UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

October 29, 2026
Zoom Meeting

Special Board of Trustees Meeting

Present: **Trustees**: Roger Katz, Chair, Barbara Alexander, Michael Michaud, Kelly Martin, Patrick Flood, Richard Rosen, Emily Cain, Elise Baldacci, David MacMahon, John Moore, Trish Riley, and Blake Shepherd. **Chancellor:** Dannell Malloy. **System Staff:** Ryan Low, Darla Reynolds, Elizabeth Stickler, Katelynn Ronan. **Faculty Representatives:** Clyde Mitchell. **Student Representatives:** Isabella Bouchard.

Thursday, October 29, 2026

CALL TO ORDER
Chair Katz called the meeting to order at 12:00pm and welcomed the Board members.
The Clerk called the roll, confirming a quorum was present.

AGENDA ITEM
Annual Financial Report FY2026
Chair Katz noted that this meeting followed the Audit Committee meeting held earlier in the day, chaired by Trustee Michaud, and that the sole purpose of the meeting was to hear the annual financial report and the recommendation of the Audit Committee, and to decide whether to accept that recommendation. He invited Audit Committee Chair Michaud to provide comments.
Audit Committee Chair Michaud, on behalf of the Audit Committee, thanked the University of Maine System finance and accounting staff for the hard work and effort that went into preparing the annual financial report and completing the audit process. He reported:

- The Committee thanked Mike Johns and his team at the audit firm for their professionalism and thorough review
- The audit results were positive, including the anticipated clean audit opinion
- No material weaknesses were identified

Chair Katz thanked Chair Michaud and introduced Darla Reynolds, Director of Accounting, to present the draft FY2026 Annual Financial Report for the Board's consideration of acceptance.

Key Points Presented
Report Status (Introduction):

- Report presented for Board approval so that the final audit report can be issued
- Slides at Tab 1.2 of the meeting materials are a subset of those presented to the Audit Committee earlier in the day
- Draft includes draft audit opinions that are unqualified, or clean, opinions
- Following Board approval, the System will work with the external auditors to obtain the signed opinions and insert them into the final report

New Accounting Standards (Slide 4):

- Two new accounting standards were adopted by the System in FY26
- FY25 data was restated to reflect the new standards for comparability
- Both standards change the presentation and disclosure of data rather than how items in the financial statements are valued or recorded

GASB 103 – Financial Reporting Model Improvements: Ms. Reynolds highlighted three areas of change:

1. The Management's Discussion and Analysis (MD&A) is more focused on the revenue and expense changes that explain why total net position changed from the prior year; the required discussion of capital assets and financing activities was retained, while discussion of other assets and liabilities was removed
2. The financial statements of the System's component unit, the University of Maine Foundation, must now be presented in GASB format rather than the FASB format used by nonprofit entities; this is a change in format only and does not change the Foundation's bottom line, and System staff converted the Foundation's audited financial statements to GASB format
3. The most significant change relates to the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)

Revenue Presentation Changes (Slide 5):

- Many revenue lines were moved to a different revenue category
- A new revenue category for non-capital subsidies was added
- The prior category of "other changes in net position" was eliminated
- Changes affect presentation only, not the amount of recorded revenue and expenses

Operating Revenues (Slide 7):

- FY26 operating revenues are presented in the new format
- Revenue lines new to the operating revenues category, previously reported as nonoperating revenues: the restricted portion of non-capital State of Maine appropriations, Pell grants, coronavirus relief funding, and non-capital gifts

Operating Results and Non-Capital Subsidies (Slide 9):

- The operating loss line remains, and a new total non-capital subsidies line has been added
- The unrestricted portion of State of Maine appropriations and gifts restricted for student aid moved to the non-capital subsidies section
- All other revenue sources are now classified as nonoperating revenues
- FY26 operating revenues of $643 million, less operating expenses of $915 million, resulted in a $272.5 million operating loss
- The operating loss was offset in part by non-capital subsidies, resulting in a loss of $11 million after operating loss and non-capital subsidies
- Net nonoperating revenues of $160 million brought the FY26 change in net position to a positive $149 million
- The nonoperating section includes $144 million of capital-related revenues, from State of Maine capital appropriations through gain/loss on disposal of assets, which support items on the Statement of Net Position rather than expenses in the SRECNP

Statement of Net Position – Assets (Slide 10):

- Total assets and deferred outflows increased $168.7 million to a total of $1.9 billion at June 30, 2026
- Growth in cash and cash equivalents and operating investments accounted for 15% of the increase, while the change in capital assets accounted for 54%

Liabilities (Slide 11): Two financing transactions explain much of the change:

- The June revenue bond issuance was the primary driver of the $38 million increase in long-term debt
- The purchase of 7 Custom House at the end of June ended the System's lease of the building and removed the lease liability, the primary driver of the $22.9 million decrease in obligations for right-to-use assets

Net Position:

- Total net position increased by $148.7 million, the same change shown at the bottom of the SRECNP on Slide 9

- Unrestricted net position increased $47 million, of which $22 million relates to construction financing:
    - In FY25, the System temporarily used unrestricted resources to fund construction costs while awaiting bond issuance
    - The FY26 bond issuance reimbursed those construction expenditures, restoring unrestricted net position and reducing net investment in capital assets, as the related assets are now supported by debt

Fiduciary Activities (Slide 13):

- Summary of funds held by the System in a fiduciary capacity for other entities
- The largest are the pension and OPEB plans, totaling $254.7 million

Ms. Reynolds concluded and offered to answer any questions.

Discussion

Chair Katz noted that a number of questions had been asked and fully answered at the Audit Committee meeting earlier in the day, and invited questions, particularly from those who had not attended that meeting.

A trustee asked why the Board was approving a draft report. Chair Katz explained that the Audit Committee had voted earlier in the day to recommend Board acceptance of the draft financial report, and that the audit report would be signed once the Board approved the financial report. Ms. Reynolds added that the System's audit firm had indicated that a signed audit opinion means the financial statements are final, with no opportunity to make corrections should the Audit Committee or the Board raise a concern, and that this is a standard process. Chair Katz noted that the auditors have a deadline of November 1 to sign the report. The trustee clarified, and it was confirmed, that the Board is approving the financial report itself, not the audit report.

No further questions were raised. Chair Katz thanked Ms. Reynolds and her office for the work involved in preparing the report.

Vice Chancellor for Finance and Administration & Treasurer Ryan Low echoed the Chair's remarks, noting the considerable work required to reach this point by many people, led by Darla Reynolds and Tracy Elliott.

Resolution:

The FY2026 Annual Financial Report was presented earlier today to the Audit Committee. The Audit Committee approved the FY2026 Annual Financial Report with a recommendation to forward it to the full Board for the October 29, 2026 Special Board of Trustees Meeting.

TEXT OF PROPOSED RESOLUTION:
That the Board of Trustees accepts the recommendation of the Audit Committee and approves the FY2026 Annual Financial Report as presented.

> On a motion by Trustee Michaud, which was seconded by Trustee Cain, and approved by a roll call vote of all Trustees present, the Board of Trustees accepted the recommendation of the Audit Committee and approved the FY2026 Annual Financial Report as presented.

DATE OF NEXT MEETING

The next meeting of the Board of Trustees will be held on November 15-16, 2026 at the University of Southern Maine.

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

Adjournment
Elizabeth Stickler, Clerk