

University of Maine System – Special Board of Trustees Meeting

October 25, 2024

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 25, 2024

Call to Order @ 12:00 pm

Action Items

Tab 1 – Annual Financial Report – Fiscal Year 2024

Date of the Next Meeting: The next Board of Trustees meeting will be held on November 17-18, 2024 at the University of Maine.

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 2024

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 2024 (FY2024) draft Annual Financial Report is presented for the Audit Committee’s review. The report is currently pending final review by the UMS external auditors. Darla Reynolds, UMS Director of Accounting, will provide an overview of the results at the October 25, 2024 Audit Committee meeting.

As shown on in the Statements of Revenues, Expenses and Changes in Net Position within the Annual Financial Report, the UMS ended FY24 with *Income Before Other Changes in Net Position* of \$8 million and *Total Other Changes in Net Position* of \$74 million, for a *Change in Net Position* for FY2024 of \$82 million.

As shown on the Statements of Net Position, *Total Net Position* at June 30, 2024 was \$1.083 billion increasing \$82 million from FY2023. Changes in each *Net Position* category were:

Net Position Category:	FY2024 <u>Increase</u> <u>(Decrease)</u>
<i>Net Investment in Capital Assets</i>	\$60 million
<i>Restricted Nonexpendable</i>	\$1 million
<i>Restricted Expendable</i>	\$33 million
<i>Unrestricted</i>	<u>(\$12 million)</u>
<i>Change in Net Position</i>	<u>\$82 million</u>

The Audit Committee approved this item to be forwarded to the October 25, 2024 Board of Trustees meeting, for approval of the following resolution:

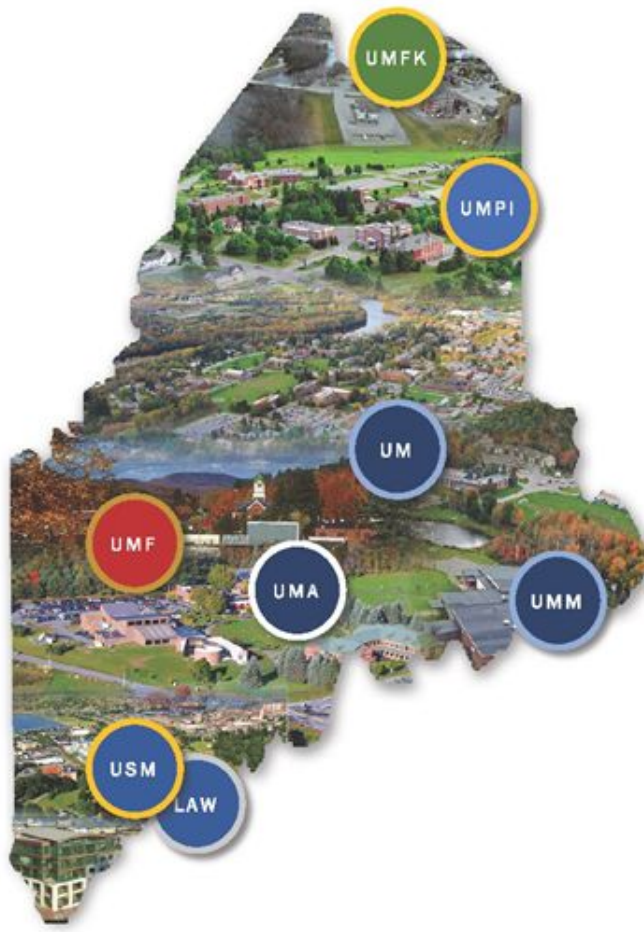
TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees accepts the recommendation of the Audit Committee, and approves the FY2024 Annual Financial Report as presented.

Attachments

[Draft FY24 Annual Report](#)

[Discussion of Annual Financial Report](#)



2024 University of Maine System Annual Financial Report

DRAFT

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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The University of Maine System is an EEO/AA employer, and does not discriminate on the grounds of race, color, religion, sex, sexual orientation, transgender status, gender expression, national origin, citizenship status, age, disability, genetic information or veteran’s status in employment, education, and all other programs and activities. The following person has been designated to handle inquiries regarding non-discrimination policies: Director of Equal Opportunity, 5713 Chadbourne Hall Room 412, University of Maine, Orono, ME 04469, 207.581.1226, TTY 711 (Maine Relay System) or by email to: equal.opportunity@maine.edu.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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October 1, 2024

Dear colleagues,

The University of Maine System (UMS) is the state's largest driver of educational attainment and economic development and a national leader in access, affordability, and academic innovation.

In the face of continued adversity – including increasingly unfavorable demographics in Maine and New England and the federal government's delays and difficulties in launching the new Free Application for Federal Student Aid (FAFSA) – our System had significant achievements in Fiscal Year 2024 (FY24) that are reflected in this report and that put UMS on a path toward greater financial and enrollment stability and state impact.

For the first time in a decade, the System's Board of Trustees passed an annual operating budget for FY25 that is balanced without using stabilization funds. This was only possible because of the hard work undertaken by UMS and its universities to contain costs and generate new revenue. Guided by our new strategic plan and enabled by our unified accreditation, Maine's public universities are sharing services and space, selling underutilized property, and reducing costs and emissions through energy efficiency projects. At the same time, we are collaboratively creating new pathways into our System especially from Maine's high schools and community colleges, expanding and enhancing academic programming in key areas of state workforce need, launching new partnerships with employers, demonstrating the unmatched value proposition of our public universities, and growing external funding.

In FY24, UMS secured record amounts of state and federal aid including additional State appropriations from Gov. Janet Mills and the Maine Legislature. For the first time since the Great Recession, the State is now shouldering a near-equal share of our System's operating expenses as students and their families. Meanwhile, the University of Maine – the state's only institution to have earned the R1 Carnegie Classification designation – secured \$225.3 million in research and development funding, largely through federal agencies and with the support of our Congressional Delegation. Philanthropic giving also continues to increase and this year, the Harold Alfond Foundation pledged an additional \$80 million toward the modernization of UMaine Division I athletic facilities, bringing their total commitment to UMS TRANSFORMS to \$320 million and our System well on its way to raising its required \$188 million match.

These public and private monies are necessary to fully realize the potential of Maine's public universities as a national destination for education and employment and a cornerstone of our local communities. Consistent with the workforce attraction goals of the State's 10-year economic strategy and furthered by our academic, research and infrastructure improvement activities, our System is the largest importer of talent to Maine, drawing faculty from around the globe and enrolling more than 7,000 out-of-state students annually – many who stay to live and work after they graduate. In FY24, for example, the University of Southern Maine opened a career and student success center and a 580-bed residence hall in the vibrant city of Portland and the new Sweatt-Winter Early Care and Education Center allows the University of Maine at Farmington to provide high-quality child care to area families and train the next generation of in-demand early childhood educators. UMS also funded adult degree completion efforts at each of our universities and is seeing meaningful growth in our

enrollment of adults, especially through the University of Maine at Presque Isle's YourPace online competency-based education program that is attracting students from around the world.

Despite this progress, our System still faces serious headwinds. Maine still has much more to do to make up for decades of underfunding of our public universities, which are burdened by at least \$1.6 billion in deferred maintenance. State appropriation, while growing, has not kept pace with inflation, and our collectively bargained compensation costs. There is also increasing competition in the market from better-resourced private institutions and even worse, a belief among some that higher education is unnecessary.

I would like to extend my gratitude to Maine's Governor, Legislature and Congressional Delegation and our corporate and community partners for their incredible investments; our faculty, staff and Board of Trustees for their dedication and hard work on behalf of UMS; and most importantly, Maine students and families for entrusting us with their higher education. By building upon this strong support and our world-class education and research capabilities, I am confident our System will further strengthen our fiscal position and our positive impact on the upward mobility of Maine and all Mainers in the coming year.

Sincerely,

A handwritten signature in black ink, appearing to read "Dannel P. Malloy". The signature is fluid and cursive, with the first name "Dannel" being the most prominent part.

Dannel P. Malloy
Chancellor

**UNIVERSITY OF MAINE SYSTEM
BOARD OF TRUSTEES AND MANAGEMENT
AS OF JUNE 30, 2024**

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Dannel P. Malloy

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Maine System
Orono, Maine

DRAFT**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 fiduciary activities 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, 2024 and 2023 for the business-type activities and the fiduciary activities, and as of and for the year ended December 31, 2023 and 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 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 fiduciary activities of the System, as of June 30, 2024 and 2023 for the business-type activity and the fiduciary activities, and as of December 31, 2023 and 2022 for the discretely presented component unit, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended 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 years ended December 31, 2023 and 2022. 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 the discretely presented component unit, the University of Maine Foundation (Foundation), were not audited in accordance with *Government Auditing Standards*.

Board of Trustees
University of Maine System

DRAFT

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.
- 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.

Board of Trustees
University of Maine System

DRAFT

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 schedules of changes in total pension liabilities and related ratios and schedules of employer contributions for the incentive retirement and defined benefit pension plans and the schedule of changes in total OPEB liability and related ratios and schedule of employer contributions for the OPEB plan 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 schedules of activities required by the state of Maine are 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.

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.

Board of Trustees
University of Maine System

DRAFT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2024, 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
October XX, 2024

**UNIVERSITY OF MAINE SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023 (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, 2024 and 2023, 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 1,098 regular full-time faculty, 32 regular part-time faculty, 3,028 regular full-time staff, and 172 regular part-time staff members.

The System offers rich academic programs, including over 100 degrees and certificates spanning a wide range of professional and personal interests.

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.
- **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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

distance learning, UMA is generally considered the university of choice for Mainers of all ages who want to attend college without uprooting their lives.

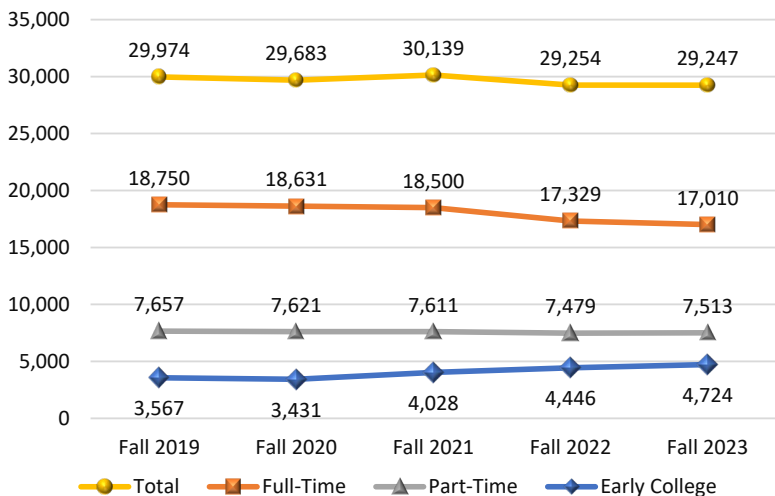
- **The University of Maine at Farmington (UMF)** is a premier teacher education and public liberal arts college, which prepares students for engaged citizenship, enriching professional careers, and an enduring love of learning. Since 1864, UMF has consistently been rooted in a vigorous tradition of 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Student Enrollment

The following chart and table show student enrollment, including early college, on a headcount basis with 29,247 students enrolled for the fall 2023 semester, flat with fall 2022 and down 2.4% since fall 2019. For fall 2023, 58% of the student population were enrolled full-time, down from 59% in fall 2022.

Chart 1: Student Enrollment by Headcount

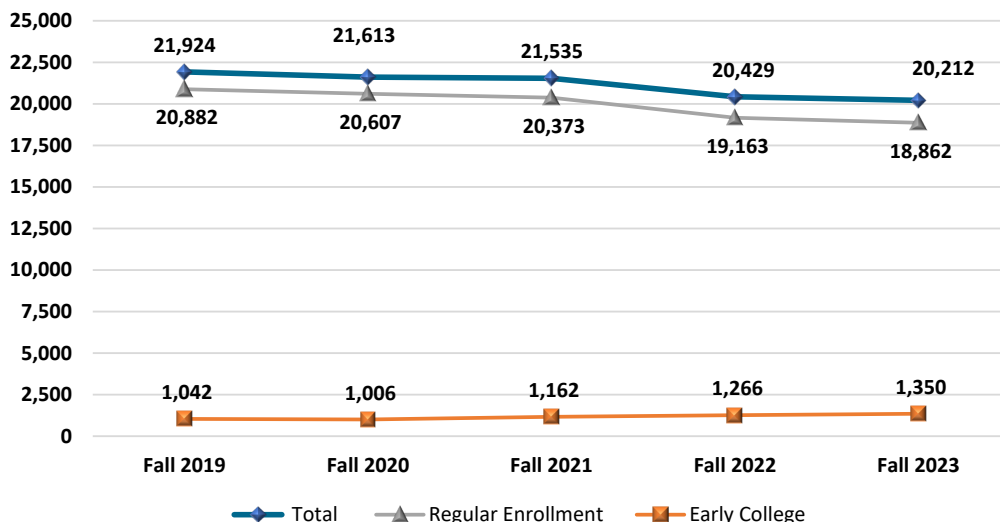


Year	Full-Time	Part-Time	Early College	Total
Fall 2019	18,750	7,657	3,567	29,974
Fall 2020	18,631	7,621	3,431	29,683
Fall 2021	18,500	7,611	4,028	30,139
Fall 2022	17,329	7,479	4,446	29,254
Fall 2023	17,010	7,513	4,724	29,247

Chart 2 and Table 1 on the next page show student enrollment, including early college, on a full-time equivalent (FTE) basis with 20,212 FTE students enrolled for the fall 2023 semester, down 1.1% from fall 2022 and down 7.8% from fall 2019. For fall 2023, 70% of FTE enrollments were Maine residents down from 71% in 2022.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Chart 2: Student FTE Enrollment



Year	Regular Enrollment	Early College	Total
Fall 2019	20,882	1,042	21,924
Fall 2020	20,607	1,006	21,613
Fall 2021	20,373	1,162	21,535
Fall 2022	19,163	1,266	20,429
Fall 2023	18,862	1,350	20,212

Table 1: Student FTE Enrollment

	% Change Fall 2019 to 2023	Fall 2023	% Change	Fall 2022	% Change	Fall 2021	% Change	Fall 2020	% Change	Fall 2019	% Change
UM	-7.2%	9,075	-3.4%	9,399	-5.3%	9,926	1.6%	9,774	-0.1%	9,782	0.3%
UMA	-5.2%	2,214	-2.6%	2,272	-3.6%	2,358	2.3%	2,304	-1.3%	2,335	3.9%
UMF	-19.2%	1,276	-2.5%	1,309	-8.9%	1,437	-4.8%	1,505	-4.7%	1,579	-3.8%
UMFK	-25.3%	629	10.9%	567	-21.0%	718	-11.6%	812	-3.6%	842	-11.7%
UMM	-25.8%	299	-16.7%	359	-5.8%	381	-4.0%	397	-1.5%	403	-5.2%
UMPI	58.4%	1,362	23.9%	1,099	5.9%	1,038	9.8%	944	9.8%	860	-7.8%
USM	-13.2%	5,101	-1.4%	5,174	-4.7%	5,428	0.2%	5,633	-4.2%	5,879	4.4%
Law	4.9%	256	2.4%	250	0.4%	249	2.0%	244	0.0%	244	-1.2%
Total	-7.8%	20,212	-1.1%	20,429	-5.1%	21,535	0.6%	21,613	-1.4%	21,924	0.4%

Student Comprehensive Cost of Education

Net student fee revenue, totaling \$263 million in FY24 and \$251 million in FY23, is the System’s greatest source of revenue, contributing 31% of total operating and net nonoperating revenues for FY24. Net student fees represented 32% of the total operating and net nonoperating revenues for

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FY23. Such revenues are impacted by enrollment levels; tuition, room and board, and fee levels; and the amount of scholarship allowances provided to students.

Table 2 shows the average comprehensive cost of education (tuition, mandatory fees, and room and board) for UMS undergraduate, graduate, and law school students. The percentage changes for the comprehensive cost of education in FY24 range from an increase of 0.7% for out-of-state, NEBHE and Canadian law students to an increase of 5.6% for out-of-state undergraduate students. Percentage changes in FY23 ranged 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.

The FY24 in-state undergraduate tuition increased \$171 or 2.0% from FY23's \$8,572. The overall average comprehensive cost of education for this same category of students increased 4.8%. FY23 in-state undergraduate tuition remained flat with FY22 while the overall average comprehensive cost of education for this same category of students increased 3.2%.

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

	2024		2023		2022		2021		2020	
	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change	Cost	% Change
Undergraduate:										
In-State	\$21,155	4.8%	\$20,183	3.2%	\$19,548	3.6%	\$18,877	3.0%	\$18,321	2.8%
Out-of-State	33,142	5.6%	31,395	3.3%	30,399	3.6%	29,337	3.2%	28,425	2.2%
NEBHE	27,416	4.7%	26,175	4.2%	25,109	4.7%	23,979	3.2%	23,229	2.8%
Canadian	21,155	4.8%	20,183	3.2%	19,548	3.6%	18,877	-18.7%	23,229	2.8%
Graduate:										
In-State	\$20,963	4.3%	\$20,095	2.9%	\$19,524	4.5%	\$18,683	2.4%	\$18,238	0.9%
Out-of-State	30,800	5.2%	29,266	2.8%	28,470	4.5%	27,251	-8.9%	29,902	2.0%
NEBHE	27,837	5.2%	26,458	3.3%	25,604	6.3%	24,097	2.2%	23,578	2.6%
Canadian	20,963	4.3%	20,095	2.9%	19,524	3.9%	18,787	-20.3%	23,578	2.6%
Law School:										
In-State - Continuing	\$36,550	0.9%	\$36,218	1.9%	\$35,555	6.7%	\$33,310	0.9%	\$33,005	0.8%
In-State - New	37,240	2.8%	36,218	1.9%	35,555	6.7%	33,310	0.9%	33,005	0.8%
Out-of-State	49,360	0.7%	49,028	4.2%	47,045	5.0%	44,800	0.7%	44,495	1.6%
NEBHE/Canadian	45,010	0.7%	44,678	1.5%	44,015	5.4%	41,770	0.7%	41,465	1.5%

Note: The In-State Graduate 2020 cost differs from FY2022's 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

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 18 shows Condensed Statements of Net Position for the past five years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Postemployment Health Plan Considerations

The System's Other Postemployment Benefits (OPEB) plan's impact on the FY24 and FY23 Statements of Net Position is primarily due to differences between expected and actual experience, including impacts of the Special Retirement Incentive Plan and changes in the medical trend rate assumption in FY23.

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, 2024, the System had a net OPEB asset of \$34 million compared with a net OPEB asset of \$21 million at June 30, 2023.

Other lines of the Condensed Statements of Net Position that were significantly adjusted by the FY24 actuarial results include the following:

- Deferred outflows of resources associated with the OPEB plan decreased \$10 million in FY24 and decreased \$12 million in FY23.
- Deferred inflows of resources associated with the OPEB plan decreased \$13 million in FY24 and increased \$21 million in FY23.

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 \$1.6 billion at June 30, 2024, increased \$96 million, or 6% over the \$1.5 billion at June 30, 2023 and increased \$213 million, or 15% over the \$1.4 billion at June 30, 2022.

The major component of current assets is operating investments, which totaled \$258 million at June 30, 2024, \$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 \$162 million at June 30, 2024, an increase of \$12 million, or 8%, from the FY23 year-end balance of \$150 million, and a \$21 million, or 15%, increase from the FY22 balance of \$141 million. Capital assets, net of accumulated depreciation and amortization totaled \$1.016 billion, \$935 million and \$813 million at June 30, 2024, 2023, and 2022, respectively.

Current liabilities of \$133 million, \$120 million and \$174 million at June 30, 2024, 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 \$336 million, total noncurrent liabilities decreased \$13 million, or 4%, from June 30, 2023 to 2024. This decrease is primarily the result of a \$17 million decrease in long-term debt as the System made scheduled debt payments. For FY23 and FY22, the System had total noncurrent liabilities of \$349 million and \$231 million respectively, with the \$118 million net increase primarily related to the issuance of new revenue bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Total net position at June 30, 2024 of \$1.1 billion increased \$1 million, or 8%, from the June 30, 2023 balance, which increased \$31 million, or 3%, from the June 30, 2022 balance. Additional information about net position is presented on pages 25 and 26.

Table 3: Condensed Statements of Net Position as of June 30
(In millions)

	2024	% Change	2023	% Change	Restated 2022	2021	2020
Current Assets							
Operating Investments	\$258	0%	\$259	-16%	\$307	\$286	\$264
Other	106	17%	90	15%	78	84	65
Noncurrent Assets							
Endowment investments	162	8%	150	6%	141	166	135
Capital assets, net	1,016	9%	935	15%	813	701	683
Other	72	-1%	73	103%	36	88	44
Total Assets	1,614	7%	1,507	10%	1,375	1,325	1,191
Deferred Outflows of Resources	6	-65%	17	-47%	32	18	31
Total Assets and Deferred Outflows	\$1,620	6%	\$1,524	8%	\$1,407	\$1,343	\$1,222
Current Liabilities							
Obligations for right-to-use assets - current portion	\$6	0%	\$6	0%	\$6	\$1	\$-
Long-term debt - current portion	18	-10%	20	-64%	56	14	14
Other	109	-16%	94	-16%	112	83	59
Noncurrent Liabilities							
Obligations for right-to-use assets	70	6%	66	40%	47	13	-
Long-term debt	200	-8%	217	126%	96	153	124
Other	66	5%	66	-25%	88	73	156
Total Liabilities	469	1%	469	16%	405	337	353
Deferred Inflows of Resources	68	26%	54	64%	33	62	37
Total Liabilities and Deferred Inflows	537	3%	523	19%	438	399	390
Net investment in capital assets	694	9%	635	8%	589	549	547
Restricted Nonexpendable	73	1%	72	1%	71	69	67
Restricted Expendable	207	20%	173	18%	147	144	115
Unrestricted	109	-10%	121	-25%	162	182	103
Total Net Position	1,083	8%	1,001	3%	969	944	832
Total Liabilities, Deferred Inflows and Net Position	\$1,620	6%	\$1,524	8%	\$1,407	\$1,343	\$1,222

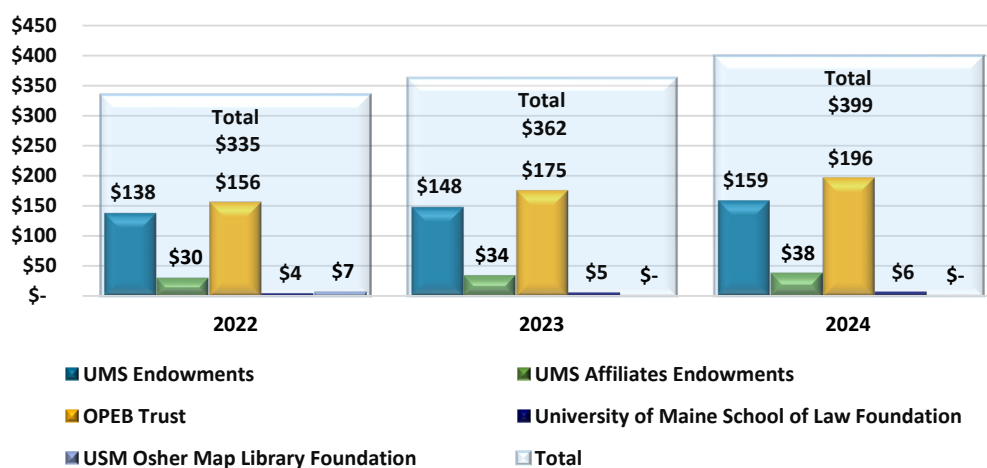
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, USM Osher Map Library Foundation [redeemed in spring 2023], and the University of Maine School of Law Foundation.

Chart 3 below shows the June 30, 2022, 2023 and 2024 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)



MIP Member	2022	2023	2024
UMS Endowments	\$138	\$148	\$159
UMS Affiliates Endowments	30	34	38
OPEB Trust	156	175	196
UM School of Law Foundation	4	5	6
USM Osher Map Library Foundation	7	-	-
Total:	\$335	\$362	\$399

'UMS Endowments' noted above 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'.

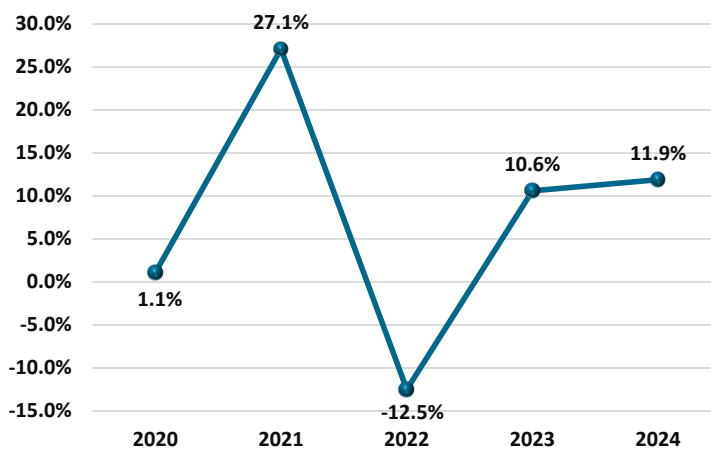
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

	2024	2023	2022	2021	2020
Domestic Equities	25%	30%	29%	29%	24%
International Equities	17%	18%	16%	21%	22%
Global Equities	10%	10%	9%	10%	9%
Fixed Income	25%	26%	28%	25%	22%
Global Asset Allocation	8%	7%	8%	7%	14%
Hedge Funds	7%	7%	9%	7%	6%
Private Equity	0%	1%	0%	0%	1%
Cash	8%	1%	1%	1%	2%
	100%	100%	100%	100%	100%

As shown in Chart 4 below, in FY24 the MIP realized a net of fees return of 11.9%, up from a return of 10.6% in FY23. The pooled investments have a 5-year annualized net of fees return of 6.8%.

Chart 4: Total Return (Net of Fees)



Fiscal Year	Total Return - Net of Fees
2020	1.1%
2021	27.1%
2022	-12.5%
2023	10.6%
2024	11.9%

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

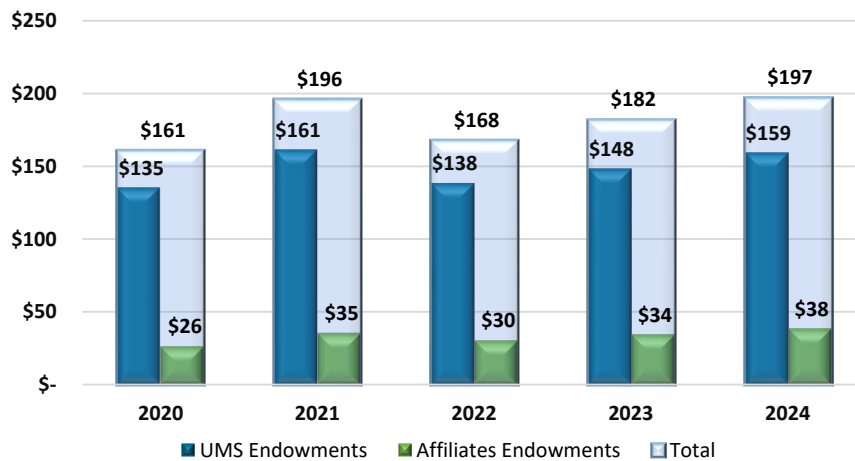
expendable amounts are to be used, such amounts are considered restricted expendable. If the use of expendable amounts is left to the discretion of the System, the endowment income and appreciation are considered unrestricted.

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 [redeemed July 1, 2024], and the John L. Martin Scholarship Fund, Inc.

As shown below, the UMS and its affiliates’ share of these pooled endowment investments had a fair value of \$197 million at June 30, 2024, an increase of \$15 million from the prior year. This included an increase of \$21 million in positive net performance less \$8 million distributed for scholarships and other operating activities offset by contributions of \$2 million.

The pool’s June 30, 2023 fair value of \$182 million had increased \$14 million from the 2022 year-end fair value of \$168 million. 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.

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



	2020	2021	2022	2023	2024
UMS Endowments	\$135	\$161	\$138	\$148	\$159
Affiliates Endowments	26	35	30	34	38
Total	\$161	\$196	\$168	\$182	\$197

Of the \$197 million in pooled endowment investments, at June 30, 2024, \$159 million are UMS Endowments and \$38 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 FY24 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, 2024 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 FY24, the System had capital asset additions of \$139 million, which included \$95 million of construction in progress, \$8 million of right-to-use building assets, \$9 million of equipment, \$3 million of subscription-based IT arrangements and \$25 million of building improvements acquired through a public-private partnership. In FY23, the System had capital asset additions of \$176 million, which included \$143 million of construction in progress, \$24 million of right-to-use building assets, \$7 million of equipment, and \$2 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. In FY24, the System borrowed \$1 million through a lease purchase agreement to fund equipment purchases throughout the System. In FY23, the System issued new revenue bonds with a 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 in FY23 through a lease purchase agreement to fund an energy improvement project at UMF.

The System's total outstanding debt as of June 30, 2024 was \$218 million, a decrease of \$19 million, or 8%, from the FY23 total debt of \$237 million. In FY23, total debt increased \$85 million, or 56%, from the FY22 total debt of \$152 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Table 4: Major Capital Projects Completed During FY24 or In Progress at June 30, 2024
(In millions)

Project	Funding Source	Status	BOT Approved Budget
UMA			
•Handley Hall HVAC System Upgrade	2018 State Bond, Education & General	Complete	\$1.20
•Katz Library HVAC Repairs	HEERF	Complete	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
•LAC Dental Expansion	Grants	In Progress	0.67
•Capitol Center Nursing	Education & General	In Progress	6.30
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 Energy Services Company (ESCO) contract	BOA LPA, 2018 State Bond, Education & General	In Progress	11.70
•Purington Restroom Renovation	State Appropriation	In Progress	3.20
•Mallett Restroom Renovation	State Appropriation	In Progress	2.70
UMFK			
•Enrollment/Advancement Center	2018 State Bond, Education & General	In Progress	3.25
UM			
•Ferland Engineering Education and Design Center	Education & General, Gifts, 2022 Revenue Bond	In Service	78.00
•Energy Center Phase 2	Education & General, 2022 Revenue Bond, Grant	In Progress	8.70
•Neville Hall Renovations	2018 State Bond	In Service	1.50
•ASCC Green Engineering & Materials (GEM) Lab	Education & General	In Progress	15.30
•ASCC Secure Clean Lab Suite	Grants	In Progress	4.70
•Steampit line SA10	Education & General	Complete	0.64
•HVAC Systems & Controls Upgrades	Education & General	In Progress	10.00
•UM Priority 1 Athletic Fields	Gifts and HAF Grant	In Progress	33.00
•UM Adaptive Reuse Project/Historic P3	Education & General	Complete	3.50
•UM Athletic Phase 2 Projects	Gifts and HAF Grant	In Progress	32.30
•Modernization of Witter Farm	Education & General	In Progress	2.60
•Boudreau Hall Renovation	Gifts	In Progress	0.70
•Mahaney Dome Replacement	Education & General	In Progress	3.00
•Hauck Lighting System	Education & General, Gifts	In Progress	0.70
•Aroostook Farm Modernization	Grants	In Progress	2.90
•Shawn Walsh Renovation	Gifts and HAF Grant	In Progress	46.00
•PFAS lab	Education & General	In Progress	7.00
•Dunn Nursing Simulation Lab	Grants, Education & General	In Progress	2.00
USM			

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Project	Funding Source	Status	BOT Approved Budget
•Center for the Arts	Gifts	In Progress	\$63.00
•Center for Teaching Innovations	2018 State Bond, Gifts	In Progress	0.99
•Career and Student Success Center	2018 State Bond, 2022 Revenue Bond, 2023 Revenue Bond, Education & General, and Gifts	In Service	26.60
•Portland Residence Hall	2022 Revenue Bond, 2023 Revenue Bond, Education & General	In Service	74.00
•Bailey Hall Fire Protection and Electrical Upgrades	2018 State Bond, Education & General	Complete	4.39
•Portland Parking Garage	Education & General	In Progress	23.50
•Dubyak Center	2018 State Bond, MJRP	In Progress	2.75
•Relocation of Deering Farmhouse	Education & General	In Progress	2.00
•Hannaford Field Turf Replacement	Education & General	In Progress	0.90
•Inter-Professional Education Lab	Gifts	In Progress	0.98
•Academy Building Renovation	Education & General	In Progress	1.30
•Brooks Esports Arena	Gifts	In Progress	0.75
UMPI			
•Folsom 105 Nursing Renovation	2018 State Bond	Complete	0.76
•Wieden Renovation	2018 State Bond and Grants	In Progress	7.90
•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
•Kelley Commons Dining Upgrades	Education & General	In Progress	0.75
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			\$538.62

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Deferred Outflows and Inflows of Resources

The System's deferred outflows and deferred inflows of resources primarily relate to the System's public-private partnership (PPP) arrangement, defined benefit pension plan and its other postemployment health plan (OPEB). The total deferrals related to the defined benefit pension plan and OPEB 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.

During FY24, construction to repurpose two historic buildings on the UM campus into a boutique hotel through a PPP arrangement was completed. An on-campus facility of this nature provides a convenient option to those who attend academic conferences, cultural and athletic events, homecomings, commencements and other functions, and serves as a base of experiential learning opportunities for students in tourism and hospitality programs. Deferred inflows related to the PPP at June 30, 2024 total \$28 million.

At June 30, 2024 deferred outflows of resources totaled \$6 million, a decrease of \$11 million from the prior year balance of \$17 million. The decrease is primarily due to a decrease of \$10 million related to OPEB. In FY23, the System's deferred outflows of resources decreased \$15 million from the June 30, 2022 balance of \$32 million, primarily due to a \$12 million decrease also related to OPEB.

Deferred inflows of resources of \$68 million at June 30, 2024 increased \$14 million from the \$54 million at June 30, 2023. The increase is primarily due to an increase of \$28 million related to the System's PPP agreement offset by a \$13 million decrease related to the System's OPEB plan. In FY23, the System's deferred inflows of resources increased \$21 million from the \$33 million at June 30, 2022, primarily due to an increase of \$21 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 18, 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 \$694 million at June 30, 2024 and \$635 million at June 30, 2023.

The FY24 increase in net investment in capital assets of \$59 million was comprised of capital asset additions of \$139 million plus reduction of debt and other liabilities through payments of \$28 million, less new debt of \$12 million, less deferred inflows of \$24 million related to a PPP agreement, less \$16 million of debt reclassified from unexpended plant, less \$57 million of depreciation and amortization expense, less \$1 million of capital asset retirements, and plus miscellaneous other additions of \$2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

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, 2024 balance of \$73 million increased \$1 million, or 1%, over the \$72 million at June 30, 2023. For FY23, restricted-nonexpendable net position increased \$1 million, or 1%, from the FY22 year-end balance of \$71 million.

Restricted-expendable net position consists of a variety of funds including unexpended gifts, quasi-endowments, appreciation on true endowments and the System's net OPEB asset, subject to externally imposed conditions on spending. The restrictions include a variety of purposes including student financial aid, capital asset acquisitions, research, public service, and health benefits. The June 30, 2024 balance of \$207 million increased \$34 million, or 20% from the June 30, 2023 balance of \$173 million. This increase is primarily attributable to a \$13 million increase in the System's net OPEB asset; a \$9 million increase in the expendable portion of endowments, resulting from positive investment performance less endowment income distributed for operations; a \$9 million increase in unspent restricted gifts and a net \$3 million increase from other managed restricted-expendable funds.

The FY23 increase of \$26 million, or 18%, is primarily attributable to realization of a \$21 million net OPEB asset as the value of OPEB trust assets surpassed the value of the total OPEB liability. Also contributing to the FY23 increase was 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 gifts. Offsetting these increases was a net \$3 million decrease in other managed restricted-expendable funds.

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 \$109 million at June 30, 2024 decreased by \$12 million, or 10%, from the FY23 year-end balance of \$121 million. For FY23, unrestricted net position decreased \$41 million, or 25%, from the FY22 year-end balance of \$162 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

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 FY24 net position increased \$82 million while FY23 increased \$31 million. Notable factors in the additional \$51 million FY24 change in Net Position include the following shifts from the prior year:

- \$7 million decrease in operating loss as an increase in operating revenues outpaced an increase in operating expenses
- \$13 million increase in noncapital State of Maine appropriations
- \$8 million increase in operating investment income
- \$20 million increase in capital grants and gifts
- \$3 million increase in various other revenue net of expense lines

The FY23 net position increase of \$31 million was up \$5 million from FY22's increase of \$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 operating investment income
- \$34 million increase in market returns for endowment investments
- \$15 million decrease in various other revenue net of expense lines

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

	2024	2023	2022	2021	2020
Operating Revenues					
Net student fees	\$ 263	\$ 251	\$ 263	\$ 239	\$ 248
Grants, contracts and recovery of indirect costs	196	168	163	136	121
Other operating revenues	52	45	41	30	44
Total Operating Revenues	511	464	467	405	413
Operating Expenses	(850)	(810)	(811)	(680)	(716)
Operating Loss	(339)	(346)	(344)	(275)	(303)
Nonoperating Revenues (Expenses)					
Noncapital State of Maine appropriations	261	248	229	218	220
Federal Pell grants	36	32	34	35	38
Coronavirus relief funding	3	3	63	37	15
Gifts currently expendable	28	29	20	19	19
Endowment return used for operations	7	6	6	6	6
Investment income (loss)	21	13	(14)	22	9
Interest expense, net	(9)	(8)	(4)	(4)	(4)
Net Nonoperating Revenues (Expenses)	347	323	334	333	303
Income (Loss) Before Other Changes in Net Position	8	(23)	(10)	58	-
Other Changes in Net Position					
State of Maine capital appropriations	16	21	25	16	14
Capital grants and gifts	46	26	35	8	3
Endow. return, net of amount used for operations	11	8	(26)	29	(4)
Other	1	(1)	2	1	1
Total Other Changes in Net Position	74	54	36	54	14
Change in Net Position	\$ 82	\$ 31	\$ 26	\$ 112	\$ 14

Operating and Nonoperating Revenue

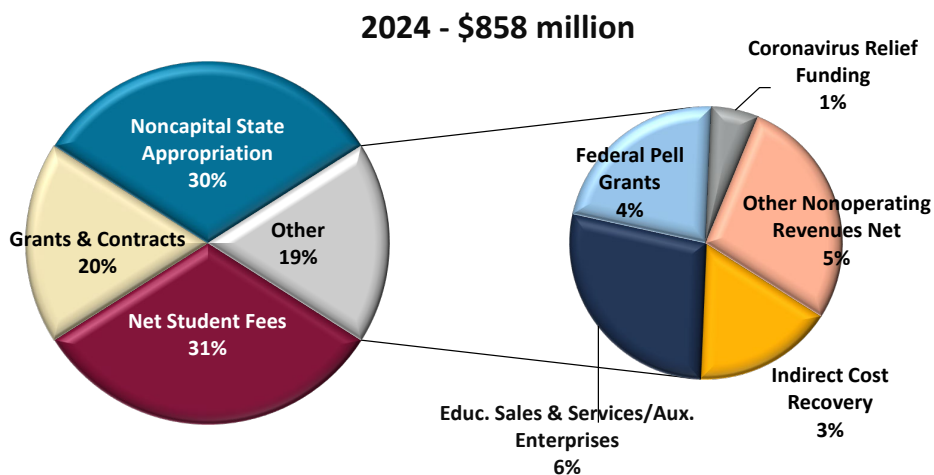
UMS revenues and expenses are categorized as either operating or nonoperating.

- 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.

The pie charts at the top of the next page illustrate the total operating and net nonoperating revenue sources used to fund the System's activities for FY24 and FY23.

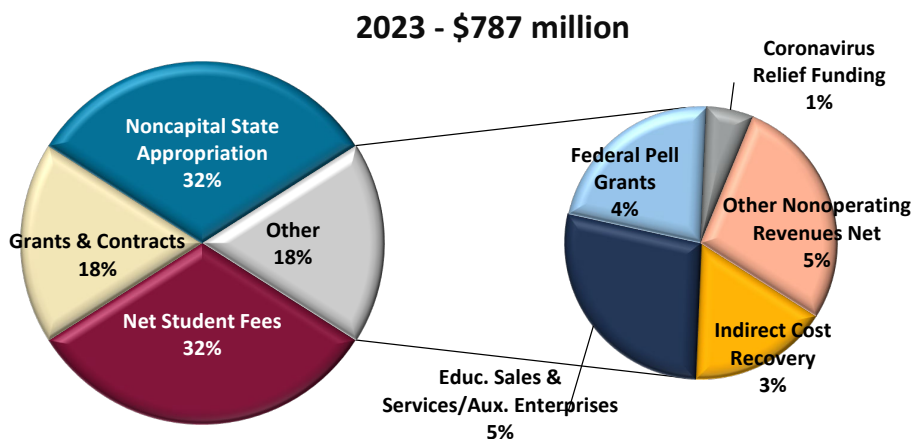
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Chart 6: Total Operating and Net Nonoperating Revenue



FY24 Total Operating and Net Nonoperating Revenue (in millions)

2024	\$ Amount	%
Net Student Fees	\$263	31%
Noncapital State Appropriation	261	30%
Grants & Contracts	168	20%
Other:	166	19%
<i>Educ. Sales & Services/Aux. Enterprises</i>	52	6%
<i>Other Nonoperating Revenues Net</i>	47	5%
<i>Federal Pell Grants</i>	36	4%
<i>Indirect Cost Recovery</i>	28	3%
<i>Coronavirus Relief Funding</i>	3	1%
Total:	\$858	100%



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FY23 Total Operating and Net Nonoperating Revenue (in millions)

2023	\$ Amount	%
Net Student Fees	\$251	32%
Noncapital State Appropriation	248	32%
Grants & Contracts	143	18%
Other:	145	18%
<i>Educ. Sales & Services/Aux. Enterprises</i>	45	5%
<i>Other Nonoperating Revenues Net</i>	40	5%
<i>Federal Pell Grants</i>	32	4%
<i>Indirect Cost Recovery</i>	25	3%
<i>Coronavirus Relief Funding</i>	3	1%
Total:	\$787	100%

Net Student Fees Revenue

Net student fees revenue of \$263 million for FY24, is the largest source of revenues used to fund operating expenses, representing 31% of total operating and net nonoperating revenues. Net student fees of \$251 million for FY23 represented 32% 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 \$325 million in FY24, increasing \$11 million, or 4%, from the prior year. FY23 revenues decreased \$14 million, or 4%, from FY22.
- Residence and dining fees of \$72 million in FY24 were up \$5 million, or 8%, compared with FY23. FY23 residence and dining fees increased \$2 million, or 3%, compared with FY22.
- Scholarship allowances totaled \$134 million in FY24 increased \$4 million, or 3% compared with FY23. The FY23 scholarship allowances remained flat with FY22.

Student Financial Aid

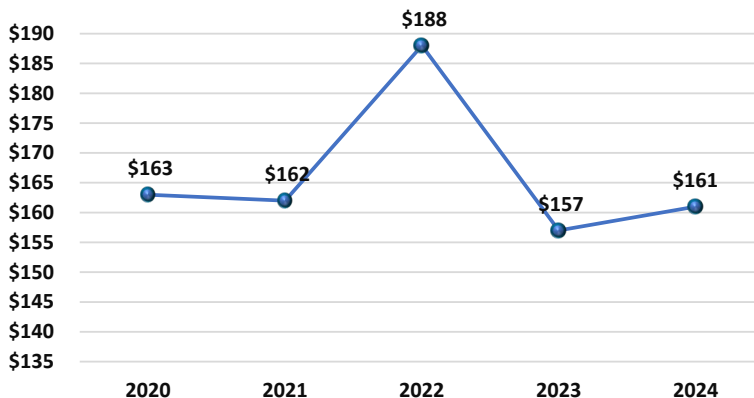
Student financial aid awards are made from a variety of sources including federal, state, private, and university funds. Funding received by the UMS from third parties is recognized as grants and contracts revenue (operating), federal Pell grants revenue (nonoperating) or gift revenue (nonoperating) 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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.

Chart 7: Total Financial Aid
(In millions)



Fiscal Year	Total Financial Aid
2020	\$163
2021	\$162
2022	\$188
2023	\$157
2024	\$161

During FY24, total financial aid provided to students was \$161 million, increasing \$4 million, or 3%, from FY23 financial aid of \$157 million. This net increase includes a \$4 million increase in PELL awards.

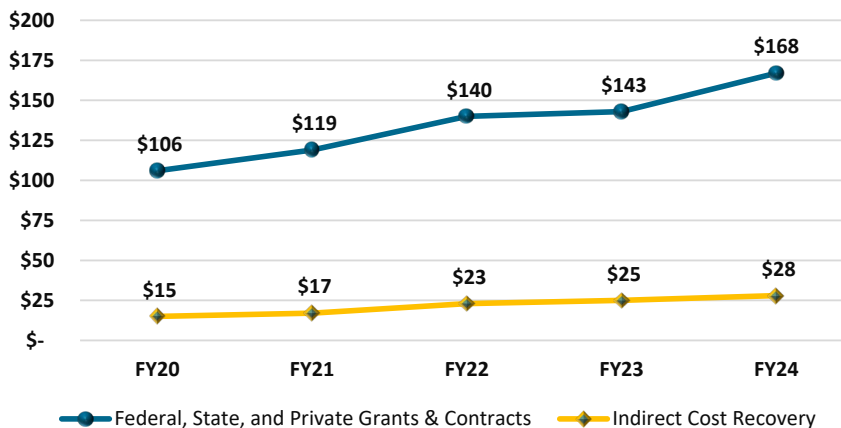
During FY23, total financial aid provided to students was \$157 million, decreasing \$31 million, or 16%, from FY22 financial aid of \$188 million. This net decrease includes a \$4 million decrease in unrestricted institutional aid, a \$2 million decrease in both PELL awards and State of Maine Grant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

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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



Fiscal Year	Federal, State, and Private Grants & Contracts	Indirect Cost Recovery	Total
FY20	\$106	\$15	\$121
FY21	\$119	\$17	\$136
FY22	\$140	\$23	\$163
FY23	\$143	\$25	\$168
FY24	\$168	\$28	\$196

Grants and contracts operating revenues totaled \$168 million in FY24, increasing \$25 million, or 17%, from FY23. This increase is the net change in funding from over 400 different sponsors. The largest sponsor increase was \$10 million related to the ongoing, systemwide activity related to the Harold Alfond Foundation UMS Transforms grant. Additionally, grant revenue from the USDA and US Department of Health and Human Services increased over \$4 million each with funding including research into tick management as well as the establishment of a biomedical research center (COBRE) at the University of Maine.

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

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 \$28 million for FY24, increasing \$3 million from FY23. Recovery of indirect costs totaled \$25 million for FY23, which was an increase of \$2 million from FY22.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

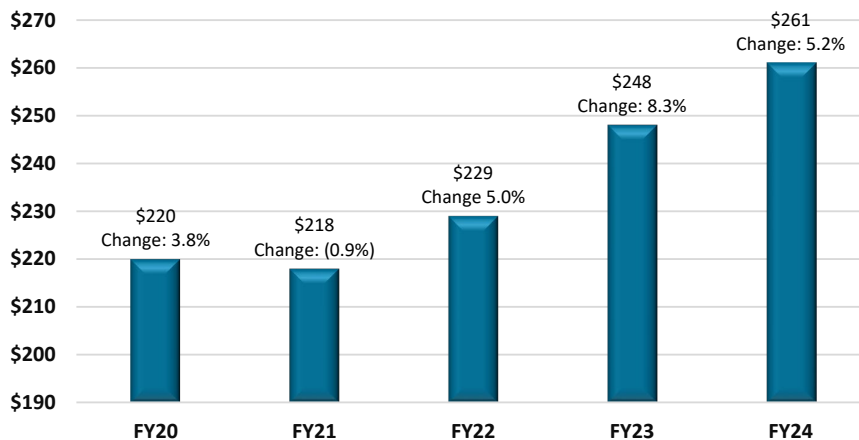
Noncapital State of Maine Appropriations

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 \$261 million in noncapital state appropriation revenue during FY24, up \$13 million, or 5% from FY23. The System received \$248 million in noncapital state appropriation revenue during FY23, up \$19 million, or 8%, from FY22.

At \$261 million, noncapital state appropriation revenue covered 73% of the \$339 million operating loss in FY24, up from the operating loss coverage level of 72% in FY23.

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



Fiscal Year	Noncapital State Appropriation	Annual Percentage Change
FY20	\$220	3.8%
FY21	\$218	(0.9%)
FY22	\$229	5.0%
FY23	\$248	8.3%
FY24	\$261	5.2%

Coronavirus Relief Funding

During FY24 and FY23, the System received coronavirus relief funding from both federal and state sources to fund noncapital and capital costs related to the COVID-19 pandemic that began in March 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Federal Funding

During FY23 and FY24, the System spent the last of the total \$104 million awarded by the U.S. Department of Education in FY20 and FY21 as economic relief in response to the COVID-19 pandemic. 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.

FY24 is the final year for revenue recognition related to the \$104 million federal award mentioned above. The System spent the vast majority of the award prior to FY23 and the deadline for spending such funds was June 30, 2024. FY24 revenue recognized for such funding was less than \$1 million and related to miscellaneous pandemic related costs.

FY23 federal coronavirus relief funding revenue totaled \$1 million and 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.

State Funding

From its American Rescue Plan Act funds, the State of Maine awarded the System a total of \$35 million in FY22 to be used for projects related to the Maine Jobs and Recovery Plan (MJRP). During FY24 and FY23, the System recognized \$3 million and \$2 million, respectively, of coronavirus relief funding from this source of funds. In both FY24 and FY23, the System 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 System utilized the monies for capital improvements.

Cash Gifts

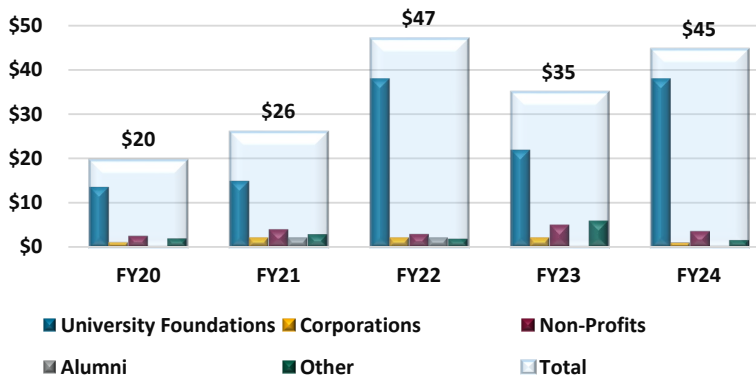
As shown in Chart 10, total cash gifts of \$45 million received in FY24 were up \$10 million from the prior year, mainly as a result of increased fundraising for capital projects at USM related to the Career and Student Success Center as well as the Center for the Arts. FY24 gifts from university foundations increased \$16 million, while corporate and alumni gifts remained flat. Gifts from non-profits decreased \$1 million while other donor types decreased \$5 million.

FY23 gifts 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. Gifts from university foundations decreased \$16 million, while corporate gifts remained flat. Gifts from non-profits increased \$2 million while alumni gifts decreased \$2 million and other donor types increased \$4 million.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Of the \$45 million in gifts received in FY24, 96% were restricted, 3% were endowed, and 1% were unrestricted. Of the \$35 million in gifts received in FY23, 89% were restricted, 10% were endowed, and 1% were unrestricted.

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



University						
Fiscal Year	Foundations	Corporations	Non-Profits	Alumni	Other	Total
FY20	\$14	\$1	\$3	\$0	\$2	\$20
FY21	\$15	\$2	\$4	\$2	\$3	\$26
FY22	\$38	\$2	\$3	\$2	\$2	\$47
FY23	\$22	\$2	\$5	\$0	\$6	\$35
FY24	\$38	\$1	\$4	\$0	\$2	\$45

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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)

	2024		2023		2022		2021		2020	
Instruction	\$195	23%	\$199	24%	\$202	25%	\$188	28%	\$183	25%
Academic support	84	10%	79	10%	78	10%	75	11%	73	10%
Student services	78	9%	76	9%	69	8%	57	8%	62	9%
Subtotal	357	42%	354	43%	349	43%	320	47%	318	44%
Research	120	14%	110	14%	100	12%	86	13%	80	11%
Public service	76	9%	72	9%	65	8%	59	9%	58	8%
Institutional support	79	9%	72	9%	66	8%	12	2%	65	9%
Operation and maintenance of plant	64	8%	55	7%	61	8%	62	9%	50	7%
Depreciation and amortization	57	7%	50	6%	47	6%	44	6%	42	6%
Student aid	27	3%	27	3%	58	7%	40	6%	40	6%
Auxiliary enterprises	70	8%	70	9%	65	8%	57	8%	63	9%
Total Operating Expenses	\$850	100%	\$810	100%	\$811	100%	\$680	100%	\$716	100%

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

	2024		2023		Restated 2022		2021		2020	
Operating:										
Compensation	\$386	45%	\$379	47%	\$362	44%	\$336	49%	\$331	46%
Benefits	143	17%	147	18%	148	18%	87	13%	129	18%
Utilities	31	3%	27	3%	30	4%	27	5%	28	4%
Supplies and Services	206	24%	180	22%	166	20%	146	20%	146	20%
Depreciation and Amortization	57	7%	50	6%	47	6%	44	6%	42	6%
Student Aid	27	3%	27	3%	58	7%	40	6%	40	5%
Total Operating Expenses	850	99%	810	99%	811	99%	680	99%	716	99%
Nonoperating:										
Interest	9	1%	8	1%	4	1%	4	1%	4	1%
Total Expenses	\$859	100%	\$818	100%	\$815	100%	\$684	100%	\$720	100%

Compensation costs were \$386 million in FY24, up 1.8% from the FY23 total of \$379 million while FY24 benefits totaled \$143 million, down \$4 million from the FY23 total of \$147 million. Compensation costs for FY23 saw an increase of 4.7% over the FY22 total of \$362 million and FY23 benefits were down \$1 million from the FY22 total of \$148 million.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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
- University of Maine School of Law Foundation
- University of Maine at Fort Kent Foundation
- University of Southern Maine Foundation (withdrew July 1, 2024)
- 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 \$260 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 18 and 20, 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.

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

	2024	% Change	2023	% Change	2022	% Change	2021	% Change	2020
Cash and cash equivalents	\$ 2	-33%	\$ 3	50%	\$ 2	0%	\$ 2	0%	\$ 2
Investments - pooled	240	13%	213	8%	197	-30%	283	30%	218
Investments - other	18	-5%	19	-10%	21	-16%	25	0%	25
Total Assets	260	11%	235	7%	220	-29%	310	27%	245
Total Liabilities	34	0%	-	0%	-	0%	-	0%	-
Pensions	18	100%	19	-5%	20	-20%	25	0%	25
Postemployment benefits other than pensions	196	-5%	174	12%	156	-13%	180	31%	137
Pool participants	10	13%	39	-5%	41	-60%	102	26%	81
Student and other groups	2	-74%	3	0%	3	0%	3	50%	2
Total Net Position	\$226	11%	\$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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Strategic Vision and Priorities***Strategic Plan***

The University's Strategic Plan, approved by the Board of Trustees in May 2023, is a working document aimed at bringing about unified change and advancing the tenets of UMS Unified Accreditation. We invite you to learn more about our plan by reviewing the full Strategic Plan located on the University's [website](#).

In brief, the body of the plan is organized around five core commitments:

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

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

At its September 2024 meeting, the Board of Trustees received an update for their input and feedback on a set of Key Performance Indicators (KPIs) that will serve as benchmarks to measure progress and performance across the system. These KPIs are aligned with the UMS strategic goals and will help ensure accountability, transparency, and focused efforts on priority areas.

University Credit Rating

In August 2024, S&P Global Ratings (S&P) completed its routine review of the credit worthiness of the System and its debt and affirmed its AA- rating with a negative outlook. In its overview, S&P assessed UMS' enterprise risk profile as strong, characterized by the breadth and depth of its institution. Offsetting factors included persistent weakness across demand metrics, with retention, matriculation, and graduation rates falling short of those of many similarly rated peers and UMS' enrollment falling due, largely, to unfavorable state demographics and strong regional competition.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

S&P also assessed UMS' financial risk profile as very strong, recognizing its solid financial resources and prudent financial management policies, offset to a degree by variable full-accrual operating performance and the possibility of significant additional debt issuance in the near term.

Harold Alfond Foundation Investment

In the fall of FY21, the Harold Alfond Foundation announced an historic \$240 million investment over twelve years in the System. This extraordinary grant is supporting an initiative known as UMS TRANSFORMS and involves transformative changes in student success and retention, engineering, graduate and professional education, Division 1 athletics and gender equity. In FY24, the Harold Alfond Foundation pledged an additional \$80 million toward the modernization of athletic facilities at UM, bringing their total commitment to athletics to \$170 million and their commitment to UMS TRANSFORMS overall to \$320 million.

UMS TRANSFORMS means:

- More for the System's students and a reshaping of national thinking on how to engage learners in a new age. Entering students will be introduced to discovery with research learning early in their college careers. Proven approaches to learning assistance and curricular redesign will improve results and retention through gateway STEM courses. Expanded access to credit-bearing internships and experiential learning will strengthen pathways to careers.
- More solutions for our workforce and employers, including a new Maine College of Engineering and Computing that will become a statewide, integrated solution to providing the technical workforce and innovations that are critical to moving Maine's economy forward.
- A new chapter in UM Black Bear Athletics and the opportunity to build a stronger, more inclusive community. This includes state of the art facilities, venues and stadiums.
- More real-world relevance and cross-disciplinary learning and connections through the Maine Graduate and Professional Center. With focused coordination we will build a global brand and reach for our graduate business, law, health and public policy programs. These programs will come together in a new state-of-the-art building in Portland and strengthen connections to Maine and its higher education community.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023 (IN THOUSANDS)

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 7,923	\$ 6,588
Operating investments (Note 3)	258,339	258,542
Accounts, grants, and pledges receivable, net (Note 4)	89,579	75,867
Inventories and prepaid expenses	7,993	7,286
Notes, leases and PPP receivable, net (Note 5)	294	340
Total Current Assets	364,128	348,623
Noncurrent Assets		
Deposits with trustees (Notes 3 and 6)	4,650	26,443
Accounts, grants and pledges receivable, net (Note 4)	7,181	1,952
Notes, leases and PPP receivable, net (Note 5)	25,400	22,839
Net OPEB asset (Note 14)	34,433	21,169
Endowment investments (Note 3)	162,047	150,432
Capital assets, net (Note 6)	1,016,244	934,857
Irrevocable split interest agreements	298	218
Total Noncurrent Assets	1,250,253	1,157,910
Total Assets	1,614,381	1,506,533
Deferred Outflows of Resources (Note 16)	6,039	17,193
Total Assets and Deferred Outflows of Resources	\$1,620,420	\$1,523,726
Liabilities		
Current Liabilities		
Accounts payable	\$ 35,066	\$ 31,787
Unearned revenue and deposits (Note 8)	47,834	34,041
Accrued liabilities - current portion (Notes 7, 11 and 13)	26,687	28,395
Obligations for right-to-use assets - current portion (Note 7)	5,916	5,997
Long-term debt - current portion (Note 7)	17,871	19,931
Total Current Liabilities	133,374	120,151
Noncurrent Liabilities		
Unearned revenue and other liabilities - noncurrent (Note 8)	10,518	7,228
Accrued liabilities (Notes 7, 11, 13)	48,303	49,635
Obligations for right-to-use assets (Note 7)	69,950	65,564
Long-term debt (Note 7)	199,779	216,808
Government advances refundable (Note 9)	6,781	10,008
Total Noncurrent Liabilities	335,331	349,243
Total Liabilities	468,705	469,394
Deferred Inflows of Resources (Note 16)	68,658	53,617
Net Position		
Net investment in capital assets (Note 10)	694,128	634,614
Restricted nonexpendable (Note 10)	73,254	72,410
Restricted expendable (Notes 3 and 10)	206,952	173,224
Unrestricted (Notes 3 and 10)	108,723	120,467
Total Net Position	1,083,057	1,000,715
Total Liabilities, Deferred Inflows of Resources and Net Position	\$1,620,420	\$1,523,726

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF FINANCIAL POSITION – DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2023 AND 2022 (IN THOUSANDS)

	2023	2022
Assets		
Cash and cash equivalents	\$ 4,741	\$ 4,831
Promises to give, less allowance for uncollectible pledges of \$60 and \$40, respectively	5,462	3,726
Short-term investments	18,664	12,971
Cash surrender value of life insurance	208	244
Long-term investments, endowment	340,868	283,942
Long-term investments, life income plans	5,929	5,170
Equity in Buchanan Alumni House	2,551	2,582
Investment real estate	5,450	5,558
Property and equipment, net of accumulated depreciation of \$329 and \$280, respectively	142	128
Other assets	1,155	594
Irrevocable trusts	5,411	6,490
Total Assets	\$ 390,581	\$ 326,236
Liabilities		
Accounts payable	\$ 2,834	\$ 694
Liabilities under split-interest agreements	2,138	2,038
Accrued expenses	1,285	1,170
Deferred revenue	1,947	1,891
Custodial accounts payable	3,871	3,569
Total Liabilities	12,075	9,362
Net Assets		
Without donor restrictions	18,110	16,974
With donor restrictions	360,396	299,900
Total Net Assets	378,506	316,874
Total Liabilities and Net Assets	\$ 390,581	\$ 326,236

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023 (IN THOUSANDS)

	2024	2023
Operating Revenues		
Tuition and fees	\$ 325,486	\$ 314,122
Residence and dining fees	72,344	67,278
Less: scholarship allowances	(134,465)	(129,910)
Net student fees	263,365	251,490
Federal, state and private grants and contracts	167,886	143,399
Recovery of indirect costs	28,350	24,924
Educational sales and services and other revenues	39,146	34,576
Other auxiliary enterprises	12,315	10,101
Total Operating Revenues	511,062	464,490
Operating Expenses		
Instruction	195,660	199,123
Research	119,687	110,061
Public service	76,355	71,507
Academic support	83,960	78,319
Student services	78,477	76,346
Institutional support	78,583	71,919
Operation and maintenance of plant	63,828	55,405
Depreciation and amortization (Note 6)	56,987	50,335
Student aid	26,884	27,263
Auxiliary enterprises	69,974	70,204
Total Operating Expenses	850,395	810,482
Operating Loss	(339,333)	(345,992)
Nonoperating Revenues (Expenses)		
Noncapital State of Maine appropriations	261,171	247,992
Federal Pell Grants	35,822	32,131
Coronavirus relief funding	3,621	3,020
Gifts currently expendable	28,326	28,544
Endowment return used for operations (Note 3)	6,627	6,494
Investment income (Note 3)	21,148	13,475
Income from public-private partnerships (Note 15)	287	-
Interest expense, net (Note 7)	(9,459)	(8,877)
Net Nonoperating Revenues (Expenses)	347,543	322,779
Loss Before Other Changes in Net Position	8,210	(23,213)
Other Changes in Net Position		
State of Maine capital appropriations	16,143	21,301
Capital grants and gifts	46,412	26,355
Endowment return, net of amount used for operations (Note 3)	10,613	7,937
True and quasi endowment gifts	773	1,222
Gain (loss) on disposal of capital assets	191	(2,167)
Total Other Changes in Net Position	74,132	54,648
Change in Net Position	82,342	31,435
Net Position - Beginning of the Year	1,000,715	969,280
Net Position - End of Year	\$ 1,083,057	\$ 1,000,715

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNIT
YEARS ENDED DECEMBER 31, 2023 AND 2022 (IN THOUSANDS)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, Losses, and Reclassification						
Contributions	\$ 8,725	\$ 39,043	\$ 47,768	\$ 7,045	\$ 17,931	\$ 24,976
Advancement services	3,838	-	3,838	3,745	-	3,745
Investment returns (loss) and other revenue	1,952	39,890	41,842	(984)	(49,093)	(50,077)
Reinvestment of donor funds	-	-	-	-	-	-
Net assets released from restrictions pursuant to endowment spending distribution	7,814	(7,814)	-	7,163	(7,163)	-
Net assets released from restrictions - other	10,623	(10,623)	-	26,230	(26,230)	-
Total Revenues, Gains, Losses, and Reclassification	32,952	60,496	93,448	43,199	(64,555)	(21,356)
Expenses and Losses						
Program services	26,734	-	26,734	38,823	-	38,823
Management and general	1,218	-	1,218	1,307	-	1,307
Fundraising	3,864	-	3,864	3,575	-	3,575
Total Expenses	31,816	-	31,816	43,705	-	43,705
Change in Net Assets	1,136	60,496	61,632	(506)	(64,555)	(65,061)
Net Assets - Beginning of Year	16,974	299,900	316,874	17,480	364,455	381,935
Net Assets - End of Year	\$ 18,110	\$ 360,396	\$378,506	\$ 16,974	\$ 299,900	\$316,874

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023 (IN THOUSANDS)

	2024	2023
Cash Flows From Operating Activities		
Tuition, residence, dining, and other student fees	\$ 256,325	\$ 254,940
Grants and contracts	195,798	162,980
Educational sales and services and other auxiliary enterprise revenues	50,528	40,130
Payments to and on behalf of employees	(540,192)	(548,831)
Financial aid paid to students	(33,347)	(32,619)
Payments to suppliers	(230,669)	(202,110)
Loans issued to students	(1,976)	(1,981)
Collection of loans to students	3,489	3,617
Direct loan proceeds received from the Federal Government	88,393	92,241
Direct loans issued to students	(91,940)	(92,109)
Net Cash Used for Operating Activities	(303,591)	(323,742)
Cash Flows From Noncapital Financing Activities		
State appropriations	261,171	247,992
Federal Pell Grants	34,302	31,985
Coronavirus relief funding	3,640	7,573
Noncapital grants and gifts	27,664	28,228
Other transactions	46	(1,276)
Net Cash Provided by Noncapital Financing Activities	326,823	314,502
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt issuances	-	90,875
Capital appropriations	14,920	30,479
Capital grants and gifts	55,505	17,598
Proceeds from sale of capital assets	1,210	1,073
Acquisition and construction of capital assets	(110,008)	(141,153)
Principal paid on capital debt and obligations of right-to-use assets	(24,839)	(25,652)
Interest paid on capital debt and leases	(11,310)	(9,073)
Net Cash Used for Capital and Related Financing Activities	(74,522)	(35,853)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	902,380	713,778
Purchases of investments	(866,722)	(672,499)
Earnings from investments	16,967	2,961
Net Cash Provided by Investing Activities	52,625	44,240
Net Increase (Decrease) in Cash and Cash Equivalents	1,335	(853)
Cash and Cash Equivalents - Beginning of Year	6,588	7,441
Cash and Cash Equivalents - End of Year	\$ 7,923	\$ 6,588

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023 (IN THOUSANDS)

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

	2024	2023
Operating Loss	\$(339,333)	\$(345,992)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	56,987	50,335
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Accounts and grants receivable, net	(20,957)	(6,739)
Inventories and prepaid expenses	(707)	(998)
Notes and leases receivable, net	3,000	3,017
Net OPEB (asset) liability	(13,264)	(21,169)
Irrevocable split interest agreements	(80)	252
Deferred outflows related to pensions	727	1,127
Deferred outflows related to OPEB	10,257	11,976
Accounts payable	4,660	3,050
Unearned revenue and deposits	14,673	5,624
Accrued liabilities	(3,203)	(41,158)
Grants refundable	(3,227)	(4,144)
Deferred inflows related to pensions	(142)	(102)
Deferred inflows related to OPEB	(12,716)	21,406
Deferred inflows related to split interest agreements	80	(252)
Deferred inflows related to leases	(346)	25
Net Cash Used for Operating Activities	\$(303,591)	\$(323,742)

Noncash investing, capital, and financing activities:

Capital asset additions included in accounts payable and accrued liabilities as of June 30	\$ 13,703	\$ 15,088
Capital asset additions acquired through long-term debt	\$ 1,181	\$ 812
Capital asset additions acquired through obligations of right-to-use assets	\$ 11,068	\$ 25,177
Capital asset additions acquired through deferred inflows-PPP	\$ 22,596	\$ -
Capital asset additions acquired through unspent capital investment funds	\$ 428	\$ -
Capital asset additions acquired through book value of trade-in	\$ 29	\$ -
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.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2024 AND 2023 (IN THOUSANDS)

	2024			2023		
	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds
Assets						
Cash and cash equivalents <i>(Note 2)</i>	\$ -	\$ -	\$ 2,462	\$ -	\$ -	\$ 2,662
Investment in UMS managed investment pool <i>(Note 3)</i>	195,991	5,569	-	174,427	5,073	-
Investment in UMS endowment pool <i>(Note 3)</i>	-	38,165	-	-	33,912	-
Other investments <i>(Note 3)</i>	17,593	-	-	18,987	391	-
Prepaid expenses	-	-	19	-	-	24
Total Assets	213,584	43,734	2,481	193,414	39,376	2,686
Liabilities						
Accounts payable and other liabilities	-	-	-	-	-	80
Requested by beneficiaries	-	34,148	-	-	391	-
Total Liabilities	-	34,148	-	-	391	80
Net Position Restricted for:						
Pensions	17,593	-	-	18,984	-	-
Postemployment benefits other than pensions	195,991	-	-	174,427	-	-
Pool participants	-	9,586	28	-	38,985	39
Student and other groups	-	-	2,453	-	-	2,567
Total Net Position	\$213,584	\$ 9,586	\$ 2,481	\$193,414	\$ 38,985	\$ 2,606

See accompanying notes to the basic financial statements.

UNIVERSITY OF MAINE SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023 (IN THOUSANDS)

	2024			2023		
	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds
Additions						
Contributions						
Employer contributions	\$ 10,598	\$ -	\$ -	\$ 9,722	\$ -	\$ -
Retiree contributions	1,853	-	-	1,770	-	-
Contributions to investment pools	-	1,673	-	-	1,935	-
Private donations	-	-	-	-	-	-
Total contributions	12,451	1,673	-	11,492	1,935	-
Investment income (loss)						
Interest and dividends	3,496	690	144	3,980	875	92
Net increase (decrease) in fair value of investments	18,970	4,044	-	15,252	3,459	-
Total investment income (loss)	22,466	4,734	144	19,232	4,334	92
Less investment expense	(702)	(143)	-	(1,235)	(250)	-
Net investment income (loss)	21,764	4,591	144	17,997	4,084	92
Other additions						
Student activity fees	-	-	2,011	-	-	2,102
Endowment income distribution	-	-	1,139	-	-	1,167
Other income	-	-	317	-	-	300
Total other additions	-	-	3,467	-	-	3,569
Total additions	34,215	6,264	3,611	29,489	6,019	3,661
Deductions						
Beneficiary payments	14,028	-	-	12,470	-	-
Investment pool distributions	-	35,663	-	-	7,867	-
Distribute activity fees	-	-	1,503	-	-	1,336
Distribute amount requested	-	-	-	-	-	53
Distribute other revenues	-	-	-	-	-	-
Donations and sponsorships	-	-	1,120	-	-	1,151
Purchases by student and other groups	-	-	1,113	-	-	1,201
Administrative costs	17	-	-	9	-	-
Total deductions	14,045	35,663	3,736	12,479	7,867	3,741
Change in Fiduciary Net Position	20,170	(29,399)	(125)	17,010	(1,848)	(80)
Net Position - Beginning of the Year	193,414	38,985	2,606	176,404	40,833	2,686
Net Position - End of Year	\$ 213,584	\$ 9,586	\$ 2,481	\$ 193,414	\$ 38,985	\$ 2,606

See accompanying notes to the basic financial statements.

**UNIVERSITY OF MAINE SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023 (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 17). 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, income from public-private partnerships and interest expense.

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 liabilities 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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

Net investment in capital assets: Capital assets, net of accumulated depreciation and amortization 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 measurement of investments reported in the financial statements. The System has implemented policies and procedures to assess the reasonableness of the

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

fair values provided and believes that reported fair values at the Statements of Net Position dates are reasonable.

Pooled Third party investments: During FY24 two outside entities, the UMS Other Postemployment Benefit (OPEB) Trust 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.

Contributions to and withdrawals from the pool are allowed only on the first business day of a calendar quarter. 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 FY24 and FY23. 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

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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).

- **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:

	2024	2023
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. Unconditional pledges of non-endowment gifts are presented net of estimated amounts deemed uncollectible after discounting to the present value of expected future cash flows. Because of uncertainties regarding their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met. In accordance with GASB requirements, endowment pledges have not been reported in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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-to-Use Assets and Subscription Based Information Technology Arrangements (SBITAs)

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-to-use assets and an intangible right-to-use asset as a lessee or a lease receivable and deferred inflow of resources as a lessor.

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.

Key Estimates and Judgments: Key estimates and judgments include the following:

- 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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- 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-to-use asset.

l. Public-Private and Public-Public Partnership

The System is a transferor in a public-private partnership (PPP) with a third-party operator. In relation to its PPP arrangement the System recognizes underlying PPP assets, a receivable for installment payments and a corresponding deferred inflow of resources.

Measurement: At commencement of the PPP term, an underlying PPP asset that is an existing asset of the System will be measured at its carrying value. Underlying PPP assets that are improvements made by the operator, and any assets newly purchased/constructed by the operator, are initially measured at acquisition value when placed into service. The underlying PPP assets are depreciated on a straight-line basis over their estimated useful lives. The System also recognizes a receivable for installment payments to be received from the operator in relation to the PPP; initially measured at the present value of the payments expected to be received. The receivable is subsequently reduced by the principal portion of payments received. In conjunction with these assets, the System also recognizes an offsetting deferred inflow of resources which is amortized on a straight-line basis over the PPP term. The discount rate used to calculate the present value of future PPP payments to be received is generally the rate the System charges the operator.

m. 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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED***n. 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).

o. 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.

p. 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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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

r. 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.

s. 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.

t. Reclassifications

Certain FY23 items in the accompanying financial statements have been reclassified, without effect on total net position, to conform to the FY24 presentation by reclassifying net position associated with the System's net OPEB asset from unrestricted net position to restricted expendable net position in the Statements of Net Position.

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, 2024 and 2023, bank balances with uninsured or uncollateralized operating cash deposits were \$5,050 and \$2,270, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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, two outside entities - the UMS OPEB Trust and the University of Maine School of Law Foundation- 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 (\$2,211 and \$1,981 at June 30, 2024 and 2023, 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, 2024 and 2023, respectively are \$38,165 and \$33,912, 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 at June 30 are shown at the top of the net page.

3. INVESTMENTS - CONTINUED

	2024	2023
Restricted - expendable	\$68,642	\$59,463
Unrestricted	19,821	18,328
Total available for spending	\$88,463	\$77,791

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".

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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 liabilities, 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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

The System's operating investments and deposits with trustees were composed of the following at June 30, 2024:

	Total	Fair Value Measurements Using:			Credit Rating	Interest Rate Risk	
		Level 1	Level 2	Level 3			
Operating Investments measured at fair value:							
Equities:							
Multi-strategy funds	\$ 48,487	\$ 24,037	\$ 24,450	\$ -			
Equity securities	149	149					
Fixed income funds:							
Bonds	108,464	35,774	72,690	-	Not rated	1.86-6.31 years	Duration
Money markets	47,055	47,055	-	-	Not rated	34-42 days	Weighted Average Maturity
Total operating investments at fair value level	\$ 204,155	\$ 107,015	\$ 97,140	\$ -			
Operating investments measured at NAV							
Equities: Multi-Strategy	14,002						
Bank loans	20,131				Not rated	.08 years	Duration
Total operating investments measured at NAV	34,133						
Total operating investments measured at fair value plus NAV	238,288						
State pool measured at amortized cost	20,051				Not rated	1.02 years	Duration
Total operating investments	\$ 258,339						
Deposits with Trustees:							
Bonds and money markets	\$ 4,650	\$ 4,650	\$ -	\$ -	Not rated	34-42 days	Weighted Average Maturity

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

The **System's DB Plan, MIP and separately invested endowments** were composed of the following at June 30, 2024:

	Total	Fair Value Measurements Using:			Credit Rating	Interest Rate Risk	
		Level 1	Level 2	Level 3			
Investments measured at fair value:							
Equities:							
Equity securities	\$ 10,013	\$ 10,013	\$ -	\$ -			
Equity funds	130,575	11,978	118,597	-			
Multi-strategy funds	31,469	31,469	-	-	Not rated	Not rated	
Fixed income funds:							
Money markets	33,399	33,399	-	-	Not rated	2.1 years	Weighted Average Maturity
Bonds	61,748	61,748	-	-	Not rated	3.68-6.5 years	Duration
Real assets	1,209	-	-	1,209	Not rated	Not rated	
Total DB Plan, MIP and separately held at fair value level	<u>\$268,413</u>	<u>\$148,607</u>	<u>\$118,597</u>	<u>\$ 1,209</u>			
Investments measured at NAV:							
Equity securities	66,305						
Equity funds	7,660						
Multi-strategy funds	30,049						
Fixed income funds - bonds	25,869						
Bank loans	21,069				Not rated	0.08 years	Duration
Total DB Plan and MIP investments measured at NAV	<u>150,952</u>						
Total DB Plan, MIP and separately held investments	<u><u>\$419,365</u></u>						

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

Breakdown of investments by portfolio at June 30, 2024:

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Breakdown of above investments by portfolio plus separately invested endowments:				
DB Plan at fair value level	\$ 9,995	\$ 8,786	\$ -	\$ 1,209
DB Plan at NAV	7,598			
Total DB Plan Investments	\$ 17,593			
MIP held on behalf of outside entities at fair level	\$129,127	\$ 69,203	\$59,924	\$ -
MIP held on behalf of outside entities at NAV	72,433			
Total MIP held on behalf of outside entities	\$201,560			
Fiduciary Funds held in Endowment Pool at fair value level	\$ 24,450	\$ 13,104	\$11,346	\$ -
Fiduciary Funds held in Endowment Pool at NAV	13,715			
Total Fiduciary Funds held in Endowment Pool	\$ 38,165			
Endowment pool investments included in the MIP at fair value	\$101,982	\$ 54,655	\$47,327	\$ -
Endowment pool investments included in the MIP at NAV	57,206			
Total endowment pool investments included in the MIP	159,188			
Endowment investments - separately invested	2,859	\$ 2,859	\$ -	\$ -
Total endowment investments	\$ 162,047			

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

Additional disclosures for **System investments**, including the DB Plan and MIP, measured at NAV at June 30, 2024:

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Period Notice
Operating Investments measured at NAV:			
Equities: Multi-strategy ¹	\$ 14,002	Quarterly, Monthly	60, 90 days
Bank loans ²	20,131	Bi-monthly	15 days
Total operating investments measured at NAV	\$ 34,133		
Investments measured at NAV:			
Equity securities	\$ 66,305	Monthly	30 days
Equity funds	7,660	Monthly	30 days
Multi-strategy funds ¹	30,049	Quarterly, Monthly	30, 45, 60, 90 days
Fixed income funds - bonds	25,869	Monthly	5 days
Bank loans ²	21,069	Monthly	30 days
Total DB Plan and MIP investments measured at NAV	\$150,952		
Further breakdown of above DB Plan and MIP investments:			
DB Plan at NAV	\$ 7,598		
MIP held on behalf of outside entities at NAV	72,433		
Fiduciary funds held in the Endowment Pool for others	13,715		
Endowment pool investments included in the MIP at NAV	57,206		
Total investments measured at NAV by portfolio	\$150,952		

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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:			Credit Rating	Interest Rate Risk	
		Level 1	Level 2	Level 3			
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

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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:			Credit Rating	Interest Rate Risk	
		Level 1	Level 2	Level 3			
Investments measured at fair value:							
Equities:							
Equity securities	\$ 9,359	\$ 9,359	\$ -	\$ -			
Equity funds	121,705	27,392	94,313	-			
Multi-strategy funds	27,359	27,359	-	-	Not rated	Not rated	
Fixed income funds:							
Money markets	19,183	19,183	-	-	Not rated	31 days	Weighted Average Maturity Duration
Bonds	42,483	42,483	-	-	Not rated	2.7-7.3 years	
Real assets	1,789	-	-	1,789	Not rated	Not rated	
Total DB Plan, MIP and separately held at fair value level	<u>\$221,878</u>	<u>\$125,776</u>	<u>\$ 94,313</u>	<u>\$ 1,789</u>			
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	<u>161,344</u>						
Total DB Plan, MIP and separately held investments	<u><u>\$383,222</u></u>						

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

Breakdown of investments by portfolio at June 30, 2023:

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Breakdown of above investments by portfolio plus separately invested endowments:				
DB Plan at fair value level	\$ 10,615	\$ 8,826	\$ -	\$ 1,789
DB Plan at NAV	8,372			
Total DB Plan Investments	\$ 18,987			
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)

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		

Additional information for investments measured at NAV at June 30, 2024 and 2023 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.

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 6.16 years and 6.30 years at June 30, 2024 and 2023, respectively).

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

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 6.16 years and 6.30 years at June 30, 2024 and 2023, 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 \$12,405 and \$20,785 at June 30, 2024 and 2023, 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 \$41,588 and \$36,241 at June 30, 2024 and 2023, respectively. This includes \$8,042 and \$8,291 at June 30, 2024 and 2023, 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 \$2,396 and \$3,227 at June 30, 2024 and 2023, respectively.

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:

	2024			
	Net Gains	Interest and Dividends	Investment Fees	Net Income (Loss)
Endowment investment income and fees	\$15,217	\$ 2,580	\$(532)	\$17,265
Net income allocated to annuities payable to others				(25)
System endowment net income				<u>\$17,240</u>
Reported as endowment return used for operations				\$ 6,627
Reported as endowment return, net of amount used for operations				10,613
System endowment income				<u>\$17,240</u>
Operating investments	\$ 8,991	\$11,921	\$(534)	\$20,378
Lease Receivables	-	51	-	51
Deposits with trustees	-	719	-	719
Total other investment income (loss)	<u>\$ 8,991</u>	<u>\$12,691</u>	<u>\$(534)</u>	<u>\$21,148</u>

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

3. INVESTMENTS - CONTINUED

	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

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

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

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

	2024			2023		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Student and other accounts receivable	\$70,037	\$69,191	\$ 846	\$53,842	\$53,093	\$ 749
Grants receivable	40,680	40,059	621	42,284	42,047	237
Pledges receivable	8,805	2,237	6,568	2,044	955	1,089
Total gross receivables	119,522	111,487	8,035	98,170	96,095	2,075
Less allowance for doubtful accounts	(22,025)	(21,908)	(117)	(20,248)	(20,228)	(20)
Less discount on pledges receivable	(737)	-	(737)	(103)	-	(103)
Total receivables, net	\$96,760	\$89,579	\$7,181	\$77,819	\$75,867	\$1,952

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

5. NOTES, LEASES AND PPP RECEIVABLES

Notes, leases and PPP receivables include the following at June 30:

	2024			2023		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Perkins loans	\$ 3,487	\$ -	\$ 3,487	\$ 6,624	\$ -	\$ 6,624
Nursing loans	1,930	-	1,930	2,025	-	2,025
Institutional loans	11,936	-	11,936	11,621	-	11,621
Leases receivable (a)	3,442	294	3,148	3,783	340	3,443
PPP installment payment receivable (b)	5,856	-	5,856	-	-	-
Total notes and leases receivable	26,651	294	26,357	24,053	340	23,713
Less allowance for doubtful accounts	(957)	-	(957)	(874)	-	(874)
Total notes and leases receivable, net	\$25,694	\$294	\$25,400	\$23,179	\$340	\$22,839

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.

- (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 FY48. During the years ended June 30, 2024 and 2023, the System recognized \$341 and \$327 in lease revenue and \$51 and \$39 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	Principal	Interest
June 30:		
2025	\$ 294	\$ 47
2026	289	44
2027	276	41
2028	281	38
2029	226	34
2030-2034	791	132
2035-2039	793	62
2040-2044	378	16
2045-2048	114	1
Total Payments	\$3,442	\$415

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

5. NOTES, LEASES AND PPP RECEIVABLES - CONTINUED

(b) The System, acting as transferor in a PPP arrangement, leases land and building assets to the operator. A net present value receivable of \$5,835 has been reported for installment payments, recognizing the expected future rental revenue under the lease; measured using a discount rate of 0%. The lease provides for scheduled increases to base rent each fifth year. Payments are due in arrears on the first day of the next succeeding quarter; the lease term expires June 30, 2121 and the final payment is due July 1, 2121. A related PPP installment payment receivable and deferred inflow of resources have been recorded. As of June 30, 2024 the System anticipates lease payments to commence in fiscal year 2026.

Total future minimum payments to be received under PPP installment payments receivable are as follows:

Year Ending June 30:	Principal	Interest
2025	\$ -	\$ -
2026	6	-
2027	38	-
2028	38	-
2029	38	-
2030-2034	196	-
2035-2039	206	-
2040-2044	216	-
2045-2049	227	-
2050-2054	239	-
2055-2059	251	-
2060-2064	263	-
2065-2069	276	-
2070-2074	290	-
2075-2079	305	-
2080-2084	320	-
2085-2089	336	-
2090-2094	353	-
2095-2099	370	-
2100-2104	389	-
2105-2109	408	-
2110-2114	429	-
2115-2119	450	-
2120-2122	212	-
Total Payments	\$ 5,856	\$ -

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

6. CAPITAL ASSETS

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

	2024				
	Beginning Balance	Additions	Reclassifications	Retirements	Ending Balance
Land	\$ 18,376	\$ -	\$ -	\$ -	\$ 18,376
Library materials	25,687	-	-	-	25,687
Construction in progress	167,260	94,892	(168,782)	-	93,370
Total nondepreciable assets	211,323	94,892	(168,782)	-	137,433
Land improvements	71,722	-	4,482	-	76,204
Buildings & improvements	1,076,939	23,916	158,720	(2,225)	1,257,350
Equipment	182,501	9,473	5,580	(1,061)	196,493
Software	31,030	62	-	-	31,092
Right-to-use assets, buildings (Note 7)	62,914	8,290	-	-	71,204
Subscription based IT arrangements	22,770	2,760	-	-	25,530
Total depreciable assets	1,447,876	44,501	168,782	(3,286)	1,657,873
Less accumulated depreciation:					
Land improvements	49,232	2,693	-	-	51,925
Buildings & improvements	493,677	36,021	-	(1,217)	528,481
Equipment	137,135	10,958	-	(1,050)	147,043
Software	30,788	(48)	-	-	30,740
Right-to-use assets, buildings (Note 7)	6,481	3,357	-	-	9,838
Subscription based IT arrangements	7,029	4,006	-	-	11,035
Total accumulated depreciation	724,342	56,987	-	(2,267)	779,062
Net depreciable assets	723,534	(12,486)	168,782	(1,019)	878,811
Total capital assets, net	\$ 934,857	\$ 82,406	\$ -	\$ (1,019)	\$1,016,244

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

6. CAPITAL ASSETS - CONTINUED

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

	2023				
	Beginning Balance	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-to-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-to-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

As of June 30, 2024 and 2023, \$4,650 and \$26,443, 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, 2024 and 2023 is \$1,762 and \$4,257, 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 \$137,762 and \$46,730 at June 30, 2024 and 2023, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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

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

	2024			Ending Balance	Current Portion
	Beginning Balance	Additions	Reductions		
Accrued liabilities:					
Workers' compensation (Note 11)	\$ 1,731	\$ 196	\$ (136)	\$ 1,791	\$260
Health insurance (Note 11)	6,642	97,395	(95,334)	8,703	8,703
Other employee benefit programs (Note 13)	60,503	75,117	(81,307)	54,313	7,541
Other	9,154	10,183	(9,154)	10,183	10,183
Total accrued liabilities	\$ 78,030	\$182,891	\$(185,931)	\$74,990	\$26,687
Obligations for right-to-use assets	\$ 71,561	\$ 11,049	\$(6,744)	\$75,866	\$5,916
Long-term debt:					
Bonds payable ^(b)	\$222,622	\$ -	\$ (18,305)	\$204,317	\$ 16,736
Direct borrowings ^(b)	14,117	1,181	(1,965)	13,333	1,135
Total long-term debt	\$236,739	\$ 1,181	\$(20,270)	\$217,650	\$ 17,871

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

	2023			Ending Balance	Current Portion
	Beginning Balance	Additions	Reductions		
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-to-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

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

7. ACCRUED LIABILITIES, LEASE LIABILITIES AND LONG-TERM DEBT - CONTINUED***a. Obligations for right-to-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 2026 and provide for renewal options (ranging from 1-15 years) which extend them to 2044. The System also has noncancelable SBITAs for the right to use information technology hardware and software. The original contract terms expire at various dates through FY25 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 FY24 total \$1,556 including interest at rates of 1.02% to 2.96%. 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, 2024 are as follows:

Year Ending June 30:	Lease Liabilities		Subscription Based IT Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 2,831	\$1,408	\$ 3,085	\$268
2026	2,842	1,351	2,815	202
2027	39,088	748	1,838	149
2028	1,826	494	1,570	107
2029	1,590	460	759	82
2030-2034	7,478	1,756	3,115	150
2035-2039	3,399	1,029	379	3
2040-2044	3,251	333	-	-
Total Payments	\$62,305	\$7,579	\$13,561	\$961

As of June 30, 2024 and 2023, right-to-use lease assets acquired through outstanding leases consisting of building and office space totalled \$61,366 (net of \$9,838 accumulated amortization) and \$56,433 (net of \$6,481 accumulated amortization), respectively (*Note 6*).

As of June 30, 2024 and 2023, subscription based IT arrangements for the right to use information technology hardware and software totaled \$14,495 (net of \$11,035 accumulated amortization) and \$15,741 (net of \$7,029 accumulated amortization), respectively (*Note 6*).

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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:

	2024	2023
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 \$3,416 and \$4,139, respectively.	\$ 37,446	\$ 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 \$9,885 and \$10,867, respectively.	120,600	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 \$122 and \$319, respectively.	4,807	8,954
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 \$545 and \$791, respectively.	30,080	32,941
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 \$234 and \$271, respectively.	11,384	12,516
Total bonds payable, net	204,317	222,622

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

7. BONDS PAYABLE AND DIRECT BORROWINGS-CONTINUED

Direct Borrowings:	2024	2023
<p><u>Key Government Finance Inc. (KGF)</u>: \$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.</p>	\$ -	\$ 176
<p><u>Efficiency Maine Trust</u>: \$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.</p> <p>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%.</p>	454	714
<p><u>Banc of America Public Capital Corp. (BOAPCC)</u>: Master lease purchase agreement, secured by equipment and vehicles, quarterly or semi-annual payments including interest at 1.19% to 5.04%, maturing from July 2024 to November 2042. 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.</p>	12,879	13,227
Total direct borrowings	13,333	14,117
Total bonds payable and direct borrowings	\$217,650	\$236,739
Total par value of bonds payable and direct borrowings	\$203,448	\$220,352
Total unamortized premiums and discounts	14,202	16,387
Total bonds payable and direct borrowings	\$217,650	\$236,739

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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

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, 2024:

Year Ending June 30:	Bonds Payable		Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$ 14,885	\$ 9,195	\$ 1,135	\$ 420
2026	15,615	8,481	998	388
2027	13,855	7,747	707	360
2028	14,460	7,109	591	337
2029	12,930	6,473	535	319
2030-2034	40,585	25,429	2,816	1,341
2035-2039	8,325	19,895	3,347	860
2040-2044	8,995	17,857	3,204	274
2045-2049	11,490	15,359	-	-
2050-2054	14,945	11,911	-	-
2055-2059	19,540	7,324	-	-
2060-2062	14,490	1,622	-	-
Total Payments	\$190,115	\$138,402	\$13,333	\$4,299

Interest costs related to the revenue bonds for FY24 and FY23 were \$7,697 and \$7,970, 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 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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

8. UNEARNED REVENUE AND DEPOSITS

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

	2024			2023		
	Total	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion
Unearned grant advances	\$27,614	\$27,614	\$ -	\$14,386	\$14,386	\$ -
Unearned summer session revenue	9,880	9,880	-	8,223	8,223	-
Student deposits and advance payments	6,124	6,124	-	6,196	6,196	-
Funds Held for Others	636	488	148	594	476	118
Unearned revenue, dining	9,885	1,412	8,473	6,797	850	5,947
Other unearned revenue and deposits	4,213	2,316	1,897	5,073	3,910	1,163
Total unearned revenue, deposits and other liabilities	\$58,352	\$47,834	\$10,518	\$41,269	\$34,041	\$7,228

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, 2024 and 2023, the portion of outstanding awards excluded from the financial statements totaled \$141,309 and \$99,747, respectively.

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, 2024 and 2023 has been included in the accompanying Statements of Net Position as a noncurrent liability.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

10. NET POSITION

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

	2024	2023
Net investment in capital assets	\$694,128	\$ 634,614
Restricted - Nonexpendable:		
Endowment funds	73,254	72,410
Restricted - Expendable:		
Student financial aid	64,741	57,111
Capital assets and retirement of debt	12,853	9,923
Loans	17,717	17,319
Academic support	19,681	20,390
Research and public service	23,656	16,035
Library	4,800	4,648
Net OPEB asset	34,433	21,169
Other	29,071	26,629
Total restricted - expendable	206,952	173,224
Unrestricted:		
Educational and general reserves	48,226	53,577
Risk management	4,109	4,022
Budget stabilization	4,804	4,997
Auxiliary enterprises	(1,794)	2,054
Benefit pool carryover	47,060	35,909
Implementation of GASB 75 for OPEB	(33,795)	(33,795)
Reclassify net OPEB asset to restricted	(34,433)	(21,169)
Information technology initiatives	3,382	2,932
Internally designated projects	19,955	20,251
Facility projects	30,350	29,117
Quasi endowment corpus	12,977	12,051
Endowment appreciation	6,844	6,276
Cost sharing and other	1,038	4,245
Total unrestricted	108,723	120,467
Total Net Position	\$1,083,057	\$1,000,715

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

11. COMMITMENTS AND CONTINGENCIES - CONTINUED***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, 2024 and 2023 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, 2024 and 2023 of \$1,791 and \$1,731, 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, 2024 and 2023, 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).

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

	2024	2023
Claims incurred but not reported	\$7,055	\$5,816
Reported claims	1,648	826
Total health insurance liability (Note 7)	\$8,703	\$6,642

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

11. COMMITMENTS AND CONTINGENCIES - CONTINUED

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 will be December 31, 2024. As of June 30, 2024 and 2023 the estimated liability for the premium rebate of \$0 and \$1,321, respectively, has been included in the accompanying Statements of Net Position as a current liability.

c. Litigation

The System has been named as defendant in several lawsuits in the normal course of business, the outcomes of which are uncertain. It is anticipated by System management that an adverse decision on any or all of these suits would not have a material adverse effect on these financial statements.

12. PASS THROUGH GRANTS

During FY24 and FY23, the System distributed \$91,940 and \$92,109, 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:

	2024	2023
Faculty and Professional Employees:		
Contributory retirement plan	\$26,202	\$25,263
Incentive retirement plan	1,159	1,474
Early retirement incentive	4,399	2,505
Hourly Employees:		
Basic retirement plan	3,269	3,578
Defined benefit plan	925	431
Total pension expense	\$35,954	\$33,251

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

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 \$10,539 in FY24 and \$10,158 in FY23.

13b. 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.

Plan Membership: At June 30, 2024 and 2023, active plan participants consisted of 535 and 608, 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, 2024 and 2023 was \$14,718 and \$17,206, 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, 2024 and 2023 was determined by an actuarial valuation as of July 1, 2023 rolled forward to the

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

measurement date of June 30, 2024 and as of July 1, 2023, 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	3.93% as of June 30, 2024 3.65% as of June 30, 2023
Life expectancy	2024 and 2023: Mortality rates were based on the Pub-2010 Mortality Table projected with Scale MP-2021.

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 3.93% and 3.65% as of June 30, 2024 and 2023, respectively. The rates are based on the municipal bond rates as of the measurement dates. The municipal bond rates for 2024 and 2023 are based on the Bond Buyer 20-Bond General Obligation (GO) Index published for the weeks of June 27, 2024 and June 30, 2023, respectively.

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, 2024			June 30, 2023		
	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total pension liability	\$15,205	\$14,718	\$14,231	\$17,758	\$17,206	\$16,651

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUEDChanges in Total Pension Liability for the **Incentive Retirement Plan**:

Fiscal Year Ended June 30	2024	2023
Total pension liability – beginning	\$ 17,206	\$ 19,090
Changes for the year:		
Service cost	382	503
Interest	581	645
Differences between expected and actual experience	-	(216)
Changes of assumptions and other inputs	(137)	(59)
Benefit payments	(3,314)	(2,757)
Total pension liability – ending (a)	14,718	17,206
Fiduciary net position – beginning	-	-
Contributions – employer	3,314	2,757
Benefit payments	(3,314)	(2,757)
Fiduciary net position – ending (b)	-	-
Net pension liability – ending (a)-(b)	\$ 14,718	\$ 17,206
Fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
Covered payroll	\$ 46,627	\$ 51,931
Net pension liability as a percentage of covered payroll	31.57%	33.13%
Contributions as a percentage of covered payroll	7.11%	5.31%

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

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

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 \$1,443 in FY24 and \$1,563 in FY23.

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

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

	2024	2023
Inactive plan participants or beneficiaries currently receiving benefits	600	637
Inactive plan participants entitled to but not yet receiving benefits	174	178
Active plan participants	1	1
Total plan participants	775	816

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 \$857 through and including FY54, 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 30:

	2024	2023
Equity securities	25-45%	25-45%
Fixed income securities	38-58%	38-58%
Other	10-20%	10-20%
Cash	0-10%	0-10%

Rate of Return: For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return, net of investment expenses, was 6.05% and 6.53% %, respectively.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS – CONTINUED**Net Pension Liability**

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

	2024	2023
Total pension liability	\$28,098	\$29,698
Fiduciary net position	(17,593)	(18,987)
Net pension liability	\$10,505	\$10,711
Fiduciary net position as a percentage of the total pension liability	62.6%	63.9%

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

Actuarial Assumptions: The total pension liability as of June 30, 2024 and 2023 was determined by an actuarial valuation as of July 1, 2023 rolled forward to the measurement date of June 30, 2024 and as of July 1, 2023, 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	2.6% and 2.7% as of June 30, 2024 and 2023 respectively
Salary increases	3.5% for all years
Investment rate of return	6.25% net of investment expenses, including inflation
Life expectancy	2024 and 2023: Pre-retirement and post-retirement mortality rates were based on the Pub-2010 Mortality Table projected with Scale MP-2021. For disabled lives, the mortality rates were based on the Pub-2010 amount-weighted Disabled Mortality Table with Scale MP-2021.

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

Asset Class	2024		2023	
	Target Allocation	Long-Term Expected Real	Target Allocation	Long-Term Expected Real
		Rates of Return		Rates of Return
Global Equity	30%	4.40%	30%	4.70%
Emerging Market Equity	3%	5.90%	3%	6.60%
Fixed Income	48%	2.66%	48%	2.21%
Global Asset Allocation	8%	3.50%	8%	3.50%
Real Estate	3%	3.90%	3%	3.10%
Alternative Investments	5%	3.40%	5%	3.40%
Cash	3%	0.90%	3%	0.70%
Total	100%		100%	

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, 2024 and 2023 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, 2024			June 30, 2023		
	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	\$ 29,901	\$ 28,098	\$ 26,497	\$ 31,678	\$ 29,698	\$ 27,944
Fiduciary net position	17,593	17,593	17,593	18,987	18,987	18,987
Net pension liability	\$ 12,308	\$ 10,505	\$ 8,904	\$ 12,691	\$ 10,711	\$ 8,957

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUEDChanges in Net Pension Liability for the **Defined Benefit Pension Plan:**

Fiscal Year Ended June 30	2024	2023
Total pension liability – beginning	\$ 29,698	\$ 32,044
Changes for the year:		
Service cost	-	1
Interest	1,751	1,891
Differences between expected and actual experience	-	(748)
Changes of assumptions	-	95
Benefit payments	(3,351)	(3,585)
Total pension liability – ending (a)	28,098	29,698
Fiduciary net position – beginning	18,987	20,392
Contributions – employer	880	948
Net investment income	1,094	1,241
Benefit payments	(3,351)	(3,585)
Administrative expenses	(17)	(9)
Fiduciary net position – ending (b)	17,593	18,987
Net pension liability – ending (a)-(b)	\$ 10,505	\$ 10,711
Plan fiduciary net position as a percentage of the total pension liability	62.61%	63.93%
Covered payroll	\$ 52	\$ 59
Net pension liability as a percentage of covered payroll	20108.11%	18283.28%
Contributions as a percentage of covered payroll	1683.54%	1618.13%
Plan assets measured at fair value	\$ 17,593	\$ 18,987

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. Special Retirement Incentive Plan

In FY23, the System offered a second phase of special 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.

In FY22, the System offered special 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

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

13. PENSION PLANS - CONTINUED

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 special retirement incentive expense for FY24 and FY23 was \$4,399 and \$2,505, respectively, and is included in pension expense. The related liability at June 30, 2024 and 2023 was \$1,049 and \$5,448, 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.

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN – CONTINUED

The System's OPEB expense (income) for June 30, 2024 and 2023 was (\$6,004) and \$3,205, respectively.

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

	2024	2023
Inactive plan participants or beneficiaries currently receiving benefits	2,430	2,252
Active plan participants	3,970	4,058
Total plan participants	6,400	6,310

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:

	2024	2023
Total OPEB liability	\$161,558	\$153,258
Fiduciary net position	(195,991)	(174,427)
Net OPEB liability (asset)	\$(34,433)	\$(21,169)
Fiduciary net position as a percentage of the total OPEB liability	121.31%	113.81%

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

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, 2024 measurement date are based on a roll forward of the liabilities developed for the June 30, 2023 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, 2024 and 2023
Investment rate of return	7.25% net of investment expenses, including inflation as of June 30, 2024 and 2023
Healthcare cost trend rate (Cigna Plans)	2023 to 2024: 8% decreasing 0.5% 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)	2023 to 2024: 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.
Prescription drug trend rates (Catastrophic prescription Drug HRA)	2023 to 2024: 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.
Life expectancy	2023 to 2024: 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. 2023 to 2024: 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.

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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

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.

Asset Class	2024		2023	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	14.5%	3.70%	25.0%	4.00%
Domestic Small/Mid Cap	3.0%	4.90%	5.0%	4.80%
International Equities	7.3%	3.50%	10.0%	3.80%
Emerging Small Cap Market Equities	4.3%	5.90%	2.0%	6.60%
Global Equity	30.0%	4.40%	10.0%	4.70%
Domestic Core Bonds	6.5%	2.50%	6.5%	2.00%
US Treasury Bonds	5.0%	2.00%		
Treasury Inflation Protected Sec (TIPS)	5.0%	2.20%	5.0%	1.40%
Bank Loans	5.0%	4.10%	5.0%	4.10%
Absolute Return Fixed Income	5.0%	3.40%	5.0%	3.00%
Global Asset Allocation	7.5%	3.50%	7.5%	3.50%
Hedge Funds	7.0%	3.40%	7.0%	3.40%
International Small Cap Equities	0.0%	0.00%	2.0%	5.10%
Emerging Market Equities	0.0%	0.00%	5.0%	6.70%
Short-term TIPS	0.0%	0.00%	5.0%	1.70%
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.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

The discount rate used to measure the total OPEB liability at the measurement dates of June 30, 2024 and 2023 was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from the System will be made in accordance with the 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, 2024			June 30, 2023		
	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	\$178,566	\$161,558	\$147,134	\$169,518	\$153,258	\$139,458
Less: Fiduciary net position	195,991	195,991	195,991	174,427	174,427	174,427
Net OPEB liability (asset)	\$(17,425)	\$(34,433)	\$(48,857)	\$(4,909)	\$(21,169)	\$(34,969)

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, 2024			June 30, 2023		
	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 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%
Total OPEB liability	\$143,931	\$161,558	\$182,803	\$137,740	\$153,258	\$171,881
Less: Fiduciary net position	195,991	195,991	195,991	174,427	174,427	174,427
Net OPEB liability (asset)	\$(52,060)	\$(34,433)	\$(13,188)	\$(36,687)	\$(21,169)	\$(2,546)

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

14. POSTEMPLOYMENT HEALTH PLAN - CONTINUED

Changes in the net OPEB liability:

Fiscal Year Ended June 30	2024	2023
Total OPEB liability – beginning	\$ 153,258	\$ 173,794
Changes for the year:		
Service cost	5,905	6,364
Interest	11,219	12,803
Changes of benefit terms	-	4,499
Differences between expected and actual experience	-	(27,303)
Changes of assumptions	-	(9,784)
Benefit payments	(8,824)	(7,115)
Total OPEB liability – ending (a)	161,558	153,258
Fiduciary net position – beginning	174,427	156,012
Contributions – employer	9,718	8,774
Net investment income (loss)	20,670	16,756
Benefit payments	(8,824)	(7,115)
Fiduciary net position – ending (b)	195,991	174,427
Net OPEB liability (asset)– ending (a)-(b)	\$ (34,433)	\$ (21,169)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	121.31%	113.81%
Covered payroll	\$ 297,954	\$ 292,603
Net OPEB liability (asset) as a percentage of covered employee payroll	-11.56%	-7.23%
Contributions as a percentage of covered payroll	3.26%	3.00%
Plan assets measured at fair value	\$ 195,991	\$ 174,427

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

15. PUBLIC-PRIVATE PARTNERSHIP

On August 15, 2022, the System entered into a public-private partnership with a limited liability corporation (LLC1) for the renovation of two historic buildings and construction of an adjacent 24,800 square foot addition creating a boutique hotel ensemble and extended stay residence consisting of 95 rooms and a café on the University of Maine campus in Orono. The hotel is under the operation of a second limited liability corporation (LLC2) and was opened to the public in March 2024.

Capital asset activity related to the PPP transaction at June 30, 2024 are as follows and are included in the totals presented in Note 6 as of June 30, 2024:

	Beginning Balance	Additions	Ending Balance
Land improvements	\$ -	1,180	1,180
Buildings & improvements	-	23,916	23,916
Total depreciable PPP assets	-	25,096	25,096
Less accumulated depreciation:			
Land improvements	-	30	30
Buildings & improvements	-	159	159
Total accumulated depreciation	-	189	189
Net depreciable assets	-	24,907	24,907
Total PPP assets, net	\$ -	\$24,907	\$24,907

Upon termination the improvements shall be surrendered to the System in the agreed upon condition.

Under the arrangement, the System agreed to a 99-year ground lease with a base rent subject to scheduled increases each fifth year. A net present value receivable for installment payments of \$5,856 recognizing the expected future rental revenue under the ground lease; measured using a discount rate of 0% (see Note 5). The System has also reported deferred inflows of resources totaling \$28,164 as of June 30, 2024, which will be recognized into revenue evenly over the term of the agreement (see Note 16).

The arrangement also includes a performance guarantee and an income sharing arrangement. Hotel revenues will be collected by LLC1 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 the services it 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 or earned. To date, no such amounts have been recognized.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

16. 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.

2024							
	Pension Liability	OPEB	Deferred Amount on Debt Refunding	Irrevocable Split-Interest Agreements	Leases	Public, Private Partnership	Total
Deferred outflows of resources	\$ 1,602	\$ 2,837	\$ 1,600	\$ -	\$ -	\$ -	\$ 6,039
Deferred inflows of resources	\$ 749	\$ 36,010	\$ -	\$ 298	\$ 3,437	\$ 28,164	\$ 68,658

2023							
	Pension Liability	OPEB	Deferred Amount on Debt Refunding	Irrevocable Split-Interest Agreements	Leases	Public, Private Partnership	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

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.

2024				
	Incentive Retirement Plan	Defined Benefit Plan	Total Pension	OPEB
Deferred outflows of resources				
Changes of assumption or other inputs	\$ 430	\$ -	\$ 430	\$ 2,837
Difference between expected and actual experience	306	-	306	-
Net difference between projected and actual earnings on plan investments	-	866	866	-
Total deferred outflows of resources	736	866	1,602	2,837
Deferred inflows of resources				
Changes of assumption or other inputs	578	-	578	9,917
Difference between expected and actual experience	171	-	171	25,298
Net difference between projected and actual earnings on plan investments				795
Total deferred inflows of resources	749	-	749	36,010
Net deferred outflows (inflows)	\$ (13)	\$ 866	\$ 853	\$ (33,173)

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

16. 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.

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)

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
2025	\$ 156	\$206	\$362	\$(11,672)
2026	99	653	752	(3,799)
2027	(129)	1	(128)	(11,209)
2028	(109)	6	(103)	(6,493)
2029	(28)	-	(28)	-
Thereafter	(2)	-	(2)	-
	\$ (13)	\$ 866	\$ 853	\$(33,173)

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

17. 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.

The Foundation has been discretely presented as a component unit of the System in the accompanying financial statements as of and for the years ended December 31, 2023 and December 31, 2022 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 \$28,848 and \$14,409 for the years ending December 31, 2023 and December 31, 2022, respectively.

The Foundation asset category, long-term investments, endowment, comprised 87% of the Foundation's total assets as of December 31, 2023, and December, 31 2022. 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 December 31, 2023 and December 31, 2022. Actual returns in any given year may vary from these amounts.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

17. COMPONENT UNITS - CONTINUED**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, 2023 and December 31, 2022 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 years ended December 31, 2023 and December 31, 2022, the Foundation distributed \$24,701 and \$36,946, 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.

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, 2023 and December 31, 2022 were \$18,664 and \$12,971, respectively. These investments include money markets, certificates of deposit, U.S. government obligations and bonds.

NOTES TO FINANCIAL STATEMENTS (IN THOUSANDS)

17. COMPONENT UNITS - CONTINUED

The following table summarizes the Foundation's long-term endowment investments by class in the fair value hierarchy as of December 31, 2023:

	NAV	Level 1	Level 2	Level 3	Total	Liquidity
U.S. equities	\$ 81,809	\$ 37,475	\$ -	\$ -	\$ 119,284	Daily
Non-U.S. equities	21,444	38,618	-	-	60,062	Daily/Monthly/Quarterly
Global equities	36,144	-	-	-	36,144	Monthly/Quarterly
U.S. fixed income	-	27,521	-	-	27,521	Daily
Total private investments	55,903	-	-	-	55,903	Illiquid Monthly/Quarterly/Semi-
Alternative investments	27,842	-	-	-	27,842	Annually
Cash	-	14,112	-	-	14,112	Daily
Total long-term investments, endowment	\$ 223,142	\$ 117,726	\$ -	\$ -	\$ 340,868	

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 Monthly/Quarterly/Semi-
Alternative investments	25,355	-	-	-	25,355	Annually
Cash	-	13,826	-	-	13,826	Daily
Total long-term investments, endowment	\$ 195,979	\$ 87,963	\$ -	\$ -	\$ 283,942	

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

18. SUBSEQUENT EVENT

On July 1, 2024, the University of Southern Maine Foundation, an affiliated but separate legal entity, withdrew their \$34 million of assets previously invested in the UMS endowment pool. A liability for this redemption is included in the accompanying Statements of Fiduciary Net Position. Future endowment income distributions, previously distributed monthly by UMS, will be paid to UMS for the benefit of USM on a semi-annual basis.

UNIVERSITY OF MAINE SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION – RETIREMENT AND OPEB PLANS
YEAR ENDED JUNE 30, 2024 (UNAUDITED)
(IN THOUSANDS)

INCENTIVE RETIREMENT PLAN:

Changes in Total Pension Liability and Related Ratios

Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service cost	\$ 382	\$ 503	\$ 616	\$ 692	\$ 538	\$ 595	\$ 604	\$ 862	\$ 718	\$ 880
Interest	581	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	(137)	(59)	(792)	376	851	562	(225)	(628)	921	505
Benefit payments	(3,314)	(2,757)	(2,388)	(2,198)	(2,141)	(2,175)	(1,972)	(2,084)	(5,260)	(3,114)
Net change in total pension liability	(2,488)	(1,884)	(2,118)	159	(33)	(422)	(808)	66	(2,744)	(2,450)
Total pension liability – beginning	17,206	19,090	21,208	21,049	21,082	21,504	22,312	22,246	24,990	27,440
Total pension liability – ending	\$14,718	\$17,206	\$19,090	\$21,208	\$21,049	\$21,082	\$21,504	\$22,312	\$22,246	\$24,990
Covered payroll	\$46,627	\$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	31.57%	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	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	3,314	2,757	2,388	2,198	2,141	2,175	1,972	2,084	5,260	3,114
Contribution deficiency (excess)	\$(3,314)	\$(2,757)	\$(2,388)	\$(2,198)	\$(2,141)	\$(2,175)	\$(1,972)	\$(2,084)	\$(5,260)	\$(3,114)
Covered payroll	\$46,627	\$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	7.11%	5.31%	4.04%	3.51%	3.18%	3.17%	2.72%	2.68%	5.50%	3.37%

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

INCENTIVE RETIREMENT PLAN – CONTINUED:**Notes to Required Supplementary Information:**

Changes of benefit terms: None.

Changes of assumptions and other inputs:

- 2024: The discount rate changed from 3.65% as of the beginning of the measurement period to 3.93% as of the end of the measurement period.
- 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 AND OPEB PLANS (UNAUDITED) (IN THOUSANDS)

DEFINED BENEFIT PENSION PLAN:

Changes in Total Pension Liability and Related Ratios										
Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Changes for the year:										
Service cost	\$ -	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 6	\$ 5	\$ 40
Interest	1,751	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	(3,351)	(3,585)	(3,793)	(3,916)	(4,043)	(4,153)	(4,280)	(4,435)	(4,585)	(4,693)
Net change in total pension liability	(1,600)	(2,346)	(1,796)	(2,478)	(1,787)	(292)	(1,894)	(2,643)	(384)	(1,757)
Total pension liability – beginning	29,698	32,044	33,840	36,318	38,105	38,397	40,291	42,934	43,318	45,075
Total pension liability – ending (a)	28,098	29,698	32,044	33,840	36,318	38,105	38,397	40,291	42,934	43,318
Contributions – employer	880	948	672	907	896	714	695	735	538	1,100
Net investment income	1,094	1,241	(1,760)	3,704	1,213	1,112	1,335	2,173	202	27
Benefit payments	(3,351)	(3,585)	(3,793)	(3,916)	(4,043)	(4,153)	(4,280)	(4,435)	(4,585)	(4,693)
Administrative expenses	(17)	(9)	(18)	(13)	(33)	(27)	(36)	(20)	(19)	(8)
Net change in plan fiduciary net position	(1,394)	(1,405)	(4,899)	682	(1,967)	(2,354)	(2,286)	(1,547)	(3,864)	(3,574)
Fiduciary net position – beginning	18,987	20,392	25,291	24,609	26,576	28,930	31,216	32,763	36,627	40,201
Fiduciary net position – ending (b)	17,593	18,987	20,392	25,291	24,609	26,576	28,930	31,216	32,763	36,627
Net pension liability – ending (a)-(b)	\$10,505	\$10,711	\$11,652	\$ 8,549	\$11,709	\$11,529	\$ 9,467	\$ 9,075	\$10,171	\$ 6,691
Plan fiduciary net position as a percentage of the total pension liability	62.61%	63.93%	63.64%	74.74%	67.76%	69.74%	75.34%	77.48%	76.31%	84.56%
Covered payroll*	\$ 52	\$ 59	\$ 48	\$ 65	\$ 68	\$ 156	\$ 105	\$ 168	\$ 312	\$ 301
Net pension liability as a Percentage of covered payroll	20108.11%	18283.28%	24138.26%	13158.91%	17284.43%	7396.21%	9052.65%	5400.37%	3259.34%	2219.09%

* Covered payroll for 2016 is the 2015 covered payroll, increased by payroll growth of 3.5%

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

DEFINED BENEFIT PENSION PLAN – CONTINUED:**Schedule of Employer Contributions**

Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$880	\$948	\$672	\$907	\$896	\$714	\$695	\$735	\$538	\$ 550
Contributions in relation to the actuarially determined contribution	880	948	672	907	896	714	695	735	538	1,100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$(550)
Covered payroll	\$ 52	\$ 59	\$ 48	\$ 65	\$ 68	\$156	\$105	\$168	\$312	\$ 301
Contributions as a percentage of covered payroll	1683.54%	1618.13%	1392.86%	1396.00%	1322.06%	458.23%	664.54%	437.48%	172.49%	364.84%

Investment Returns:

Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expenses	6.05%	6.53%	-7.21%	15.86%	4.48%	4.03%	4.80%	7.04%	0.64%	0.12%

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 – RETIREMENT AND OPEB PLANS (UNAUDITED) (IN THOUSANDS)

DEFINED BENEFIT PENSION PLAN – CONTINUED:**Notes to Required Supplementary Information:**

Changes of benefit terms: None.

Changes of assumptions and other inputs:

- 2024: None
- 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.
- 2018: None
- 2017: 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 2024: Entry age normal
Asset valuation method	The actuarial value of assets is the market value of assets.
Inflation	2024: 2.6% per year 2023: 2.7% per year 2021 to 2022: 2.5% per year 2020: 2.4% per year 2019: 2.6% per year 2016 to 2018: 3% per year 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 2024: 6.25%, net of investment expenses, compounded annually 2015: 6.75%, net of investment expenses, compounded annually

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

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

Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016**
Changes for the year:									
Service cost	\$ 5,905	\$ 6,364	\$ 6,150	\$ 6,964	\$ 6,434	\$ 6,583	\$ 6,330	\$ 6,174	\$ -
Interest	11,219	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	(8,824)	(7,115)	(6,537)	(6,992)	(8,194)	(9,425)	(9,454)	(10,364)	
Net change in total OPEB liability	8,300	(20,536)	11,582	(51,219)	18,845	(8,269)	11,358	(8,380)	
Total OPEB liability – beginning	153,258	173,794	162,212	213,431	194,586	202,855	191,497	199,877	
Total OPEB liability – ending (a)	161,558	153,258	173,794	162,212	213,431	194,586	202,855	191,497	199,877
Contributions – employer	9,718	8,774	4,937	12,473	12,694	11,868	11,942	16,146	
Net investment income	20,670	16,756	(22,658)	37,389	1,561	3,546	7,979	11,565	
Benefit payments	(8,824)	(7,115)	(6,537)	(6,992)	(8,194)	(9,425)	(9,454)	(10,364)	
Net change in plan fiduciary net position	21,564	18,415	(24,258)	42,870	6,061	5,989	10,467	17,347	
Fiduciary net position – beginning	174,427	156,012	180,270	137,400	131,339	125,350	114,883	97,536	
Fiduciary net position – ending (b)	195,991	174,427	156,012	180,270	137,400	131,339	125,350	114,883	97,536
Net OPEB liability (asset) – ending (a)-(b)	\$(34,433)	\$(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)	121.31%	113.81%	89.77%	111.13%	64.38%	67.50%	61.79%	59.99%	48.80%
Covered payroll	\$297,954	\$292,603	\$267,061	\$258,827	\$241,501	\$237,125	\$220,849	\$214,956	
Net OPEB liability (asset) as a percentage of covered payroll	-11.56%	-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 – RETIREMENT AND OPEB PLANS (UNAUDITED) (IN THOUSANDS)

OPEB PLAN - CONTINUED:

Fiscal Year Ended June 30	Schedule of Employer Contributions							
	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 6,116	\$ 8,009	\$ 6,595	\$ 13,564	\$ 11,942	\$ 13,216	\$ 12,819	\$ 14,970
Contributions in relation to the actuarially determined contribution	9,718	8,774	4,937	12,473	12,694	11,868	11,942	16,146
Contribution deficiency (excess)	\$ (3,602)	\$ (765)	\$ 1,658	\$ 1,091	\$ (752)	\$ 1,348	\$ 877	\$ (1,176)
Covered payroll	\$297,954	\$292,603	\$267,061	\$258,827	\$241,501	\$237,125	\$220,849	\$214,956
Contributions as a percentage of covered payroll	3.26%	3.00%	1.85%	4.82%	5.26%	5.00%	5.41%	7.51%

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

OPEB PLAN - CONTINUED:**Notes to Required Supplementary Information:***Changes of benefit terms:*

- 2024: None
- 2023: A Special Retirement Incentive 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:

- 2024: None
- 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 AND OPEB PLANS (UNAUDITED) (IN THOUSANDS)

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 2024: Entry age normal 2016: Projected Unit Credit
Amortization method	2024: 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 and updated December 19, 2023, 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 ADEC, determined without regard to the surplus assets. 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. 2022: Level dollar amount over 30 years on an open amortization period 2021: Level dollar amount over 25 years on a closed amortization period 2020: Level dollar amount over 26 years on a closed amortization period 2019: Level dollar amount over 28 years on a closed amortization period 2017 to 2018: Level dollar amount over 30 years on a closed amortization period
Amortization period	2022 to 2024: 30 years 2021: 25 years 2020: 26 years 2019: 28 years 2017 to 2018: 30 years
Asset valuation method	Market value
Inflation	2023 to 2024: 2.5% 2022: 2.4% 2021: 2.2% 2020: 2.4% 2019: 2.6% 2017 to 2018: 3% per year
Medical trend rates (Cigna Plans)	2023 to 2024: 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 to 2024: 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.

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

OPEB PLAN - CONTINUED:

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.
 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.
 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 to 2024: 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 2024: 7.25% net of investment expenses, including inflation
 2017 to 2019: 7.5% net of investment expenses, including inflation
 2016: 7.75% net of investment expenses, including inflation

Investment Returns:								
Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	11.83%	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.

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

Year Ended June 30, 2024

Functions/Programs	Expenses	Charges for Services	Program Investment Income	Operating Grants/ Contributions	Capital Grants/ Contributions	Net (Expense) Revenue
University of Maine System	\$859,663	\$314,826	\$10,613	\$231,189	\$46,412	\$(256,623)
General Revenues:						
						21,148
						773
						261,171
						16,143
						35,822
						3,621
						287
						<u>338,965</u>
						82,342
						1,000,715
						<u>\$1,083,057</u>

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	\$821,526	\$296,167	\$7,937	\$203,361	\$26,355	\$(287,706)
General Revenues:						
						13,475
						1,222
						247,992
						21,301
						32,131
						3,020
						<u>319,141</u>
						31,435
						969,280
						<u>\$1,000,715</u>

**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

DRAFT

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 fiduciary activities 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, 2024 for the business-type activities and the fiduciary activities, and as of and for the year ended December 31, 2023 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 October XX, 2024. 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.

Board of Trustees
University of Maine System

DRAFT

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

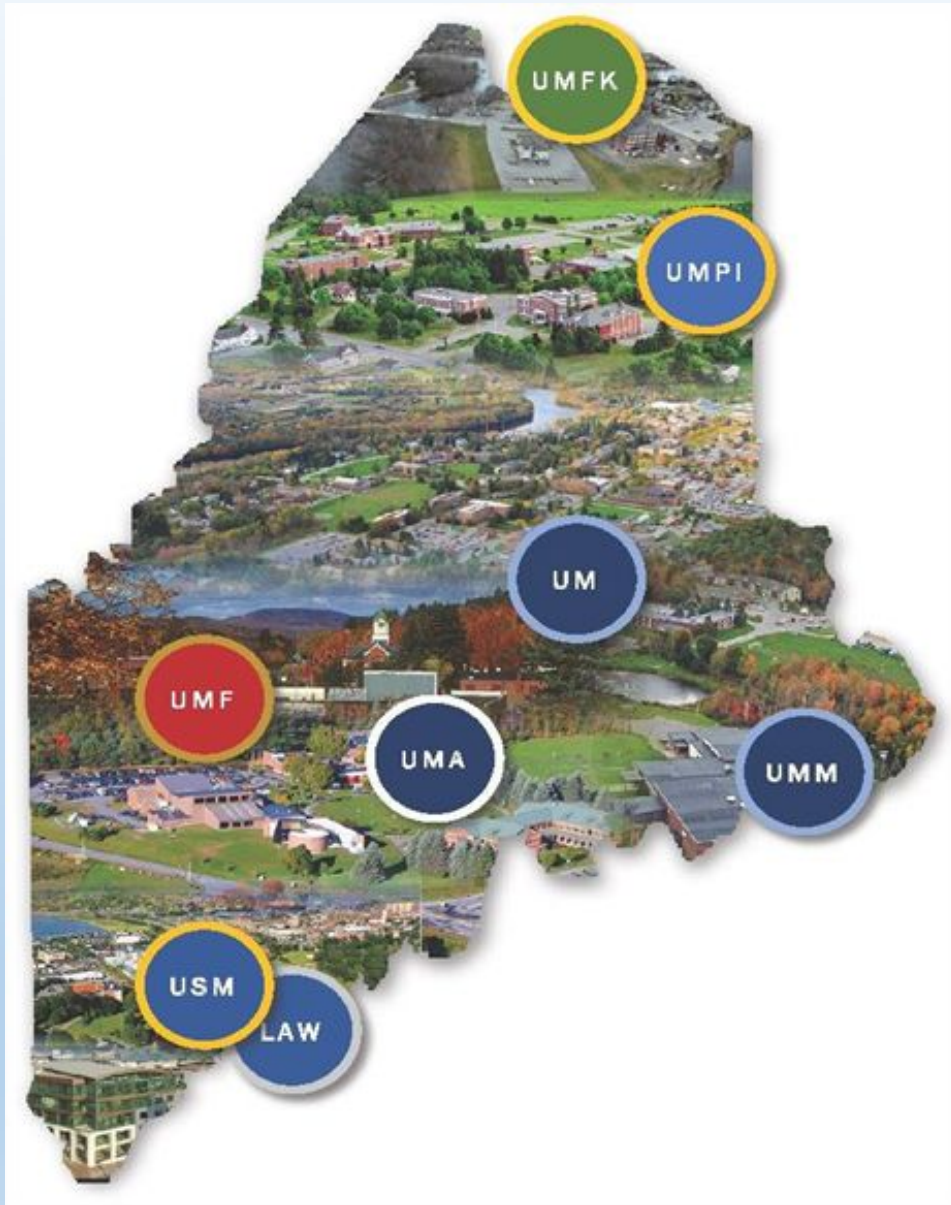
As part of obtaining reasonable assurance about whether System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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
October XX, 2024



UNIVERSITY OF MAINE SYSTEM

Discussion of the DRAFT 2024 ANNUAL FINANCIAL REPORT

Special Board of Trustees
Meeting
October 25, 2024

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16	Questions?



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 (SCFNP)
Statements of Cash Flows		



Independent Auditor's Report

UNMODIFIED

What's New??

GASB Statement No. 94

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

- **Implemented in FY23 with little impact at that time**
- **\$24 million capital asset and deferred inflow of resources added in FY24**



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

	2024	2023	\$ Variance	OPEB Portion of \$ Variance
STATEMENTS OF NET POSITION				
Assets				
Current Assets				
Cash and cash equivalents	\$ 7,923	\$ 6,588	\$ 1,335	\$ (9,718)
Noncurrent Assets				
Net OPEB asset (Note 14)	\$ 34,433	\$ 21,169	\$ 13,264	\$ 13,264
Deferred Outflows of Resources (Note 16)	\$ 6,039	\$ 17,193	\$ (11,154)	\$ (10,257)
Liabilities				
Noncurrent Liabilities				
Accrued liabilities (Notes 7, 11 and 13)	\$ 48,303	\$ 49,635	\$ (1,332)	\$ -
Deferred Inflows of Resources (Note 16)	\$ 68,658	\$ 53,617	\$ 15,041	\$ (12,715)
Net Position				
Unrestricted (Notes 3 and 10)	\$ 143,156	\$ 141,636	\$ 1,520	\$ (7,260)
Restricted expendable (Notes 3 and 10)	\$ 206,952	\$ 173,224	\$ 33,728	\$ 13,264
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating Expenses				
Institutional Support	\$ 78,583	\$ 71,919	\$ 6,664	\$ (9,209)



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

	2024	2023	\$ Variance	% Variance
Operating Revenues				
Tuition and fees	\$ 325,486	\$ 314,122	\$ 11,364	4%
Residence and dining fees	72,344	67,278	5,066	8%
Less: scholarship allowances	(134,465)	(129,910)	(4,555)	-4%
Net student fees	263,365	251,490	11,875	5%
Federal, state and private grants and contracts	167,886	143,399	24,487	17%
Recovery of indirect costs	28,350	24,924	3,426	14%
Educational sales and services and other revenues	39,146	34,576	4,570	13%
Other auxiliary enterprises	12,315	10,101	2,214	22%
Total Operating Revenues	511,062	464,490	46,572	10%
Operating Expenses				
Instruction	195,660	199,123	(3,463)	-2%
Research	119,687	110,061	9,626	9%
Public service	76,355	71,507	4,848	7%
Academic support	83,960	78,319	5,641	7%
Student services	78,477	76,346	2,131	3%
Institutional support	78,583	71,919	6,664	9%
Operation and maintenance of plant	63,828	55,405	8,423	15%
Depreciation and amortization <i>(Note 6)</i>	56,987	50,335	6,652	13%
Student aid	26,884	27,263	(379)	-1%
Auxiliary enterprises	69,974	70,204	(230)	0%
Total Operating Expenses	850,395	810,482	39,913	5%
Operating Loss	(339,333)	(345,992)	6,659	2%



Operating Expenses – Natural Classification

(\$ in thousands)

	2024	2023	\$ Variance	% Variance
Compensation	\$ 385,805	\$379,218	\$ 6,587	2%
Benefits	142,742	147,067	(4,325)	-3%
Utilities	30,875	27,198	3,677	14%
Supplies and Services	207,102	179,401	27,701	15%
Depreciation and amortization	56,987	50,335	6,652	13%
Student Aid	26,884	27,263	(379)	-1%
Total Operating Expenses	\$ 850,395	\$810,482	\$ 39,913	5%



UNIVERSITY OF MAINE SYSTEM

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

	2024	2023	\$ Variance	% Variance
Operating Loss	(339,333)	(345,992)	6,659	2%
Nonoperating Revenues (Expenses)				
Noncapital State of Maine appropriations	261,171	247,992	13,179	5%
Federal Pell Grants	35,822	32,131	3,691	11%
Coronavirus relief funding	3,621	3,020	601	20%
Gifts currently expendable	28,326	28,544	(218)	-1%
Endowment return used for operations <i>(Note 3)</i>	6,627	6,494	133	2%
Investment income (loss) <i>(Note 3)</i>	21,148	13,475	7,673	57%
Income from public-private partnerships <i>(Note 15)</i>	287	-	287	-
Interest expense, net <i>(Note 7)</i>	(9,459)	(8,877)	(582)	-7%
Net Nonoperating Revenues (Expenses)	347,543	322,779	24,764	8%
Income (Loss) Before Other Changes in Net Position	8,210	(23,213)	31,423	135%
Other Changes in Net Position				
State of Maine capital appropriations	16,143	21,301	(5,158)	-24%
Capital grants and gifts	46,412	26,355	20,057	76%
Endowment return (loss), net of amount used for operations <i>(Note 3)</i>	10,613	7,937	2,676	34%
True and quasi endowment gifts	773	1,222	(449)	-37%
Loss on disposal of capital assets	191	(2,167)	2,358	109%
Total Other Changes in Net Position	74,132	54,648	19,484	36%
Change in Net Position	82,342	31,435	50,907	162%
Net Position - Beginning of the Year	1,000,715	969,280	31,435	3%
Net Position - End of Year	\$ 1,083,057	\$ 1,000,715	\$ 82,342	8%



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

	2024	2023	\$ Variance	% Variance
Assets				
Current Assets				
Cash and cash equivalents (<i>Note 2</i>)	\$ 7,923	\$ 6,588	\$ 1,335	20%
Operating investments (<i>Note 3</i>)	258,339	258,542	(203)	0%
Accounts, grants, and pledges receivable, net (<i>Note 4</i>)	89,579	75,867	13,712	18%
Inventories and prepaid expenses	7,993	7,286	707	10%
Notes, leases and PPP receivable, net (<i>Note 5</i>)	294	340	(46)	-14%
Total Current Assets	364,128	348,623	15,505	4%
Noncurrent Assets				
Deposits with trustees (<i>Notes 3 and 6</i>)	4,650	26,443	(21,793)	-82%
Accounts, grants and pledges receivable, net (<i>Note 4</i>)	7,181	1,952	5,229	268%
Notes, leases and PPP receivable, net (<i>Note 5</i>)	25,400	22,839	2,561	11%
Net OPEB asset (<i>Note 14</i>)	34,433	21,169	13,264	63%
Endowment investments (<i>Note 3</i>)	162,047	150,432	11,615	8%
Capital assets, net (<i>Note 6</i>)	1,016,244	934,857	81,387	9%
Irrevocable split interest agreements	298	218	80	37%
Total Noncurrent Assets	1,250,253	1,157,910	92,343	8%
Total Assets	1,614,381	1,506,533	107,848	7%
Deferred Outflows of Resources (<i>Note 15</i>)	6,039	17,193	(11,154)	-65%
Total Assets and Deferred Outflows of Resources	\$ 1,620,420	\$ 1,523,726	\$ 96,694	6%



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

	2024	2023	\$ Variance	% Variance
Liabilities				
Current Liabilities				
Accounts payable	\$ 35,066	\$ 31,787	\$ 3,279	10%
Unearned revenue and deposits (Note 8)	47,834	34,041	13,793	41%
Accrued liabilities - current portion (Notes 7, 11 and 13)	26,687	28,395	(1,708)	-6%
Obligations for right of use assets - current portion (Note 7)	5,916	5,997	(81)	-1%
Long-term debt - current portion (Note 7)	17,871	19,931	(2,060)	-10%
Total Current Liabilities	133,374	120,151	13,223	11%
Noncurrent Liabilities				
Unearned revenue and other liabilities - noncurrent (Note 8)	10,518	7,228	3,290	46%
Accrued liabilities (Notes 7, 11, 13)	48,303	49,635	(1,332)	-3%
Obligations for right-to-use assets (Note 7)	69,950	65,564	4,386	7%
Long-term debt (Note 7)	199,779	216,808	(17,029)	-8%
Government advances refundable (Note 9)	6,781	10,008	(3,227)	-32%
Total Noncurrent Liabilities	335,331	349,243	(13,912)	-4%
Total Liabilities	468,705	469,394	(689)	0%
Deferred Inflows of Resources (Note 15)	68,658	53,617	15,041	28%
Net Position				
Net investment in capital assets (Note 10)	694,128	634,614	59,514	9%
Restricted nonexpendable (Note 10)	73,254	72,410	844	1%
Restricted expendable (Notes 3 and 10)	206,952	173,224	33,728	19%
Unrestricted (Notes 3 and 10)	108,723	120,467	(11,744)	-10%
Total Net Position	1,083,057	1,000,715	82,342	8%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,620,420	\$ 1,523,726	\$ 96,694	6%



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

	2024	2023
Net investment in capital assets	\$ 694,128	\$ 634,614
Restricted - Nonexpendable:		
Endowment funds	73,254	72,410
Restricted - Expendable:		
Student financial aid	64,741	57,111
Capital assets and retirement of debt	12,853	9,923
Loans	17,717	17,319
Academic support	19,681	20,390
Research and public service	23,656	16,035
Library	4,800	4,648
Net OPEB asset	34,433	21,169
Other	29,071	26,629
Total restricted - expendable	206,952	152,055
Unrestricted:		
Educational and general reserves	48,226	53,577
Risk management	4,109	4,022
Budget stabilization	4,804	4,997
Auxiliary enterprises	(1,794)	2,054
Benefit pool carryover	47,060	35,909
Implementation of GASB 75 for OPEB	(33,795)	(33,795)
Reclassify net OPEB asset to restricted	(34,433)	(21,169)
Information technology initiatives	3,382	2,932
Internally designated projects	19,955	20,251
Facility projects	30,350	29,117
Quasi endowment corpus	12,977	12,051
Endowment appreciation	6,844	6,276
Cost sharing and other	1,038	4,245
Total unrestricted	108,723	120,467
Total Net Position	\$ 1,083,057	\$ 1,000,715



UNIVERSITY OF MAINE SYSTEM

Statements of Fiduciary Net Position (\$ in thousands)

	2024			2023		
	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds
Assets						
Cash and cash equivalents <i>(Note 2)</i>	\$ -	\$ -	\$ 2,462	\$ -	\$ -	\$ 2,662
Investment in UMS managed investment pool <i>(Note 3)</i>	195,991	5,569	-	174,427	5,073	-
Investment in UMS endowment pool <i>(Note 3)</i>	-	38,165	-	-	33,912	-
Other investments <i>(Note 3)</i>	17,593	-	-	18,987	391	-
Prepaid expenses	-	-	19	-	-	24
Total Assets	213,584	43,734	2,481	193,414	39,376	2,686
Liabilities						
Accounts payable and other liabilities	-	-	-	-	-	80
Requested by beneficiaries	-	34,148	-	-	391	-
Total Liabilities	-	34,148	-	-	391	80
Net Position Restricted for:						
Pensions	17,593	-	-	18,987	-	-
Postemployment benefits other than pensions	195,991	-	-	174,427	-	-
Pool participants	-	9,586	28	-	38,985	39
Student and other groups	-	-	2,453	-	-	2,567
Total Net Position	\$ 213,584	\$ 9,586	\$ 2,481	\$ 193,414	\$ 38,985	\$ 2,606

SCFNP - Additions (\$ in thousands)

	2024			2023		
	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds
Additions						
Contributions						
Employer contributions	\$ 10,598	\$ -	\$ -	\$ 9,722	\$ -	\$ -
Retiree contributions	1,853	-	-	1,770	-	-
Contributions to investment pools	-	1,673	-	-	1,935	-
Private donations	-	-	-	-	-	-
Total contributions	12,451	1,673	-	11,492	1,935	-
Investment income (loss)						
Interest and dividends	3,496	690	144	3,980	875	92
Net increase (decrease) in fair value of investment:	18,970	4,044	-	15,252	3,459	-
Total investment income (loss)	22,466	4,734	144	19,232	4,334	92
Less investment expense	(702)	(143)	-	(1,235)	(250)	-
Net investment income (loss)	21,764	-	4,591	17,997	4,084	92
Other additions						
Student activity fees	-	-	2,011	-	-	2,102
Endowment income distribution	-	-	1,139	-	-	1,167
Other income	-	-	317	-	-	300
Total other additions	-	-	3,467	-	-	3,569
Total additions	34,215	6,264	3,611	29,489	6,019	3,661



SCFNP – Deductions Thru Change in Fiduciary Net Position (\$ in thousands)

	2024			2023		
	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds	Pension and Other Employee Benefit Trust Funds	Custodial Funds External Investment Pools	Other Custodial Funds
Deductions						
Beneficiary payments	14,028	-	-	12,470	-	-
Investment pool distributions	-	35,663	-	-	7,867	-
Distribute activity fees	-	-	1,503	-	-	1,336
Distribute amount requested	-	-	-	-	-	53
Distribute other revenues	-	-	-	-	-	-
Donations and sponsorships	-	-	1,120	-	-	1,151
Purchases by student and other groups	-	-	1,113	-	-	1,201
Administrative costs	17	-	-	9	-	-
Total deductions	14,045	35,663	3,736	12,479	7,867	3,741
Change in Fiduciary Net Position	20,170	(29,399)	(125)	17,010	(1,848)	(80)
Net Position - Beginning of the Year	193,414	38,985	2,606	176,404	40,833	2,686
Net Position - End of Year	\$ 213,584	\$ 9,586	\$ 2,481	\$ 193,414	\$ 38,985	\$ 2,606



QUESTIONS?