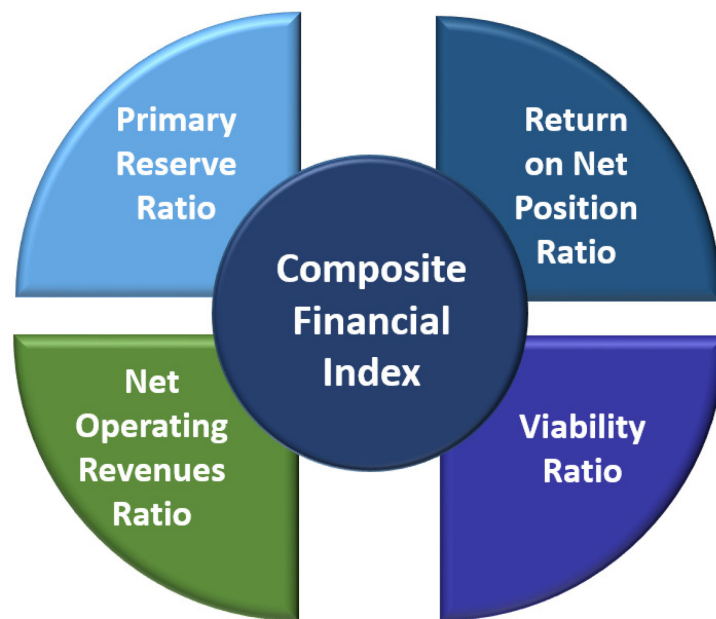




FY2019 Core Financial Ratios and Composite Financial Index



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Introduction

The financial health of the University of Maine at Augusta (UMA) can be evaluated through the use of industry benchmarks and ratios. The following ratios and related benchmarks are derived from *Strategic Financial Analysis for Higher Education*, Seventh Edition published by KPMG; Prager, Sealy & Co., LLC; and ATTAIN. This book is widely used in the higher education industry and includes guidance for both private and public institutions.

According to the above publication, there are four fundamental financial questions that need to be addressed and analysis of four core ratios can help us answer these questions:

1. Are resources sufficient and flexible enough to support the mission? – **Primary Reserve Ratio**
2. Do operating results indicate the institution is living within available resources? – **Net Operating Revenues Ratio**
3. Does asset performance and management support the strategic direction? – **Return on Net Position Ratio**
4. Are financial resources, including debt, managed strategically to advance the mission? – **Viability Ratio**

When combined, these four ratios deliver a single measure of UMA's overall financial health, hereafter referred to as the **Composite Financial Index (CFI)**.

The CFI only measures the financial component of an institution's well-being. It must be analyzed in context with other associated activities and plans to achieve an assessment of the overall health, not just financial health, of the institution. As an example, if two institutions have identical CFI scores, but one requires substantial investments to meet its mission-critical issues and the other has already made those investments, the first institution is less healthy than the second. In fact, a high CFI is not necessarily indicative of a successful institution, although a low CFI generally is indicative of additional challenges. When put in the context of achievement of mission, a very high CFI with little achievement of mission may indicate a failing institution.

Strategic Financial Analysis for Higher Education

Prior Adoption of New Accounting Standard

As required by generally accepted accounting principles, in FY18 the University of Maine System (UMS) adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75) related to its postemployment health plan. Pursuant to the provisions of GASB No. 75, the UMS and each of its campuses restated their FY17 financial statements to reflect the retroactive application of the accounting change. There was no impact on UMA's originally reported FY17 revenues and expenses; however, the restatement did include a \$6.1 million decrease in UMA's originally reported FY17 beginning of year expendable net position; thus, significantly impacting UMA's Primary Reserve and Viability ratios. The FY17 ratios included in this report are based upon data from the restated FY17 financial statements.

Primary Reserve Ratio

The Primary Reserve Ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable net position (both unrestricted and restricted, excluding net position restricted for capital investments) without relying on additional net position generated by operations. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position}^*}{\text{Total Expenses}}$$

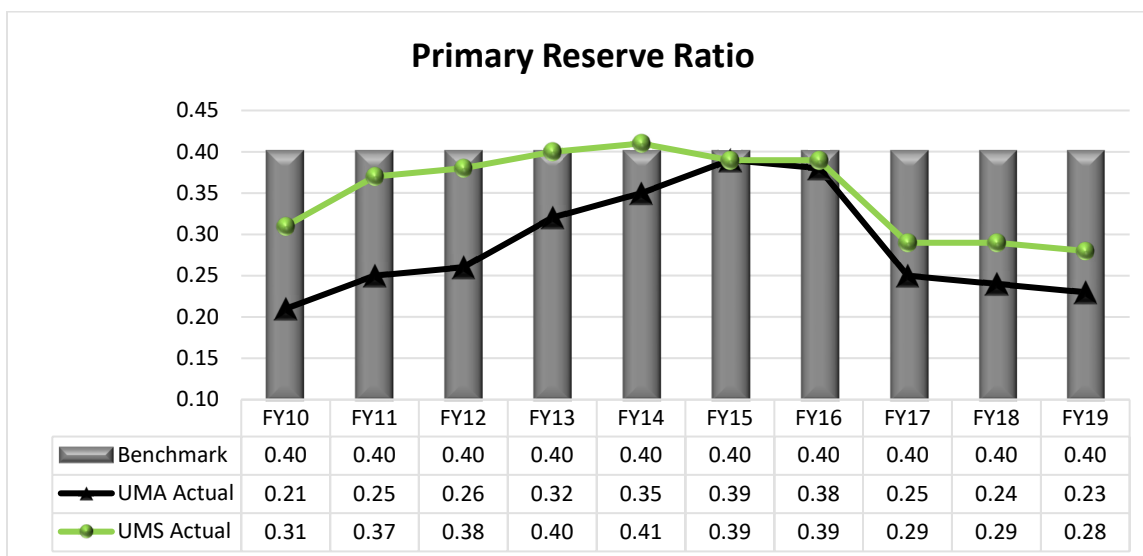
* Excluding net position restricted for capital investments

Key items that can impact expendable net position:

- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

A ratio of .40x (provides about 5 months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

In FY19, UMA's Primary Reserve Ratio decreased slightly to .23x, which provides just under 3 months of expense coverage.



Primary Reserve Ratio Components \$ in thousands										
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
<i>Unrestricted expendable net position</i>	\$8,137	\$9,957	\$10,952	\$12,751	\$12,938	\$14,389	\$14,995	\$8,018	\$7,395	\$7,037
<i>Restricted expendable net position</i>	\$1,746	\$2,288	\$2,113	\$3,022	\$3,926	\$3,859	\$3,407	\$3,986	\$4,065	\$4,302
Total expendable net position	\$9,883	\$12,245	\$13,065	\$15,773	\$16,864	\$18,248	\$18,402	\$12,004	\$11,460	\$11,339
Total expenses	\$46,664	\$48,159	\$49,849	\$49,714	\$48,397	\$46,909	\$48,211	\$47,507	\$48,361	\$49,705

Note: The above totals have not been adjusted for rounding.

In FY19, UMA's expendable net position decreased slightly from the prior year and expenses increased slightly resulting in a small reduction in its Primary Reserve Ratio. As can be seen in the above table, the decrease in expendable net position was the net of an increase in the restricted portion and a decrease in the unrestricted portion.

The decrease in unrestricted expendable net position can be attributed to a \$233 thousand dollar reduction in net position associated with internally designated projects as UMA expended funds that had previously been designated for projects such as the cybersecurity lab and online teaching certifications. Restricted expendable net position increased primarily due to several large gifts received during FY19, including \$150 thousand for the UMA science program and \$73 thousand for the UMA Seniors College.

Net Operating Revenues Ratio

The Net Operating Revenues Ratio is a measure of operating results and answers the question, “Do operating results indicate that the University is living within available resources?” Operating results either increase or decrease net position and, thereby, impact the other three core ratios: Primary Reserve, Return on Net Position, and Viability. This ratio is calculated as follows:

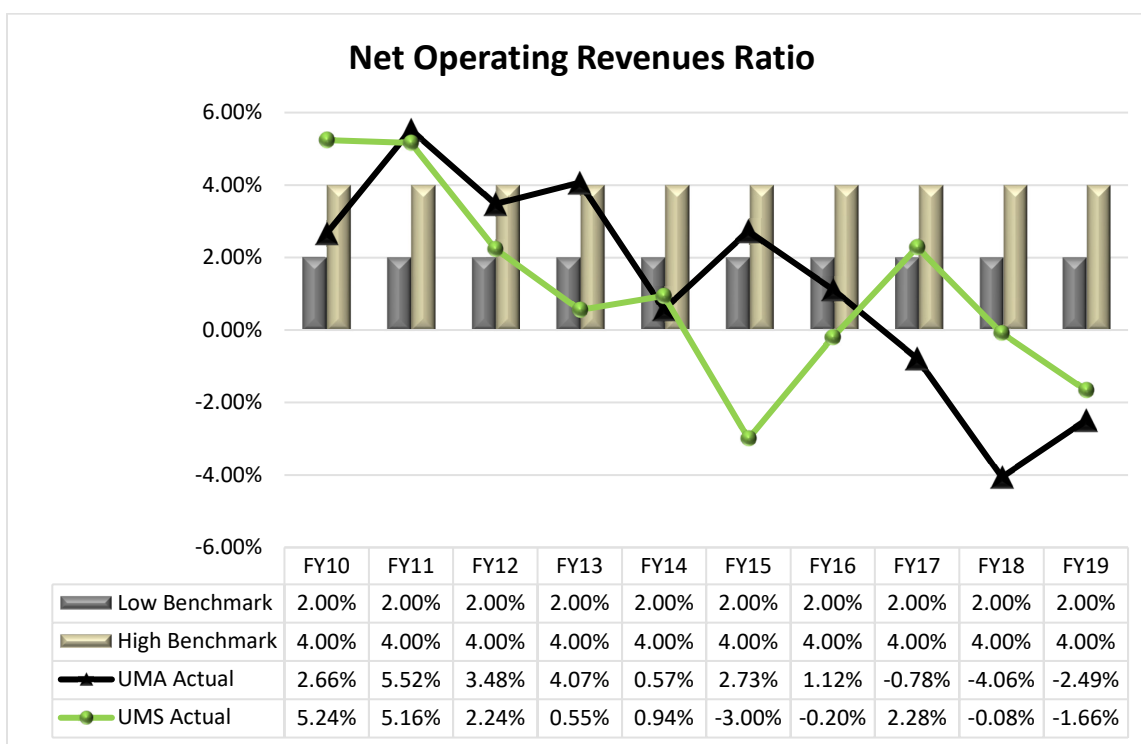
$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

A target of at least 2% to 4% is a goal over an extended time period, although fluctuations from year to year are likely. A key consideration for institutions establishing a benchmark for this ratio would be the anticipated growth in total expenses.

The primary reason institutions need to generate some level of surplus over long periods of time is because operations are one of the sources of liquidity and resources for reinvestment in institutional initiatives.

Strategic Financial Analysis for Higher Education

In FY19, UMA experienced a Net Operating Revenues Ratio of -2.49%, up from the ten-year low experienced in FY18.



Net Operating Revenues Ratio Components \$ in thousands										
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Operating revenues	\$33,994	\$36,234	\$37,239	\$36,470	\$33,207	\$31,839	\$31,178	\$27,853	\$26,645	\$27,786
Operating expenses	<u>\$(46,562)</u>	<u>\$(48,063)</u>	<u>\$(49,778)</u>	<u>\$(49,679)</u>	<u>\$(48,367)</u>	<u>\$(46,883)</u>	<u>\$(48,188)</u>	<u>\$(47,484)</u>	<u>\$(48,325)</u>	<u>\$(49,672)</u>
Operating loss	\$(12,567)	\$(11,829)	\$(12,538)	\$(13,209)	\$(15,160)	\$(15,044)	\$(17,011)	\$(19,631)	\$(21,680)	\$(21,886)
Net nonoperating revenues	\$13,841	\$14,641	\$14,333	\$15,319	\$15,435	\$16,359	\$17,555	\$19,261	\$19,792	\$20,678
Operating income (loss) plus net nonoperating revenues (expenses)	\$1,274	\$2,812	\$ 1,795	\$ 2,110	\$ 275	\$ 1,315	\$ 544	\$(370)	\$(1,888)	\$(1,208)
Operating revenues plus nonoperating revenues	\$47,938	\$50,971	\$51,643	\$51,824	\$48,672	\$48,224	\$48,756	\$47,137	\$46,473	\$48,497

Note: The above totals have not been adjusted for rounding.

UMA's Net Operating Revenues Ratio increased slightly from FY18 to FY19 as a \$2 million or 4.4% increase in operating revenues plus nonoperating revenues outpaced a \$1.3 million or 2.8% increase in operating expenses.

The following notable items account for most of the increase in revenues:

- Net student fees revenue increased \$1 million
- Noncapital State of Maine appropriation revenue increased \$431 thousand
- Noncapital transfers revenue increased \$391, thousand

All categories of operating expense increased except Institutional Support expense.

Return on Net Position Ratio

The Return on Net Position Ratio measures asset performance and management. It determines whether an institution is financially better off than in the previous year by measuring total economic return. It is based on the level and change in total net position. An improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility. This ratio is calculated as follows:

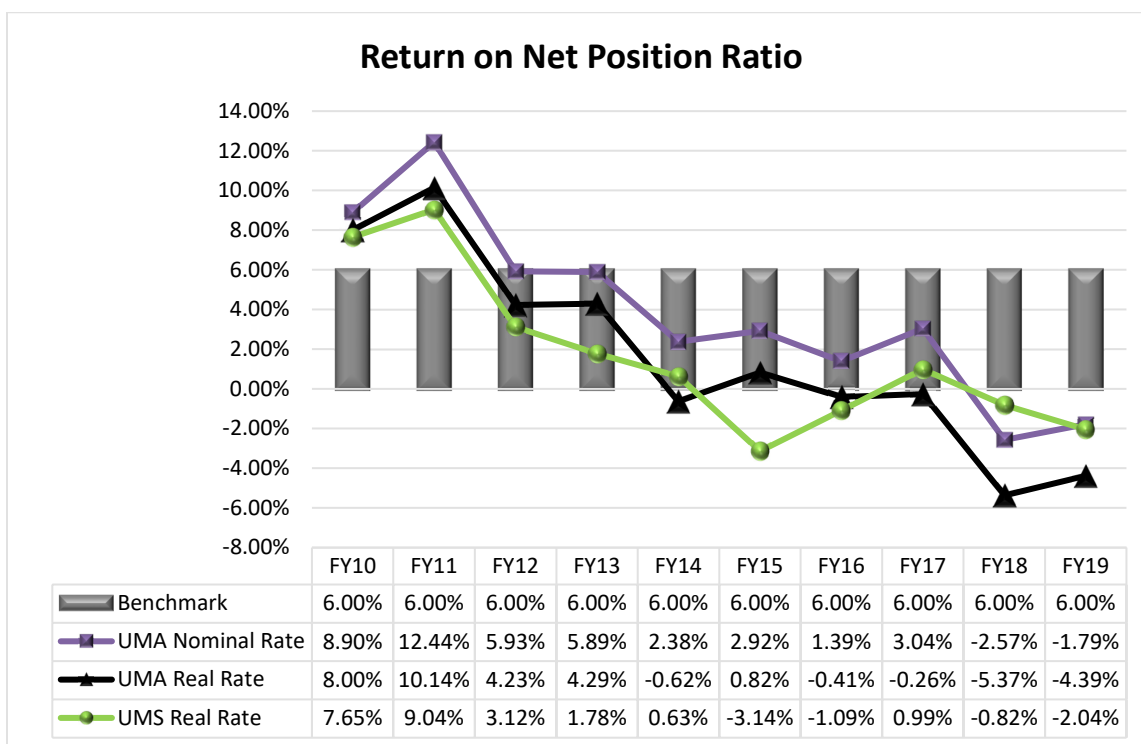
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

Key items that can impact expendable net position:

- items that impact the Net Operating Revenues Ratio
- endowment returns
- capital appropriations, grants, gifts, and transfers
- endowment gifts

The nominal rate of return on net position is the actual return unadjusted for inflation or other factors. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index.

FY19 marked the fourth consecutive year that UMA experienced a negative real rate of return; however, the FY19 rate of -4.39% is up from the FY18 rate of -5.37% which marked a ten-year low.



Return on Net Position Ratio Components \$ in thousands										
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
<i>Operating income (loss) plus net non-operating revenues (expenses)</i>	\$1,274	\$2,812	\$1,795	\$2,110	\$275	\$1,315	\$544	\$(370)	\$(1,888)	\$(1,208)
<i>Other changes in net position</i>	\$1,898	\$2,017	\$791	\$615	\$888	\$149	\$175	\$1,772	\$666	\$380
Change in total net position	\$3,173	\$4,829	\$2,586	\$2,725	\$1,163	\$1,464	\$719	\$1,402	\$(1,222)	\$(828)
Total net position (beginning of year)	\$35,643	\$38,816	\$43,645	\$46,231	\$48,930	\$50,093	\$51,557	\$46,183	\$47,585	\$46,363

Note: The above totals have not been adjusted for rounding.

The above line for other changes in net position is comprised of revenues to fund capital investments such as capital projects and endowments and is subject to fluctuations based upon the availability of funds. The net decrease in other changes in net position is comprised of increases in capital grants and gifts and endowment gifts and decreases in State of Maine capital appropriations and endowment return, net of amount used for operations.

Viability Ratio

The Viability Ratio measures expendable resources that are available to cover debt obligations (e.g., capital leases, notes payable, and bonds payable) and generally is regarded as governing an institution's ability to assume new debt. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position}^*}{\text{Long-Term Debt}}$$

* Excluding net position restricted for capital investments

Key items that can impact expendable net position:

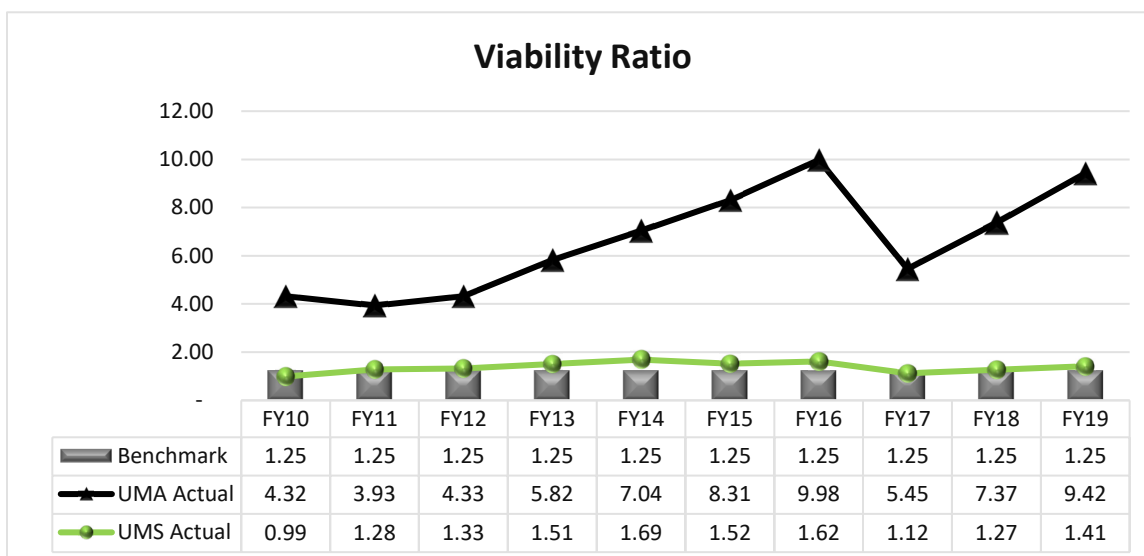
- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

A ratio of 1.25 or greater indicates that there are sufficient resources to satisfy debt obligations.

There is no absolute threshold that will indicate whether the institution is no longer financially viable. However, the Viability Ratio, along with the Primary Reserve Ratio discussed earlier, can help define an institution's "margin for error". As the Viability Ratio's value falls below 1:1, an institution's ability to respond . . . , to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.

Strategic Financial Analysis for Higher Education

At 9.42x, UMA's FY19 Viability Ratio continues to far surpass the UMS ratio and the industry benchmark of 1.25x.



Viability Ratio Components \$ in thousands										
	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
<i>Unrestricted expendable net position</i>	\$8,137	\$9,957	\$10,952	\$12,751	\$12,938	\$14,389	\$14,995	\$8,018	\$7,395	\$7,037
<i>Restricted expendable net position</i>	\$1,746	\$2,288	\$2,113	\$3,022	\$3,926	\$3,859	\$3,407	\$3,986	\$4,065	\$4,302
Total expendable net position	\$9,883	\$12,245	\$13,065	\$15,773	\$16,864	\$18,248	\$18,402	\$12,004	\$11,460	\$11,339
Long-term debt	\$2,290	\$3,114	\$3,016	\$2,711	\$2,394	\$2,195	\$1,844	\$2,202	\$1,555	\$1,204

Note: The above totals have not been adjusted for rounding.

In FY19, UMA's debt is at its lowest level in the ten years presented above. See the earlier discussion of the Primary Reserve Ratio for items that impacted expendable net position in FY19.

Composite Financial Index

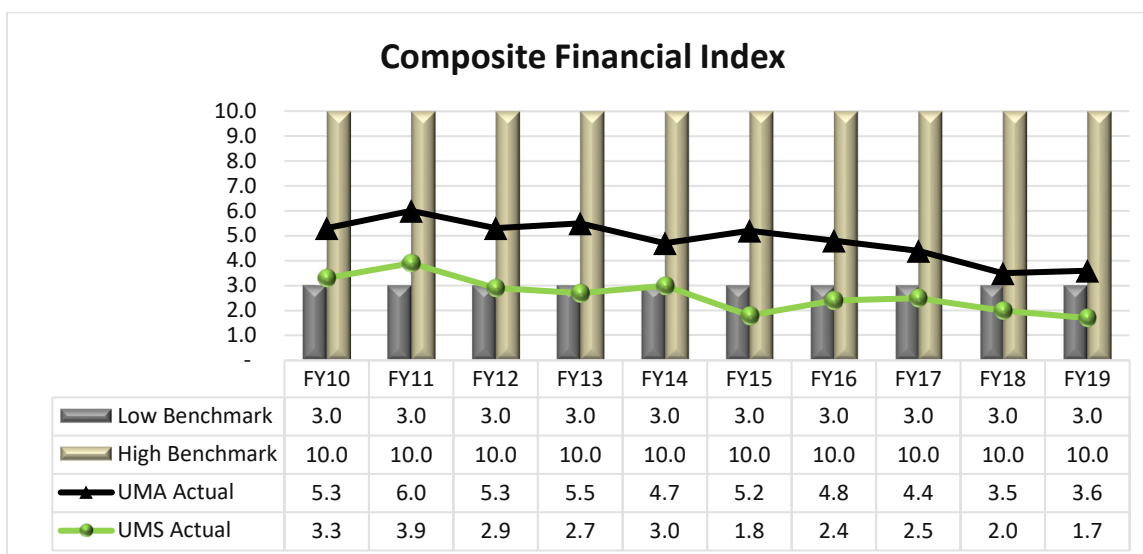
The Composite Financial Index (CFI) creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into a single number, a more balanced view of the state of the institution's finances is possible because a weakness in one measure may be offset by the strength of another measure.

The CFI is calculated by completing the following steps:

1. Compute the values of the four core ratios;
2. Convert the ratio values to strength factors along a common scale;
3. Multiply the strength factors by specific weighting factors; and
4. Total the resulting four numbers (ratio scores) to reach the single CFI score.

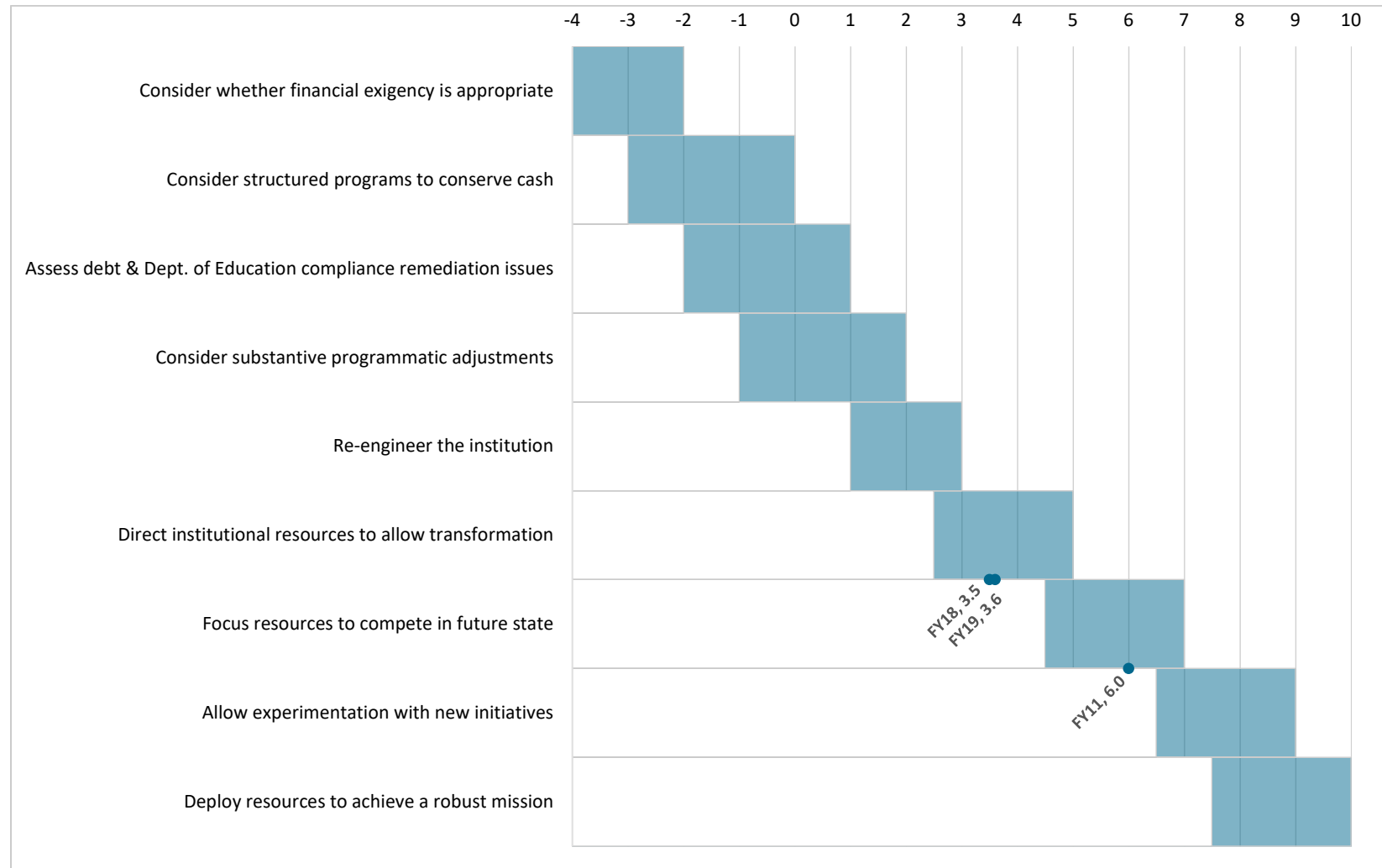
A score of 1.0 indicates very little financial health; 3, the low benchmark, represents a relatively stronger financial position; and 10 is the top of the scale.

For each of the ten years reported below, UMA's CFI has surpassed the low industry benchmark of 3.0 and has consistently been above the UMS score.



Performance of the CFI score can be evaluated on a scale of -4 to 10 as shown on the following page. These scores do not have absolute precision. They are indicators of ranges of financial health that can be indicators of overall institutional well-being, when combined with nonfinancial indicators. This would be consistent with the fact that there are a large number of variables that can impact an institution and influence the results of these ratios. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution.

The overlapping blocks of color represent the ranges of measurement that an institution may find useful in assessing itself. We have overlaid the scale with UMA's highest (FY11), lowest (FY18) and most recent CFI scores to assist in evaluating UMA's performance.



CFI Calculation										
Fiscal Year	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
+ Primary Reserve Ratio	0.21	0.25	0.26	0.32	0.35	0.39	0.38	0.25	0.24	0.23
/ Common Scale Value *	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Strength Factor **	1.58	1.88	1.95	2.41	2.63	2.93	2.86	1.88	1.80	1.73
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	0.55	0.66	0.68	0.84	0.92	1.03	1.00	0.66	0.63	0.61
+ Net Operating Revenues Ratio	2.66%	5.52%	3.48%	4.07%	0.57%	2.73%	1.12%	-0.78%	-4.06%	-2.49%
/ Common Scale Value *	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
= Strength Factor **	3.80	7.89	4.97	5.81	0.81	3.90	1.60	(1.11)	(4.00)	(3.56)
X Weighting Factor ***	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Ratio Score	0.38	0.79	0.50	0.58	0.08	0.39	0.16	(0.11)	(0.40)	(0.36)
+ Return on Net Position Ratio	8.90%	12.44%	5.93%	5.89%	2.38%	2.92%	1.39%	3.04%	-2.57%	-1.79%
/ Common Scale Value *	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
= Strength Factor **	4.45	6.22	2.97	2.95	1.19	1.46	0.70	1.52	(1.29)	(0.90)
X Weighting Factor ***	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Ratio Score	0.89	1.24	0.59	0.59	0.24	0.29	0.14	0.30	(0.26)	(0.18)
+ Viability Ratio	4.32	3.93	4.33	5.82	7.04	8.31	9.98	5.45	7.37	9.42
/ Common Scale Value *	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Strength Factor **	10.00	9.42	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	3.50	3.30	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Composite Financial Index	5.3	6.0	5.3	5.5	4.7	5.2	4.8	4.4	3.5	3.6

* = The common scale value is derived from the scoring scale defined by the authors of *Strategic Financial Analysis for Higher Education*, Seventh Edition for public institutions with an endowment spending rate.

** = The strength factor is the result of dividing the ratio value by the common scale value to determine a comparable value (strength) for each ratio that can be analyzed on a common scale of -4 to 10.

*** = The weighting factor is derived from the weighting schema defined by the authors of *Strategic Financial Analysis for Higher Education*, Seventh Edition for institutions with long-term debt.

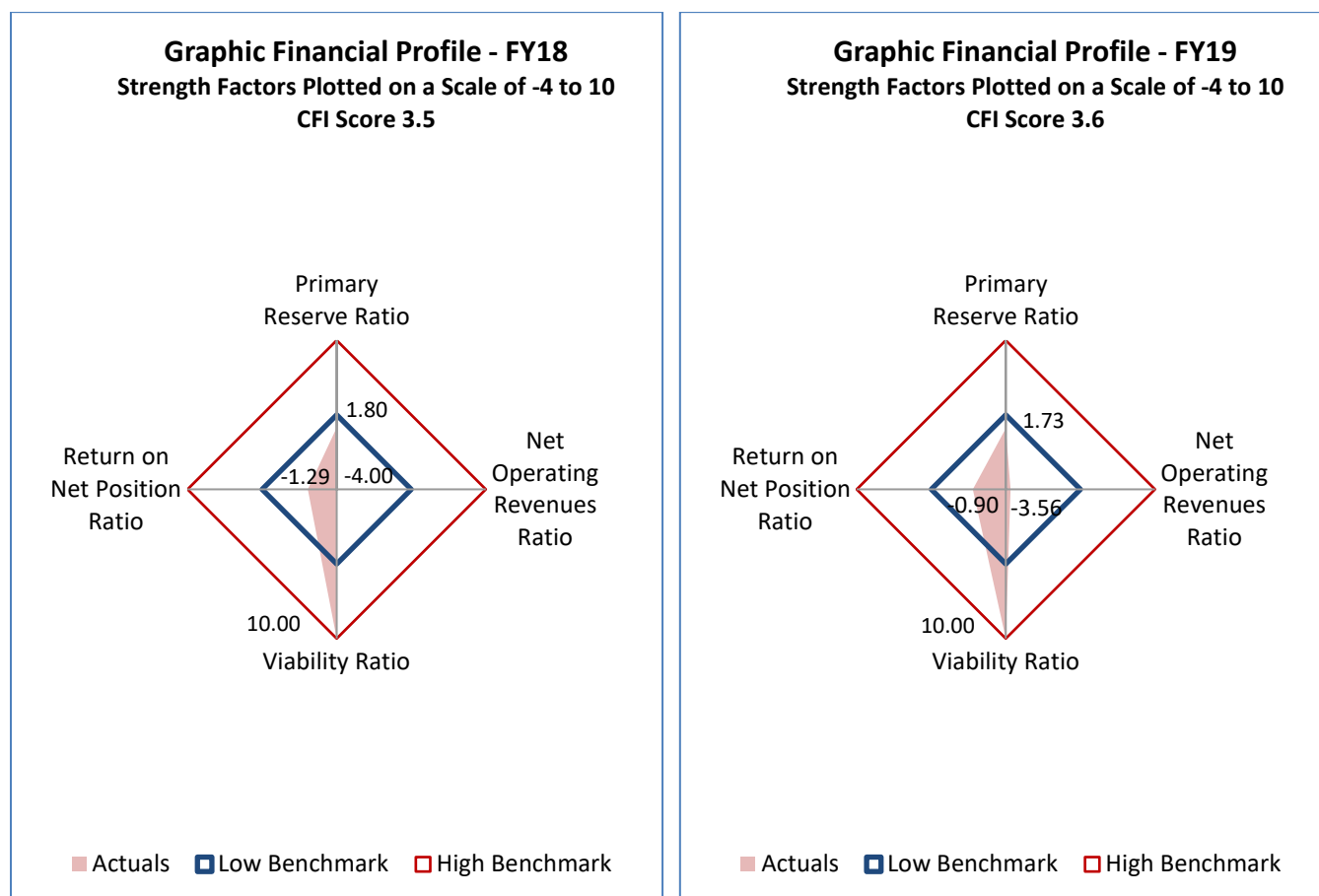
Graphic Financial Profile

The strength factors that were used in calculating the CFI can be mapped on a diamond graph to show the shape of an institution's financial health compared to the industry benchmarks. This Graphic Financial Profile can assist management in determining whether a weakness in one ratio is offset by strength in another ratio.

- The center point of the graphic financial profile is -4, the lowest possible score on the scale.
- The smaller, heavily lined diamond in the graph represents the low industry benchmark of 3.
- The outer, lightly lined diamond represents the high industry benchmark of 10 and the highest possible score on the scale for each ratio.
- We have plotted and shaded the actual values of UMA's ratio strength factors to show how UMA's health compares with the low (3) and high (10) industry benchmarks.

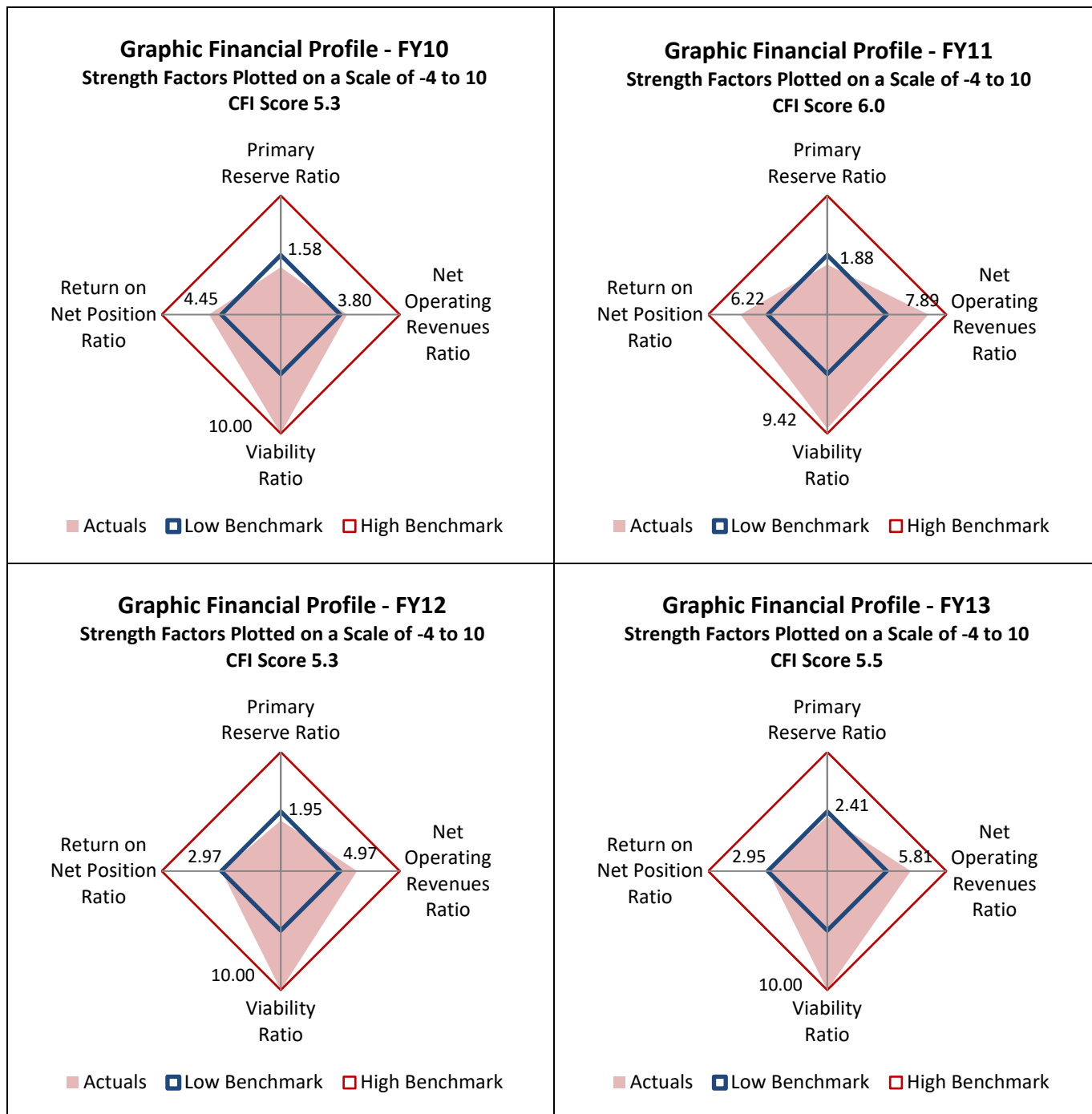
Graphic Financial Profiles FY18 and FY19

The shape of UMA's FY19 graphic financial profile is very similar to that for FY18 as UMA experienced very similar results in its ratios.

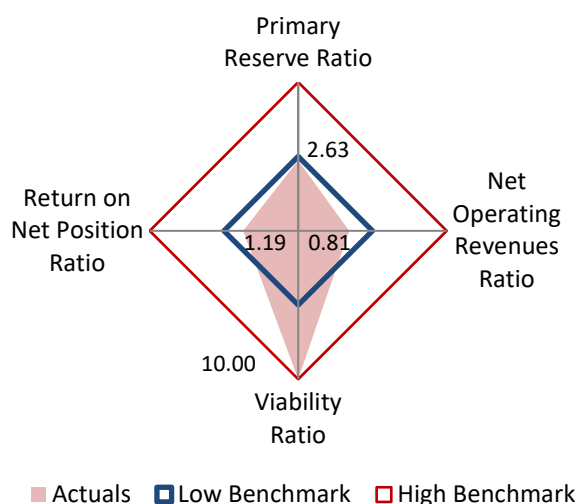


Graphic Financial Profiles FY10 to FY17

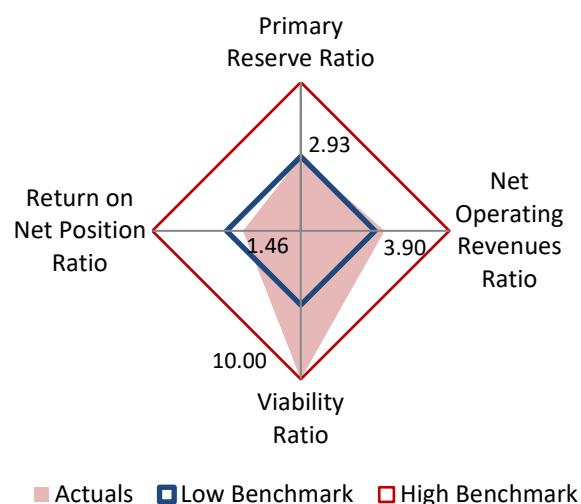
Changes in the shape of UMA's graphic financial for FY10 thru FY17 can be seen below and on the next page.



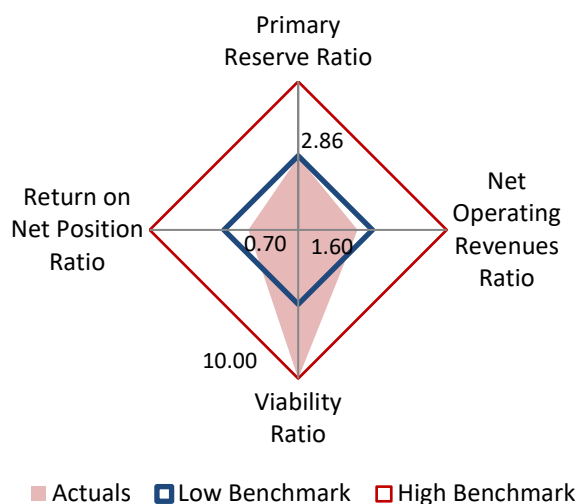
Graphic Financial Profile - FY14
Strength Factors Plotted on a Scale of -4 to 10
CFI Score 4.7



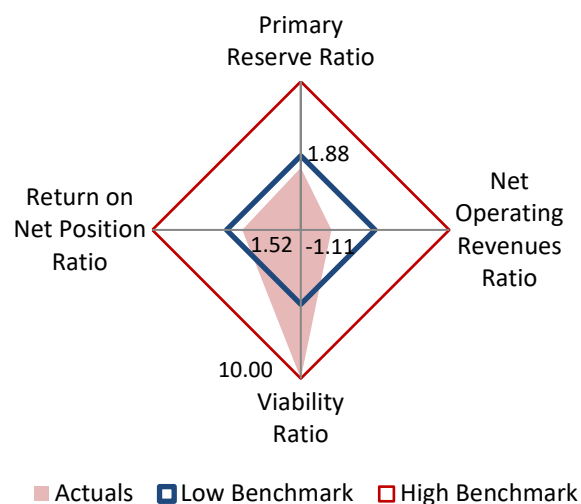
Graphic Financial Profile - FY15
Strength Factors Plotted on a Scale of -4 to 10
CFI Score 5.2



Graphic Financial Profile - FY16
Strength Factors Plotted on a Scale of -4 to 10
CFI Score 4.8



Graphic Financial Profile - FY17
Strength Factors Plotted on a Scale of -4 to 10
CFI Score 4.4



UMA Financial Highlights FY10 - FY18

We have provided the following financial highlights as a resource in understanding prior years' changes in the core ratios.

Primary Reserve Ratio

FY10/FY11: Expendable net position increased in FY10 and again in FY11, as operating revenues and endowment returns outpaced the increase in expenses – see discussion of the net operating revenues ratio. In each of these years, UMA utilized \$1.7 million of unrestricted expendable net position for capital construction.

FY12: UMA increased its expendable net position by generating a positive return on operations that more than offset the negative return on endowment investments and use of \$1.8 million of unrestricted expendable net position to fund construction activity.

FY13: UMA's Primary Reserve Ratio increased again as positive operating and endowment returns more than offset the use of \$920 thousand of expendable net position to fund construction activity.

FY14: As shown on page 4, UMA's FY14 return from operations decreased significantly from the prior fiscal year. The return, however, was positive and combined with good endowment returns, allowed UMA to invest \$1 million of unrestricted net position in capital construction and still increase its total expendable net position.

FY15: UMA's ratio increased slightly in FY15, as UMA experienced both an increase in expendable net position and a decrease in total expenses compared to the prior fiscal year. The growth in expendable net position was primarily in the unrestricted portion as negative endowment returns contributed to a decrease in the restricted portion. The \$1.5 million increase in unrestricted expendable net position was net of \$408 thousand utilized for capital construction.

FY16: An increase in expenses outpaced an increase in expendable net position, causing UMA's ratio to decrease slightly from FY15. The increase in expendable net position was net of negative endowment returns and use of \$1 million in unrestricted expendable net position for capital construction.

FY17: \$2.6 million of unrestricted net position was used for capital construction. Pursuant to the implementation of GASB No. 75, FY17 beginning of year unrestricted expendable net position was reduced by \$6.1 million resulting in the FY17

Primary Reserve Ratio falling to 0.25x from the originally stated 0.38x. Restricted expendable net position increased primarily due to positive endowment returns.

FY18: UMA's expendable net position decreased from the prior year and expenses increased slightly resulting in a small reduction in its Primary Reserve Ratio. The decrease in expendable net position was related to the unrestricted portion and was the result of a loss from operations and the use of \$333 thousand of unrestricted net position for capital construction including renovations at the Katz Library and the Fitness Center. Restricted expendable net position increased primarily due to positive endowment returns for FY18.

Net Operating Revenues Ratio

FY10: The **FY10** ratio is more comparable with the ratios for FY06 and FY07 as it is not influenced by a transfer of assets from System Wide Services as occurred in FY09.

FY11: UMA increased operating revenues 5.9% from the prior year and contained the growth in operating expenses to 2.5%.

FY12: Expenses increased \$1.6 million from FY11, but gross revenues only increased \$555 thousand. Net student fees revenue increased \$1.2 million (9.8%); however, noncapital State of Maine appropriation revenue and noncapital grants and contracts revenue decreased and State fiscal stabilization dollars expired in FY11.

FY13: Expenses decreased from FY12; however, the increase in the Net Operating Revenues Ratio is primarily the result of a \$643 thousand increase in noncapital State of Maine appropriation revenue and a \$300 thousand transfer from the System Office to mitigate the FY13 freeze on in-state tuition rates.

FY14: UMA's ratio fell below the low industry benchmark for the first time since FY08. A \$2.1 million (8%) decrease in gross tuition and fees revenue was the primary contributor to the decrease in UMA's operating return from FY13. To mitigate this revenue decrease, UMA decreased total financial aid costs (scholarship allowance plus student aid expense) and other operating expenses.

FY15: Expenses decreased \$1.5 million from the prior year, enabling UMA's ratio to once again surpass the low industry benchmark despite a \$400 thousand decrease in total operating and nonoperating revenues. Nonoperating revenues increased almost \$1 million while operating revenues decreased \$1.4 million.

FY16: UMA's ratio fell below the low industry benchmark as operating revenues declined for a fourth consecutive year. An increase in nonoperating revenues more than offset the decline in operating revenues, but was not enough to also keep pace with a \$1.3 million increase in expenses.

FY17: UMA's expenses decreased \$704 thousand from FY16 to FY17, but this decrease was outpaced by a \$1.6 million decrease in operating revenues plus non-operating revenues. Notable items in this revenues decrease are a \$1.5 million decrease in net student fees, a \$1.9 million decrease in grants and contracts revenue, and a \$1.4 million increase in noncapital State of Maine appropriations revenue.

FY15/16/17: Although the exact impact on this ratio is not readily determinable, it should be noted that during this three-year time span, the UMS underwent a reorganization to centralize under the University Services portion of UMSGUS, many services (e.g., Procurement, Human Resources, Information Technology, Facilities, and Finance) that had previously existed at each of the campuses and UMSGUS. The costs of University Services were then allocated back out to UMA and the other campuses within the UMS along with an additional allocation of noncapital State of Maine appropriation revenues to help cover the costs of the centralized services. This reorganization occurred in a staggered approach with all University Services costs being allocated to the campuses by FY17.

FY18: UMA's operating expenses increased \$841 thousand or 1.8% from FY17 to FY18, while operating revenues plus non-operating revenues decreased by \$664 thousand or 1.4%. A \$494 thousand increase in the Student Services functional expense category accounts for 59% of the increase in operating expenses. Other notable items were a combined increase of \$375 thousand in the Operation and Maintenance of Plant and Depreciation functional expense categories. The Academic Support and Student Aid expense categories also increased while Institutional Support and Auxiliary expenses decreased. Notable items in the net decrease in revenues are a \$707 thousand decrease in net student fees, a \$311 thousand decrease in grants and contracts revenue, and a \$421 thousand increase in noncapital State of Maine appropriations revenue.

Return on Net Position Ratio

The return on net position ratio has been impacted over the years by the same items that impacted the Net Operating Revenues Ratio and the following items that directly impact capital and endowment assets:

- The impact of undistributed endowment returns on UMA's Return on Net Position has fluctuated significantly over the years with changes in the level of endowment returns.

Endowment Return Net of Amount Used for Operations \$ in thousands

FY10	\$364	FY15	(\$354)
FY11	\$776	FY16	(\$486)
FY12	(\$246)	FY17	\$440
FY13	\$580	FY18	\$198
FY14	\$780	FY19	(\$136)

- Capital appropriation revenue from the State of Maine fluctuates with the availability of voter approved bond proceeds and the timing of UMA's expenditure of those proceeds. UMA did not have any of these revenues in FY10, FY12, FY13, and FY14.
- UMA received capital grants and gifts each of the past ten years. The level of such revenues fluctuated depending on the construction and fundraising activities that was occurring. Notable items include a \$1.1 million gift of property on Water Street in Augusta in FY10 and \$760 thousand of capital gifts and grants in FY11.
- Endowment gifts have been a constant, but usually not significant, source of revenue for UMA. Exceptions include \$1 million for FY12, \$359 thousand for FY15, and \$224 thousand for FY16.

Viability Ratio

The same totals for expendable net position are used for this ratio and the Primary Reserve Ratio; therefore, please see discussion of the Primary Reserve Ratio for items impacting expendable net position.

The issuance and repayment of debt also impact this ratio. Over the years, UMA has borrowed money infrequently: \$1 million in FY11 for construction of the College Center/Dental Health Clinic and \$715 thousand in FY17 to finance classroom technology upgrades. The State of Maine is providing appropriation dollars restricted to pay the debt service on the 2017 bonds.

University of Maine at Augusta

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2010 to 2019

(\$ in thousands)

	2010	2011	2012	2013	2014	2015	2016	RESTATED 2017	2018	2019
OPERATING REVENUES										
Tuition and fees	\$22,606	\$24,219	\$ 25,860	\$ 26,154	\$24,062	\$23,418	\$23,127	\$ 20,951	\$ 20,397	\$ 21,480
Residence and dining fees	1	-	1	-	(3)	-	-	6	7	6
Less: scholarship allowances	(7,342)	(8,373)	(8,669)	(8,659)	(7,415)	(7,273)	(7,620)	(6,918)	(7,073)	(7,139)
Net student fees	15,265	15,846	17,191	17,495	16,644	16,145	15,507	14,038	13,331	14,347
Federal, state, and private grants and contracts	15,447	17,513	17,099	16,471	14,312	13,685	13,727	11,875	11,564	11,720
Recovery of indirect costs	280	264	303	278	152	160	172	159	157	150
Educational sales and service	916	613	729	434	487	432	499	590	524	477
Other auxiliary enterprises	2,053	1,968	1,888	1,763	1,584	1,389	1,248	1,161	1,040	1,065
Interest income on loans	34	30	30	30	27	27	25	29	29	28
Total Operating Revenues	33,994	36,234	37,239	36,470	33,207	31,839	31,178	27,853	26,645	27,786
OPERATING EXPENSES										
Instruction	14,504	14,425	14,782	14,949	15,150	14,626	14,557	14,448	14,419	14,704
Research	5	25	51	77	44	91	116	137	82	110
Public service	3,412	3,332	2,916	2,738	2,291	2,429	2,421	2,444	2,420	2,342
Academic support	6,546	6,768	6,963	6,746	6,630	6,271	6,623	6,493	6,642	6,995
Student services	4,209	4,445	4,797	4,800	4,744	4,651	4,734	4,772	5,266	5,870
Institutional support	4,135	4,222	4,803	5,144	4,617	4,715	4,991	5,825	5,708	5,270
Operation and maintenance of plant	3,457	3,617	3,924	3,747	3,863	3,451	3,769	3,700	3,886	4,322
Depreciation and amortization	1,159	1,178	1,301	1,357	1,369	1,430	1,496	1,573	1,762	1,793
Student aid	7,055	8,044	8,329	8,320	7,984	7,879	8,255	6,917	7,072	7,138
Auxiliary	2,080	2,006	1,913	1,803	1,674	1,341	1,227	1,175	1,068	1,129
Total Operating Expenses	46,562	48,063	49,778	49,679	48,367	46,883	48,188	47,484	48,325	49,672
Operating Income (Loss)	(12,567)	(11,829)	(12,538)	(13,209)	(15,160)	(15,044)	(17,011)	(19,631)	(21,680)	(21,886)
NONOPERATING REVENUES (EXPENSES)										
Noncapital State of Maine appropriations	13,479	13,906	13,768	14,411	15,202	15,563	16,730	18,100	18,521	18,952
State Fiscal Stabilization Program	506	506	-	-	-	-	-	-	-	-
Gifts currently expendable	127	211	112	189	124	241	295	269	307	335
Endowment income distributed for operations	67	118	121	124	250	282	343	338	332	352
Investment income	20	2	2	1	-	1	3	6	14	26
Interest expense	(103)	(96)	(71)	(35)	(30)	(26)	(23)	(23)	(36)	(33)
Other nonoperating expenses	-	-	-	-	-	-	-	-	-	-
Noncapital transfers	(256)	(8)	400	628	(112)	298	206	571	655	1,046
Net Nonoperating Revenue (Expense)	13,841	14,641	14,333	15,319	15,435	16,359	17,555	19,261	19,792	20,678
Income Before Other Changes in Net Position	1,273	2,812	1,795	2,110	275	1,315	544	(370)	(1,888)	(1,208)
OTHER CHANGES IN NET POSITION										
State of Maine capital appropriations	-	475	-	-	-	117	668	158	392	88
Capital grants and gifts	1,115	760	18	36	13	114	11	17	47	311
Endowment return, net of amount used for operations	364	776	(246)	580	780	(354)	(486)	440	198	(136)
Endowment gifts	86	19	1,013	15	35	359	224	10	38	111
Gain on disposal of capital assets and other changes	-	-	(8)	-	-	(74)	(229)	-	(12)	-
Capital transfers	335	(12)	15	(16)	61	(12)	(12)	1,148	3	6
Total Other Changes in Net Position	1,899	2,017	792	615	888	149	175	1,773	666	380
Increase (Decrease) in Net Position	3,172	4,829	2,586	2,725	1,163	1,464	719	1,402	(1,222)	(828)
NET POSITION										
Net Position – beginning of year	35,643	38,816	43,645	46,231	48,930	50,093	51,557	46,183	47,585	46,363
Net Position – end of year	\$38,816	\$43,645	\$ 46,231	\$ 48,956	\$50,093	\$51,557	\$52,276	\$ 47,585	\$ 46,363	\$ 45,536