University of Maine System
Board of Trustees
Audit Committee

Zoom Meeting

October 29, 2026

Present: Committee Members: Mike Michaud, Chair; Kelly Martin, Trish Riley, Roger Katz, Richard Rosen & David MacMahon **Non-Voting Members:** Blake Shepherd **Chancellor:** Dannel Malloy. **Presidents:** Joan Ferrini-Mundy. **System Staff:** Caroyln Dorsey, Ryan Low, Jeffrey St. John, Darla Reynolds, Tracy Elliott, Elizabeth Williams, Katelynn Ronan & Elizabeth Stickler **Other Participants:** Michael Johns and Brian Crowley from the System's external audit firm, CliftonLarsonAllen (CLA).

Committee Members Absent: Lisa Eames, Trish Riley, William Kemler.

Trustee Michaud called the meeting to order and thanked everyone for participating. The Clerk performed a roll call of the Committee members present.

Audit Committee FY2027 Work Plan

Tracy Elliott presented the informational work plan for submission to the November Board meeting. The Committee normally meets twice annually. Fall business includes the annual financial report and external auditor communications. Spring business includes the single audit of federal expenditures and related auditor findings and corrective action plans, required auditor communications and the next audit plan, University of Maine athletics agreed-upon procedures covering compliance and financial matters, and a risk management update. The athletics financial report normally considered in the fall remained underway and was deferred to the spring meeting. No action was requested.

Annual Financial Report – FY2026

Darla Reynolds presented the draft annual financial report for the year ended June 30, 2026, recognizing CLA, campus and System staff, and the Controller's Office team, including Elizabeth Williams, for their work. The report covers the System; its discretely presented component unit, the University of Maine Foundation ("Foundation"); and fiduciary funds.

Ms. Reynolds explained that GASB Statements 103 and 104 changed financial statement presentation rather than underlying results. GASB 104 separates certain capital asset disclosures. GASB 103 revises management's discussion and analysis, presents Foundation information in GASB format, introduces noncapital subsidies as a separate revenue category, and moves several revenue lines to a different revenue category than reported in prior years. State appropriations appear in different revenue categories according to their purpose; unrestricted operating support is included in noncapital subsidies and restricted support is included in operating revenues.

FY2026 operating revenues were reported as $642.6 million, up $10 million or 1.6%. Operating expenses increased approximately $30 million or 3.3%. Chair Michaud raised concern that expenses were growing faster than revenues. Noncapital subsidies totaled approximately $261 million, compared with $250 million the prior year. The FY2026 operating loss after those subsidies was approximately $11 million, compared with $2.7 million in FY2025. Ms. Reynolds described a supplementary comparison including selected nonoperating revenues and interest expense, producing approximately $4.8 million in FY2026 versus $14.7 million in FY2025 in support of operations rather than capital items - this was not an allowed separate financial-statement subtotal.

Total net position increased $148.7 million, compared with $113.2 million the prior year. Capital grants, gifts and other capital-related revenues accounted for $143.9 million of the FY2026 increase. The purchase of Seven Custom House contributed $20 million to capital grants and gifts and replaced a leased right-to-use asset and its related liability. The June bond issuance reimbursed construction previously financed with unrestricted resources, accounting for approximately $22 million of the $47 million increase in unrestricted net position. Ms. Reynolds cautioned that unrestricted net position includes earmarked resources and should not be understood as entirely uncommitted.

Trustees asked about current versus noncurrent assets, the classification of state appropriations, and deposits held by financing trustees. Staff explained that financing trustees are distinct from members of the Board. In response to Trustee Shepard's question about uses of the annual report, meeting participants described state financial reporting, credit ratings, financing arrangements, grant applications, federal audit requirements and accreditation reporting as common uses of the report.

The Chair asked Michael Johns from CLA, whether substantive audit work was complete and whether unresolved matters or changes to the statements or opinion were anticipated. Mr. Johns reported that the statements had completed quality review and no changes were anticipated, subject to approval, the management representation letter and subsequent-event procedures. He explained that reviewing a draft before final issuance is appropriate. In response to Trustee Katz, he anticipated issuance within a day or two after approval and completion of those steps. Ms. Elliott noted the State's November 1 reporting deadline.

TEXT OF PROPOSED RESOLUTION

On a motion by Trustee Martin, which was seconded by Trustee Katz, the Audit Committee forwards this time to the October 29, 2026, Special Board of Trustees Meeting for approval of the following resolution:

> That the Board of Trustees accepts the recommendation of the Audit Committee and approves the FY2026 Annual Financial Report as presented.

Auditor Communications

Michael Johns from CLA described the scope of their audit and the risk-based approach they use, discussed required communications to the Audit Committee, briefly mentioned the accounting

changes that Ms. Reynolds had already presented, and gave an update on the Uniform Guidance audit of federal funds which is still in progress. Mr. Johns also briefly mentioned several trends in higher education including new financial aid rules.

Executive Session

On a motion by Trustee Martin, which was seconded by Trustee MacMahon, the Audit Committee went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment, and duties.
- 1 MRSA Section 405 6-G discussion or approval of the content of examinations administered by a body or agency for licensing, permitting or employment purposes.

On a motion by Trustee Martin, which was seconded by Trustee Katz, the Committee concluded the Executive Session.

Additional information on the meeting can be found on the Board of Trustees website: https://www.maine.edu/board-of-trustees/meeting-agendas-materials/audit-committee/

Adjournment.

Kayla Flewelling for
Elizabeth Stickler, Clerk