) | -31% |
| Noncurrent Liabilities | | | | |
| Unearned revenue and other liabilities - noncurrent *(Note 8)* | 7,228 | 4,174 | 3,054 | 73% |
| Accrued liabilities *(Notes 7, 11, 13)* | 49,635 | 70,079 | (20,444) | -29% |
| Obligations for right of use assets *(Note 7)* | 65,564 | 46,656 | 18,908 | 41% |
| Long-term debt *(Note 7)* | 216,808 | 96,138 | 120,670 | 126% |
| Government advances refundable *(Note 9)* | 10,008 | 14,152 | (4,144) | -29% |
| Total Noncurrent Liabilities | 349,243 | 231,199 | 118,044 | 51% |
| **Total Liabilities** | 469,394 | 405,382 | 64,012 | 16% |
| **Deferred Inflows of Resources *(Note 15)*** | 53,617 | 32,540 | 21,077 | 65% |
| **Net Position** | | | | |
| Net investment in capital assets *(Note 10)* | 634,614 | 589,331 | 45,283 | 8% |
| Restricted nonexpendable *(Note 10)* | 72,410 | 71,249 | 1,161 | 2% |
| Restricted expendable *(Notes 3 and 10)* | 152,055 | 147,419 | 4,636 | 3% |
| Unrestricted *(Notes 3 and 10)* | 141,636 | 161,281 | (19,645) | -12% |
| **Total Net Position** | 1,000,715 | 969,280 | 31,435 | 3% |
| **Total Liabilities, Deferred Inflows of Resources and Net Position** | **$ 1,523,726** | **$ 1,407,202** | **$ 116,524** | 8% |

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# Composition of Net Position at June 30
## ($ in thousands)

| | 2023 | 2022 Restated |
|---|---|---|
| Net investment in capital assets | $ 634,614 | $ 589,331 |
| Restricted - Nonexpendable: | | |
| Endowment funds | 72,410 | 71,249 |
| Restricted - Expendable: | | |
| Student financial aid | 57,111 | 52,241 |
| Capital assets and retirement of debt | 9,923 | 21,414 |
| Loans | 17,319 | 17,096 |
| Academic support | 20,390 | 16,917 |
| Research and public service | 16,035 | 11,675 |
| Library | 4,648 | 4,059 |
| Other | 26,629 | 24,017 |
| Total restricted - expendable | 152,055 | 147,419 |
| Unrestricted: | | |
| Educational and general reserves | 53,577 | 83,858 |
| Risk management | 4,022 | 3,603 |
| Budget stabilization | 4,997 | 4,873 |
| Auxiliary enterprises | 2,054 | 7,643 |
| Benefit pool carryover | 35,909 | 28,732 |
| Implementation of GASB 75 for OPEB | (33,795) | (33,795) |
| Information technology initiatives | 2,932 | 2,695 |
| Internally designated projects | 20,251 | 21,499 |
| Facility projects | 29,117 | 36,418 |
| Quasi endowment corpus | 12,051 | 11,347 |
| Endowment appreciation | 6,276 | 5,836 |
| Cost sharing and other | 4,245 | (11,428) |
| Total unrestricted | 141,636 | 161,281 |
| Total Net Position | $ 1,000,715 | $ 969,280 |

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# Statements of Fiduciary Net Position
## ($ in thousands)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pools | Custodial Funds: Other Custodial Funds | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pools | Custodial Funds: Other Custodial Funds |
| **Assets** | | | | | | |
| Cash and cash equivalents *(Note 2)* | $ - | $ - | $ 2,662 | $ - | $ - | $ 2,687 |
| Investment in UMS managed investment pool *(Note 3)* | 174,427 | 5,073 | - | 156,012 | 10,683 | - |
| Investment in UMS endowment pool *(Note 3)* | - | 33,912 | - | - | 30,150 | - |
| Other investments *(Note 3)* | 18,986 | 391 | - | 20,392 | 168 | - |
| Prepaid expenses | - | - | 24 | - | - | 5 |
| **Total Assets** | 193,413 | 39,376 | 2,686 | 176,404 | 41,001 | 2,692 |
| **Liabilities** | | | | | | |
| Accounts payable and other liabilities | - | - | 80 | - | - | 6 |
| Requested by beneficiaries | - | 391 | - | - | 168 | - |
| **Total Liabilities** | - | 391 | 80 | - | 168 | 6 |
| **Net Position Restricted for:** | | | | | | |
| Pensions | 18,986 | - | - | 20,392 | - | - |
| Postemployment benefits other than pensions | 174,427 | - | - | 156,012 | - | - |
| Pool participants | - | 38,985 | 39 | - | 40,833 | 27 |
| Student and other groups | - | - | 2,567 | - | - | 2,659 |
| **Total Net Position** | $ 193,413 | $ 38,985 | $ 2,606 | $ 176,404 | $ 40,833 | $ 2,686 |

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# Statements of Changes in Fiduciary Net Position
## ($ in thousands)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pools | Custodial Funds: Other Custodial Funds | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pools | Custodial Funds: Other Custodial Funds |
| **Additions** | | | | | | |
| Contributions | | | | | | |
| Employer contributions | $ 9,721 | $ - | $ - | $ 5,609 | $ - | $ - |
| Retiree contributions | 1,770 | - | - | 1,688 | - | - |
| Contributions to investment pools | - | 1,935 | - | - | 10,722 | - |
| Private donations | - | - | - | - | - | 29 |
| Total contributions | 11,491 | 1,935 | - | 7,297 | 10,722 | 29 |
| Investment income (loss) | | | | | | |
| Interest and dividends | 3,981 | 875 | 92 | 2,312 | 1,019 | 2 |
| Net increase (decrease) in fair value of investments | 15,252 | 3,459 | - | (25,461) | (7,885) | - |
| Total investment income (loss) | 19,233 | 4,334 | 92 | (23,149) | (6,866) | 2 |
| Less investment expense | (1,235) | (250) | - | (1,269) | (396) | - |
| Net investment income (loss) | 17,998 | 4,084 | 92 | (24,418) | (7,262) | 2 |
| Other additions | | | | | | |
| Student activity fees | - | - | 2,102 | - | - | 2,172 |
| Endowment income distribution | - | - | 1,167 | - | - | 1,100 |
| Other income | - | - | 300 | - | - | 280 |
| Total other additions | - | - | 3,569 | - | - | 3,552 |
| **Total additions** | 29,489 | 6,019 | 3,661 | (17,121) | 3,460 | 3,583 |
| **Deductions** | | | | | | |
| Beneficiary payments | 12,470 | - | - | 12,018 | - | - |
| Investment pool distributions | - | 7,867 | - | - | 62,664 | - |
| Distribute activity fees | - | - | 1,336 | - | - | 1,407 |
| Distribute amount requested | - | - | 53 | - | - | - |
| Distribute other revenues | - | - | - | - | - | 29 |
| Donations and sponsorships | - | - | 1,151 | - | 2,111 | 1,084 |
| Purchases by student and other groups | - | - | 1,201 | - | - | 1,027 |
| Administrative costs | 10 | - | - | 18 | - | - |
| **Total deductions** | 12,480 | 7,867 | 3,741 | 12,036 | 64,775 | 3,547 |
| **Change in Fiduciary Net Position** | 17,009 | (1,848) | (80) | (29,157) | (61,315) | 36 |
| **Net Position - Beginning of the Year** | 176,404 | 40,833 | 2,686 | 205,561 | 102,148 | 2,650 |
| **Net Position - End of Year** | $ 193,413 | $ 38,985 | $ 2,606 | $ 176,404 | $ 40,833 | $ 2,686 |

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# QUESTIONS?