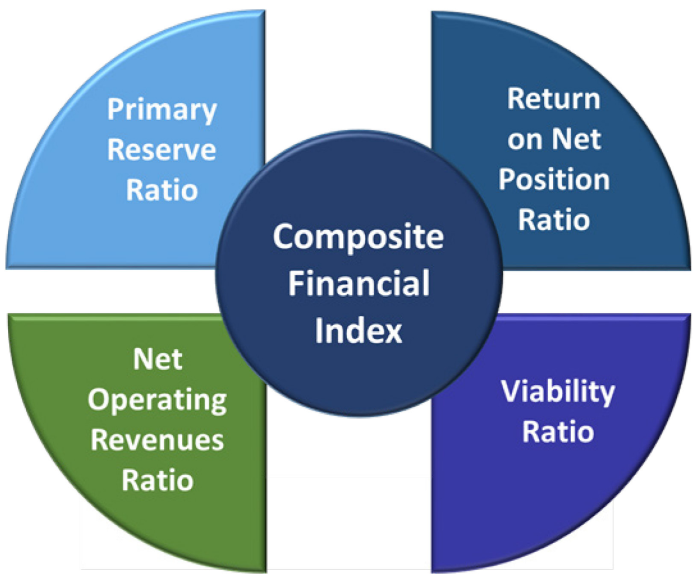
2019 Core Financial Ratios and Composite Financial Index



University of Maine System
Office of Finance and Treasurer
January 2020

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Introduction

The financial health of the University of Maine at Presque Isle (UMPI) 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. Does asset performance and management support the strategic direction? **– Return on Net Position Ratio**
3. Are financial resources, including debt, managed strategically to advance the mission? **– Viability Ratio**
4. Do operating results indicate the institution is living within available resources? **– Net Operating Revenues Ratio**

When combined, these four ratios deliver a single measure of UMPI'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 UMPI's originally reported FY17 revenues and expenses; however, the restatement did include a $2.5 million decrease in UMPI's originally reported FY17 beginning of year expendable net position; thus, significantly impacting UMPI'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

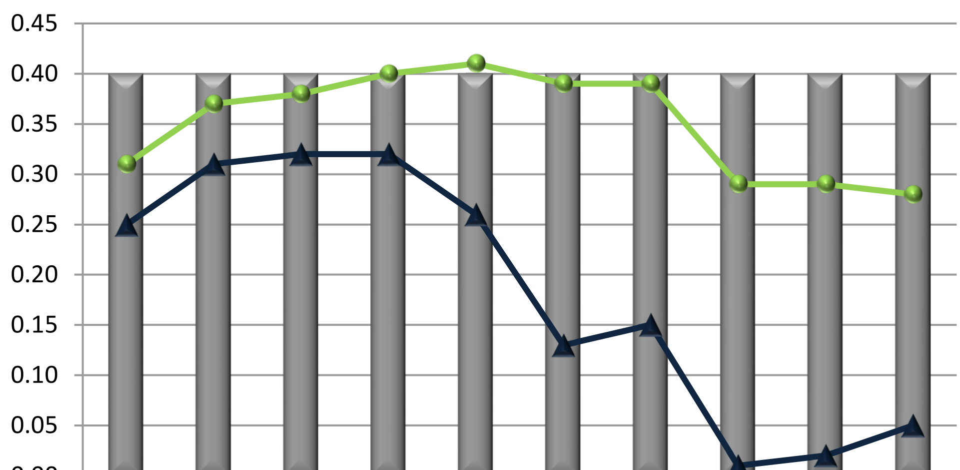
Key items that can impact expendable net position:

- 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, UMPI's Primary Reserve ratio increased slightly to 0.05x, which provides about two and a half weeks of expense coverage.

Primary Reserve Ratio



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Benchmark	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
UMPI Actual	0.25	0.31	0.32	0.32	0.26	0.13	0.15	0.01	0.02	0.05
UMS Actual	0.31	0.37	0.38	0.40	0.41	0.39	0.39	0.29	0.29	0.28

Primary Reserve Ratio Components $ in thousands										
	FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Unrestricted expendable net position	$4,084	$5,194	$5,559	$5,360	$3,793	$1,284	$1,604	($1,397)	($1,113)	($564)
Restricted expendable net position	$928	$1,072	$985	$1,297	$1,436	$1,430	$1,413	$1,524	$1,542	$1,536
Total expendable net position	**$5,012**	**$6,266**	**$6,544**	**$6,657**	**$5,229**	**$2,714**	**$3,017**	**$127**	**$429**	**$972**
Total expenses	**$20,076**	**$20,377**	**$20,673**	**$21,113**	**$20,379**	**$20,463**	**$20,384**	**$20,551**	**$20,653**	**$21,123**

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

In FY19, UMPI's unrestricted net position more than doubled from the prior year, but remained at a deficit balance. The increase is attributable to $735 thousand of insurance proceeds received in FY19 for the damaged wind turbine. Management placed the proceeds in a capital planning reserve to spend in a subsequent fiscal year once they determine next steps.

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:

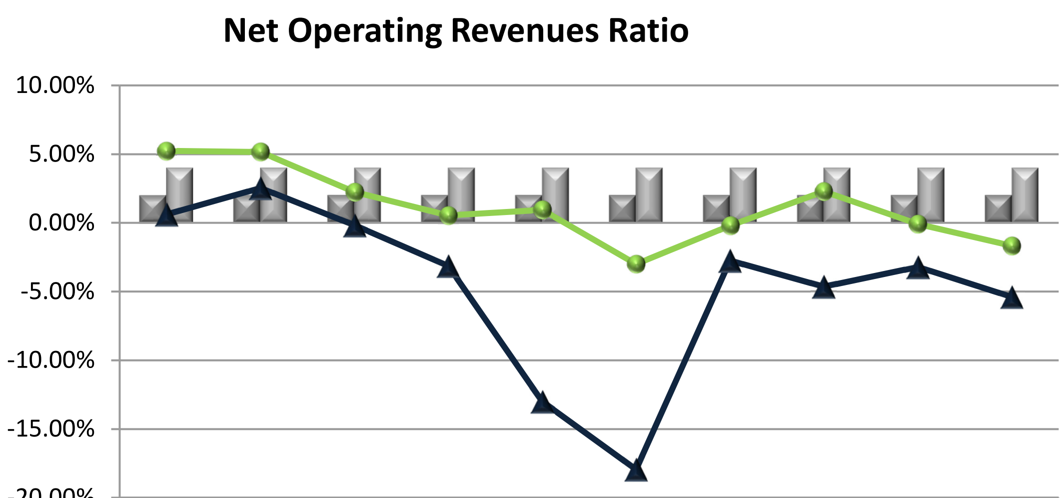
$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

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

UMPI has struggled over the past ten years, generating small positive returns from operations in just two of the years: FY10 and FY11.



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Low Benchmark	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
High Benchmark	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
UMPI Actual	0.61%	2.54%	-0.17%	-3.13%	-13.00%	-17.95%	-2.73%	-4.64%	-3.21%	-5.39%
UMS Actual	5.24%	5.16%	2.24%	0.55%	0.94%	-3.00%	-0.20%	2.28%	-0.08%	-1.66%

Net Operating Revenues Ratio Components $ in thousands	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Operating revenues	$13,274	$13,615	$13,465	$13,303	$11,225	$10,649	$10,760	$10,688	$11,340	$11,501
Operating expenses	($19,997)	($20,300)	($20,598)	($21,043)	($20,330)	($20,420)	($20,341)	($20,507)	($20,599)	($21,070)
Operating loss	($6,723)	($6,684)	($7,133)	($7,740)	($9,106)	($9,771)	($9,580)	($9,819)	($9,259)	($9,570)
Net nonoperating revenues	$6,846	$7,216	$7,097	$7,099	$6,761	$6,657	$9,039	$8,907	$8,617	$8,489
Operating income (loss) plus net nonoperating revenues (expenses)	**$123**	**$532**	**($36)**	**($641)**	**($2,344)**	**($3,114)**	**($542)**	**($912)**	**($642)**	**($1,081)**
Operating revenues plus nonoperating revenues	**$20,199**	**$20,908**	**$20,637**	**$20,472**	**$18,035**	**$17,349**	**$19,842**	**$19,639**	**$20,011**	**$20,043**

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

From FY18 to FY19, UMPI's total operating revenues plus nonoperating revenues grew just $32 thousand as UMPI experienced a $582 thousand decrease in noncapital State of Maine appropriation revenue. Sizeable increases in the following revenue lines offset the decrease in appropriations, but were not enough to offset the $471 thousand increase in operating expenses:

- Net student fees increased $99 thousand
- Federal, state, and private grants and contracts increased $110 thousand
- Gifts currently expendable increased $194 thousand
- Noncapital transfers increased $256 thousand

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:

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

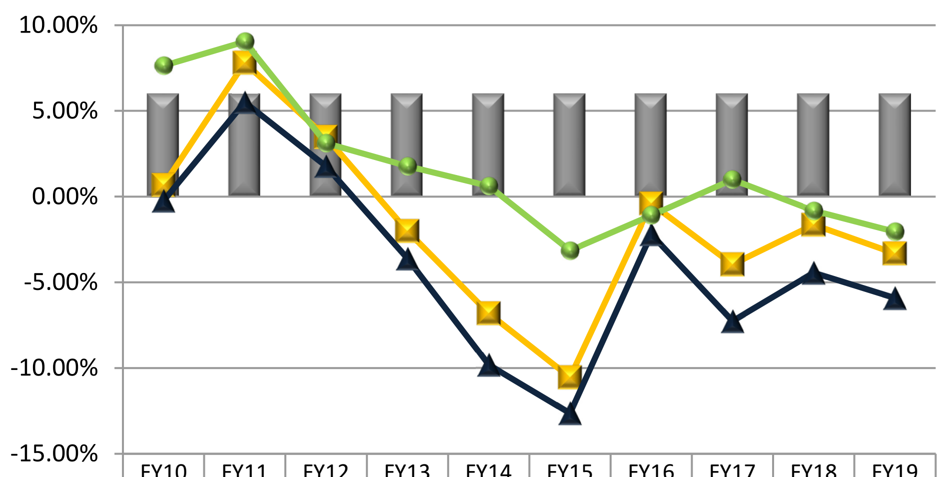
Key items that can impact expendable net position

- 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.

UMPI's return on net position has not kept pace with inflation since FY13 and UMPI experienced negative real rates of return.

Return on Net Position Ratio



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Benchmark	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
UMPI Nominal Rate	0.67%	7.81%	3.48%	-2.01%	-6.81%	-10.54%	-0.40%	-3.96%	-1.63%	-3.31%
UMPI Real Rate	-0.23%	5.51%	1.78%	-3.61%	-9.81%	-12.64%	-2.20%	-7.26%	-4.43%	-5.91%
UMS Real Rate	7.65%	9.04%	3.12%	1.78%	0.63%	-3.14%	-1.09%	0.99%	-0.82%	-2.04%

Return on Net Position Ratio Components $ in thousands										
	FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Operating income (loss) plus net non-operating revenues (expenses)	$123	$532	($36)	($641)	($2,344)	($3,114)	($542)	($912)	($642)	($1,081)
Other changes in net position	$40	$1,382	$954	$91	$524	$488	$452	$132	$334	$466
Change in total net position	**$163**	**$1,914**	**$918**	**($550)**	**($1,820)**	**($2,626)**	**($90)**	**($780)**	**($308)**	**($615)**
Total net position (beginning of year)	**$24,329**	**$24,492**	**$26,406**	**$27,324**	**$26,735**	**$24,916**	**$22,289**	**$19,690**	**$18,910**	**$18,602**

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

UMPI's net position has been steadily decreasing as UMPI has experienced a negative return on net position each year since FY13.

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:

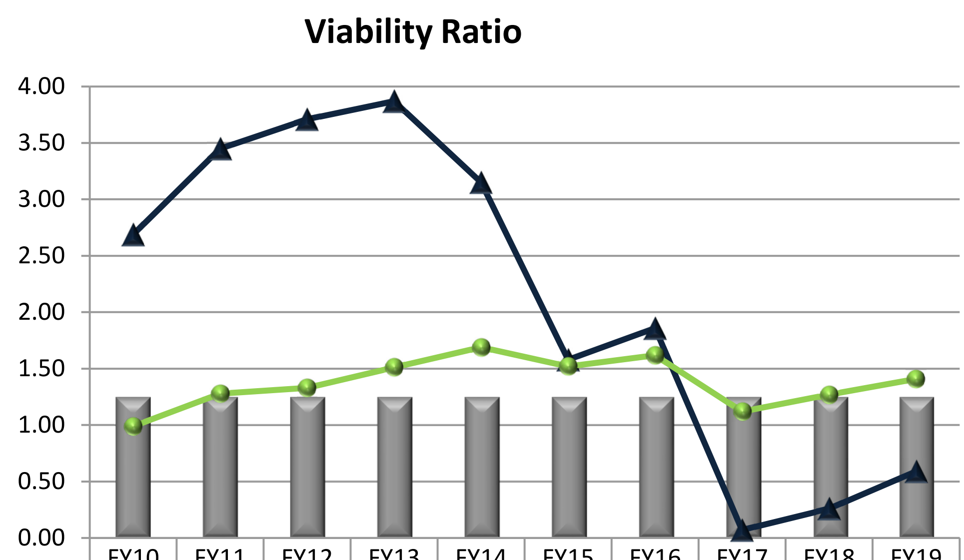
- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

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

UMPI's Viability Ratio has been steadily climbing following the low of 0.07x experienced in FY17 following implementation of GASB 75. In FY19, the ratio increased to 0.59x, up from 0.26x in the previous year.



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
UMPI Actual	2.69	3.45	3.71	3.87	3.15	1.58	1.86	0.07	0.26	0.59
UMS Actual	0.99	1.28	1.33	1.51	1.69	1.52	1.62	1.12	1.27	1.41

Viability Ratio Components $ in thousands										
	FY10	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
Unrestricted expendable net position	$4,084	$5,194	$5,559	$5,360	$3,793	$1,284	$1,604	($1,397)	($1,113)	($564)
Restricted expendable net position	$928	$1,072	$985	$1,297	$1,436	$1,430	$1,413	$1,524	$1,542	$1,536
Total expendable net position	**$5,012**	**$6,266**	**$6,544**	**$6,657**	**$5,229**	**$2,714**	**$3,017**	**$127**	**$429**	**$972**
Long-term debt	**$1,862**	**$1,816**	**$1,766**	**$1,722**	**$1,662**	**$1,713**	**$1,620**	**$1,781**	**$1,673**	**$1,638**

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

The same totals for expendable net position are used for this ratio and the Primary Reserve Ratio; therefore, please see discussion of that ratio on pages 2 and 3 for items impacting expendable net position.

The issuance and repayment of debt also impact this ratio. With the exception of University of Maine System revenue bonds issued in FY17, UMPI has not acquired any significant new debt since FY04. A special State of Maine appropriation is funding the debt service related to the 2017 debt issuance.

Composite Financial Index

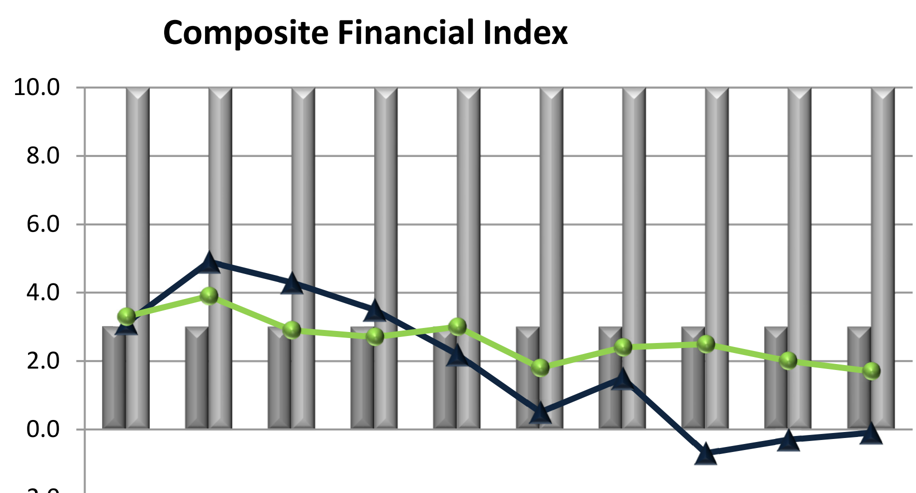
The Composite Financial Index (CFI) creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into 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.

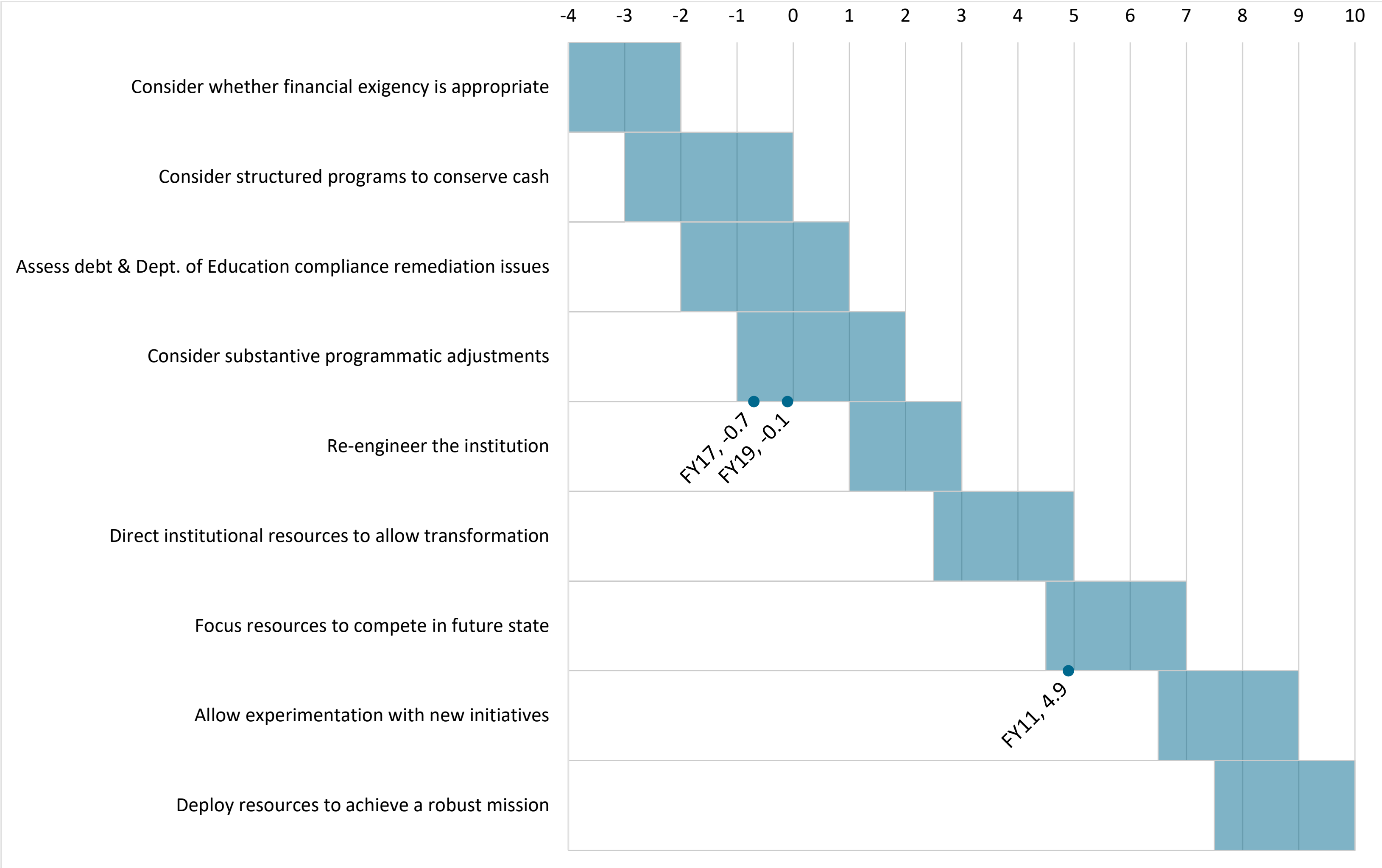
In FY19, UMPI's CFI score remains negative but increased slightly from the prior year to -0.1.



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Low Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
High Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
UMPI Actual	3.1	4.9	4.3	3.5	2.2	0.5	1.5	-0.7	-0.3	-0.1
UMS Actual	3.3	3.9	2.9	2.7	3.0	1.8	2.4	2.5	2.0	1.7

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 UMPI's highest (FY11), lowest (FY17) and most recent CFI scores to assist in evaluating UMPI's performance.



CFI Calculation										
Fiscal Year	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
+ Primary Reserve Ratio	0.25	0.31	0.32	0.32	0.26	0.13	0.15	0.01	0.02	0.05
/ 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 **	***1.88***	***2.33***	***2.41***	***2.41***	***1.95***	***0.98***	***1.13***	***0.08***	***0.15***	***0.38***
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	**0.66**	**0.82**	**0.84**	**0.84**	**0.68**	**0.34**	**0.40**	**0.03**	**0.05**	**0.13**
+ Net Operating Revenues Ratio	0.61%	2.54%	-0.17%	-3.13%	-13.00%	-17.95%	-2.73%	-4.64%	-3.21%	-5.39%
/ 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 **	***0.87***	***3.63***	***-0.24***	***-4.00***	***-4.00***	***-4.00***	***-3.90***	***-4.00***	***-4.00***	***-4.00***
X Weighting Factor ***	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Ratio Score	**0.09**	**0.36**	**-0.02**	**-0.40**	**-0.40**	**-0.40**	**-0.39**	**-0.40**	**-0.40**	**-0.40**
+ Return on Net Position Ratio	0.67%	7.81%	3.48%	-2.01%	-6.81%	-10.54%	-0.40%	-3.96%	-1.63%	-3.31%
/ 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 **	***0.34***	***3.91***	***1.74***	***-1.01***	***-3.41***	***-4.00***	***-0.20***	***-1.98***	***-0.82***	***-1.66***
X Weighting Factor ***	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Ratio Score	**0.07**	**0.78**	**0.35**	**-0.20**	**-0.68**	**-0.80**	**-0.04**	**-0.40**	**-0.16**	**-0.33**
+ Viability Ratio	2.69	3.45	3.71	3.87	3.15	1.58	1.86	0.07	0.26	0.59
/ 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 **	***6.45***	***8.27***	***8.90***	***9.28***	***7.55***	***3.79***	***4.46***	***0.17***	***0.62***	***1.41***
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	**2.26**	**2.89**	**3.12**	**3.25**	**2.64**	**1.33**	**1.56**	**0.06**	**0.22**	**0.49**
Composite Financial Index	**3.1**	**4.9**	**4.3**	**3.5**	**2.2**	**0.5**	**1.5**	**-0.7**	**-0.3**	**-0.1**

* = 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.

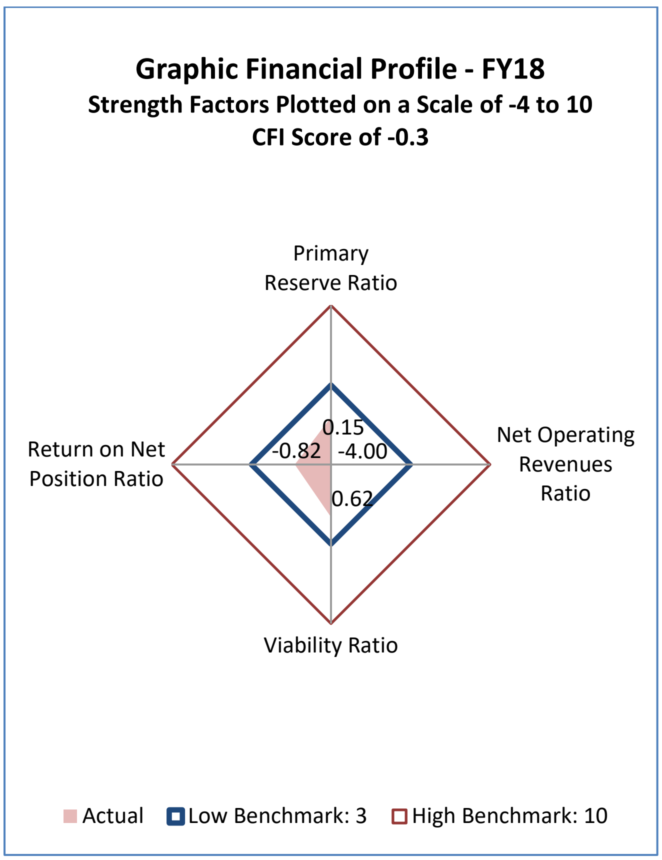
Graphic Financial Profile

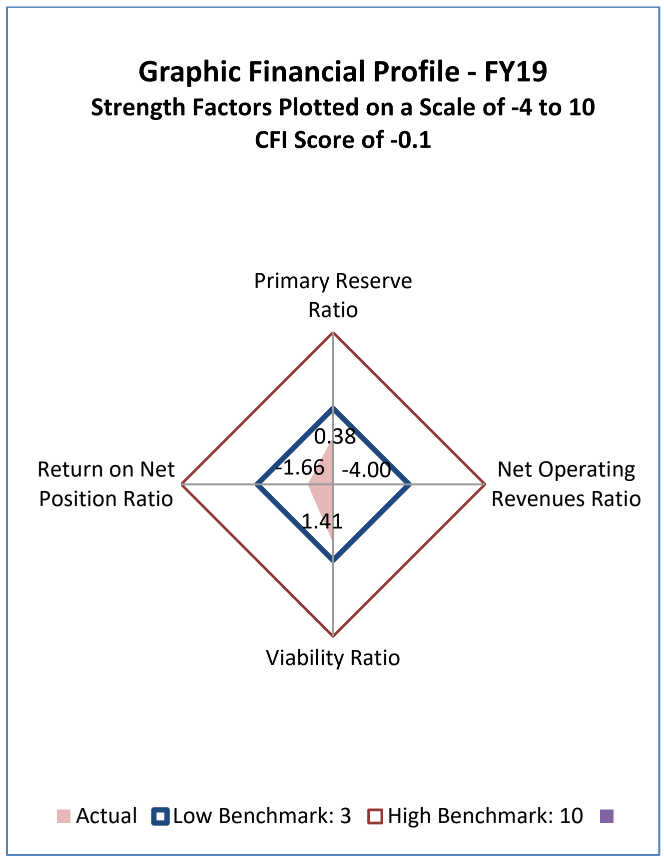
The strength factors that were used in calculating the CFI can be mapped on a diamond to show the shape of an institution's financial health compared to the industry benchmarks. This Graphic Financial Profile can assist management in determining whether a weakness in one ratio is offset by strength in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

- The center point of the graphic financial profiles is -4, the lowest possible score on the scale.
- The smaller, heavily lined diamond in the graphs 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.
- The actual values of UMPI's ratio strength factors are plotted and shaded to show how UMPI's health compares with the low (3) and high (10) industry benchmarks.

UMPI Graphic Financial Profiles FY18 and FY19

The shape of UMPI's FY19 graphic financial profile is very thin as UMPI again experienced a loss from operations at the minimum point of -4 on the scale, and a loss on net position.

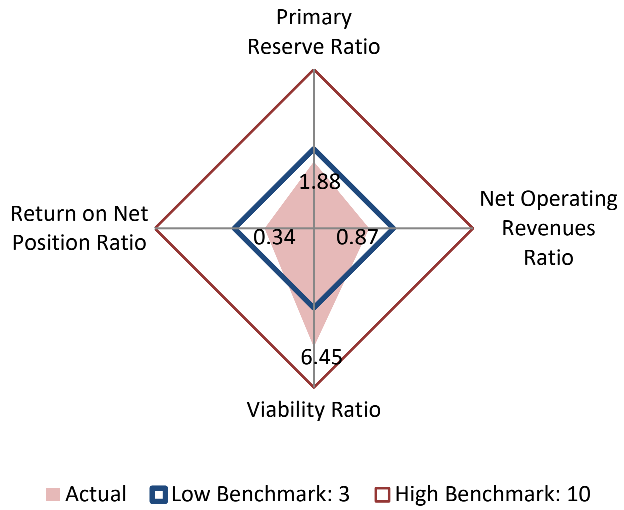




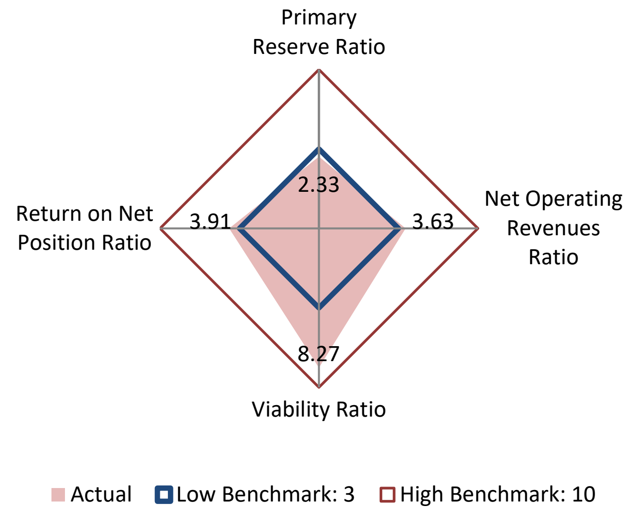
UMPI Graphic Financial Profiles FY10 to FY17

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

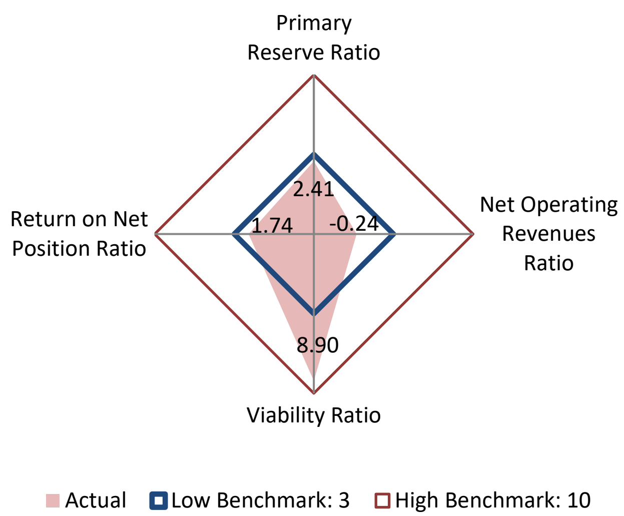
Graphic Financial Profile - FY10
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of 3.1



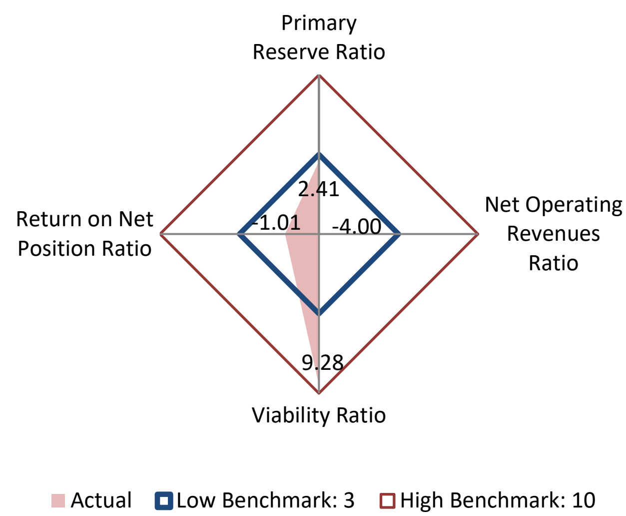
Graphic Financial Profile - FY11
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of 4.9



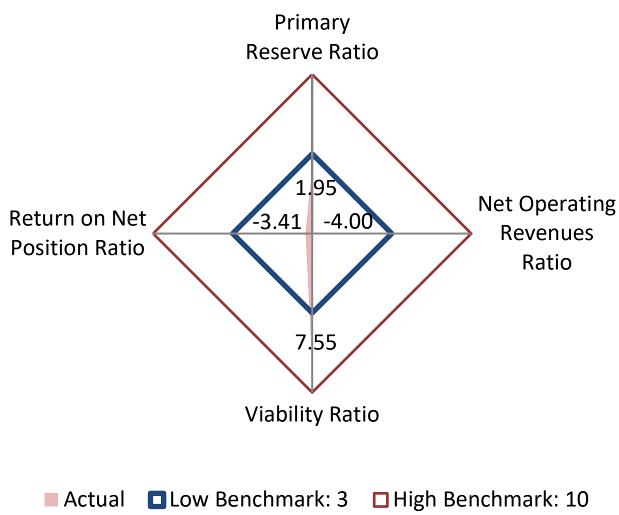
Graphic Financial Profile - FY12
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of 4.3



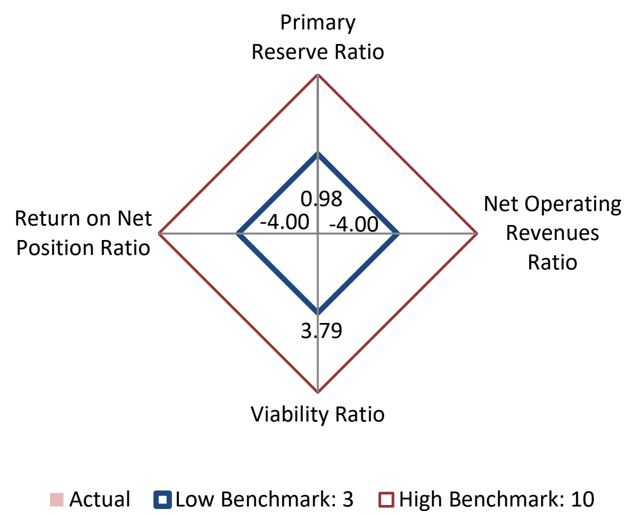
Graphic Financial Profile - FY13
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of 3.5



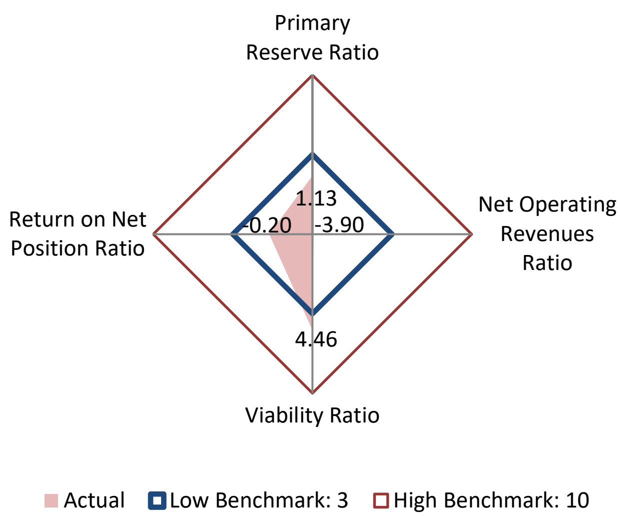
Graphic Financial Profile - FY14
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of 2.2



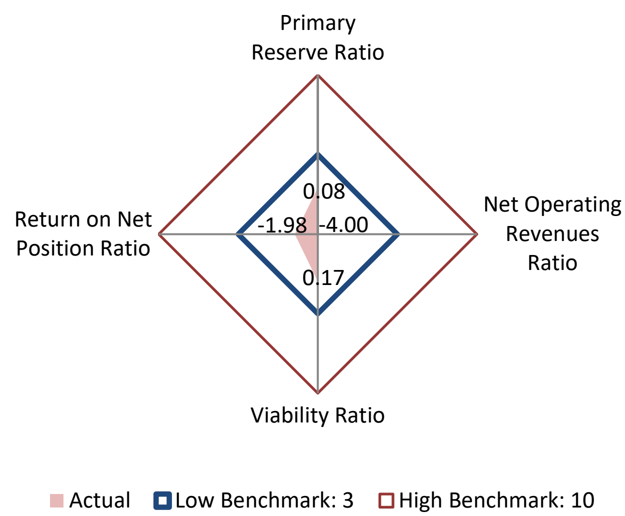
Graphic Financial Profile - FY15
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of .5



Graphic Financial Profile - FY16
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of 1.5



Graphic Financial Profile - FY17
Strength Factors Plotted on a Scale of -4 to 10
CFI Score of -0.7



UMPI Financial Highlights FY10 to FY18

We have compiled the following financial highlights from prior years' reports as a resource in understanding the ratios presented in this report for prior fiscal years.

Primary Reserve Ratio

The items impacting the Net Operating Revenues Ratio impact this ratio, as total expenses are factored into both ratios and the amount of return on operating revenues excluding depreciation expense closes to expendable net position. Therefore, please see the discussion of the Net Operating Revenues Ratio later on this page.

FY10: Expendable net position increased as UMPI increased operating revenues and reduced operating expenses. Also, a minimal amount of unrestricted net position was used to fund capital construction.

FY11: UMPI's Primary Reserve Ratio increased again in FY11 as UMPI experienced significantly higher operating and endowment returns than in FY10. State of Maine capital appropriations and capital grants and gifts were available to UMPI in FY11 to fund capital construction; therefore, the amount of unrestricted net position needed to fund such activities was minimal.

FY12: Despite negative endowment returns, UMPI's Primary Reserve Ratio increased slightly in FY12 as UMPI experienced a positive return from operations after adding back depreciation which impacts net position invested in capital assets rather than expendable net position.

FY13: UMPI's Primary Reserve Ratio remained unchanged from the prior year as the increase in expendable net position was offset by an increase in expenses. UMPI used less than $100 thousand of unrestricted net position for construction in FY13.

FY14: The $1.6 million decrease in UMPI's unrestricted net position from FY13 to FY14 is attributable to a loss from operations. See the discussion of the Net Operating Revenues Ratio later on this page for more information.

FY15: The decrease in UMPI's expendable net position from FY14 is attributable to negative returns from operations and endowments. No unrestricted net position was used for capital construction as $575 thousand of State of Maine capital appropriation monies was available.

FY16: Unrestricted expendable net position increased as UMPI experienced a positive return from operations after adding back depreciation which impacts net position invested in capital assets rather than expendable net position. Negative endowment returns contributed to the decrease from the prior year in restricted expendable net position.

FY17: UMPI's expendable net position was at a 10-year low even before net position was restated and reduced by $2.5 million for the implementation of a new accounting standard related to post-employment health costs. This restatement combined with the loss from operations were the primary contributors to the decline in expendable net position from FY16 to FY17. Endowment returns were positive in FY17, contributing to the increase in restricted expendable net position over the prior year.

FY18: UMPI's total expendable net position made a slight improvement from the ten-year low experienced in FY17 as UMPI experienced a small positive return from unrestricted operations (operating revenues – operating expenses + depreciation expense + net nonoperating revenues). However, the unrestricted portion of expendable net position remains negative. UMPI's total expenses increased just .5% from FY17 to FY18.

Net Operating Revenues Ratio

FY10: A 6.1% increase in operating revenues and slight decrease in operating expenses more than offset a decrease in nonoperating revenues; resulting in a positive net operating revenues ratio.

FY11: UMPI increased student fees revenue, utilized more of available State Fiscal Stabilization monies, and contained the growth in expenses to 1.5%.

FY12: Decreases in net student fees revenue, noncapital grants revenue, and State Fiscal Stabilization revenue combined with an increase in operating expenses, resulted in a negative return from operations in FY12.

FY13: UMPI's Net Operating Revenues Ratio was negative again, as operating revenues decreased primarily due to a drop in enrollments combined with a system-wide freeze of in-state tuition rates and mandatory unified fees. Operating expenses increased again in FY13, reaching an eight-year high.

FY14: The freeze on in-state tuition rates continued and enrollments declined again in FY14, resulting in a $1.1 million decrease from the prior year in gross tuition and fees revenue. UMPI also experienced a $157 thousand decline in residence and dining fees revenue and a $328 thousand decrease in noncapital transfers from UMSGUS. Nongrant and noncontract expenses (operating expenses + interest expense + scholarship allowance – grants and contracts expenses) only decreased $123 thousand.

FY15: The FY15 loss from operations is attributable to a reduction in revenues as expenses only increased $84 thousand from the prior year. Enrollment issues continued to plague UMPI in FY15 along with the continuing system-side freeze on in-state tuition. Net student fees decreased $741 thousand from the prior year and were partially offset by a $218 thousand increase in noncapital grants revenue and the related indirect cost recovery revenue. UMPI also experienced a $142 thousand decrease in noncapital State of Maine appropriations revenue.

FY16: A $1.7 million increase in noncapital transfers from UMSGUS was the primary contributor to the improvement in UMPI's Net Operating Revenues Ratio from FY15 to FY16. Net student fees revenue bounced back in FY16, increasing $170 thousand from the prior year despite the continuing freeze on in-state tuition rates. Noncapital State of Maine appropriations revenue increased $257 thousand, expendable gifts increased $438 thousand, and total expenses decreased $79 thousand.

FY17: UMPI's loss from operations increased from FY16 to FY17 as total operating and non-operating revenues decreased and expenses increased. A $672 thousand increase in noncapital State of Maine appropriations revenue, a $101 thousand increase in noncapital grants and contracts revenue, and a small $33 thousand increase in net student fees were not enough to offset reductions in several other revenues, including expendable gifts revenue, educational sales and services revenue, and noncapital transfers from UMSGUS.

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 UMPI 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: Although UMPI experienced a loss for FY18, the amount of the loss was smaller than the prior year as an increase in operating revenues outpaced the increase in operating expenses and the decrease in nonoperating revenues. The increase in operating revenues is primarily attributable to a $604 thousand increase in net student fees. The decrease in nonoperating revenues is primarily attributable to the net impact of a $978 thousand increase in noncapital State of Maine appropriations revenue and a $1.3 million decrease in noncapital transfers from UMSGUS.

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:

- Undistributed endowment returns impact UMPI's Return on Net Position Ratio every year; however, the impact has fluctuated significantly over the years with changes in the level of endowment returns:

Endowment Returns Net of Amount Used for Operations
$ in thousands

FY10	$49	**FY15**	($67)
FY11	$154	**FY16**	($84)
FY12	($70)	**FY17**	$75
FY13	$80	**FY18**	$31
FY14	$141	**FY19**	($22)

- Capital appropriation revenue from the State of Maine fluctuates with the availability of voter approved bond proceeds and the timing of UMPI's expenditure of those proceeds. UMPI has received this revenue in seven of the ten years presented:

FY10	$ --	**FY15**	$575
FY11	$220	**FY16**	$420
FY12	$255	**FY17**	$58
FY13	$ --	**FY18**	$36
FY14	$ --	**FY19**	$124

- With the exception of the following four years, capital grants and gifts have not been a significant revenue stream for UMPI: $1 million in FY11, $746 thousand in FY12, $242 thousand in FY14, $147 thousand in FY18 and $340 in FY19.

Viability Ratio

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

University of Maine at Presque Isle

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	$8,174	$8,552	$8,402	$8,179	$7,041	$6,274	$6,493	$6,830	$7,631	$7,710
Residence and dining fees:	1,862	2,126	2,142	2,117	1,960	1,845	2,132	2,111	1,986	2,166
Less: scholarship allowances:	(3,041)	(3,464)	(3,401)	(3,240)	(3,215)	(3,074)	(3,410)	(3,693)	(3,765)	(3,925)
Net student fees	6,995	7,214	7,143	7,056	5,786	5,045	5,215	5,248	5,852	5,951
Federal, state, and private grants and contracts	4,776	4,892	4,924	4,931	4,295	4,438	4,366	4,467	4,507	4,617
Recovery of indirect costs	101	137	160	191	117	192	157	146	154	139
Educational sales and service	834	823	692	654	852	818	923	725	749	731
Other auxiliary enterprises	550	531	524	455	159	137	78	78	58	44
Interest income on loans	18	18	21	16	17	20	21	24	20	18
Total Operating Revenues	13,274	13,615	13,465	13,303	11,225	10,649	10,760	10,688	11,340	11,501
OPERATING EXPENSES										
Instruction	6,372	5,817	5,989	6,091	6,013	5,641	5,390	5,240	5,286	5,602
Research	33	16	28	24	15	17	38	65	82	67
Public service	1,390	1,220	1,406	1,516	1,429	1,395	1,431	1,475	1,521	1,545
Academic support	1,837	1,896	1,924	1,944	1,907	1,973	1,865	1,897	1,861	1,904
Student services	2,453	2,821	2,659	2,610	2,440	3,197	3,141	3,133	3,118	3,254
Institutional support	1,836	1,908	1,964	1,965	2,175	1,899	2,359	2,602	2,612	2,573
Operation and maintenance of plant	1,840	2,076	2,067	2,345	2,309	2,369	2,245	2,138	2,498	2,376
Depreciation and amortization	776	764	806	850	843	855	894	921	987	900
Student aid	1,124	1,282	1,257	1,198	988	971	1,077	811	827	861
Auxiliary	2,335	2,501	2,498	2,500	2,209	2,104	1,904	2,227	1,807	1,989
Total Operating Expenses	19,997	20,300	20,598	21,043	20,330	20,420	20,341	20,507	20,599	21,070
Operating Income (Loss)	(6,723)	(6,684)	(7,133)	(7,740)	(9,106)	(9,771)	(9,580)	(9,819)	(9,259)	(9,570)
NONOPERATING REVENUES (EXPENSE)										
Noncapital State of Maine appropriations	6,441	6,408	6,375	6,484	6,460	6,318	6,575	7,247	8,225	7,643
State Fiscal Stabilization Program	234	478	10	-	-	-	-	-	-	-
Gifts currently expendable	37	170	135	105	101	111	549	142	128	322
Endowment income distributed for operations	59	52	46	48	45	54	57	59	58	57
Investment income	11	1	2	1	-	-	2	4	19	24
Interest expense	(79)	(77)	(75)	(70)	(49)	(43)	(43)	(44)	(54)	(53)
Other nonoperating expenses	-	-	-	-	-	-	-	-	-	-
Noncapital transfers	143	183	603	532	204	217	1,899	1,498	240	496
Net Nonoperating Revenue (Expense)	6,846	7,216	7,097	7,099	6,761	6,657	9,039	8,907	8,617	8,489
Income Before Other Changes in Net Assets	124	532	(36)	(641)	(2,344)	(3,114)	(542)	(912)	(642)	(1,081)
OTHER CHANGES IN NET ASSETS										
State of Maine capital appropriations	-	220	255	-	-	575	420	58	36	124
Capital grants and gifts	29	1,005	746	-	242	-	2	5	147	340
Endowment return, net of amount used for operations	49	154	(70)	80	141	(67)	(84)	75	31	(22)
Endowment gifts	-	-	-	-	101	-	-	-	-	-
Gain on disposal of capital assets and other changes	-	-	-	-	-	-	-	-	(122)	(297)
Capital transfers	(38)	3	23	11	40	(21)	113	(7)	243	322
Total Other Changes in Net Assets	40	1,382	955	91	524	487	452	132	334	466
Increase (Decrease) in Net Assets	163	1,914	918	(550)	(1,820)	(2,626)	(90)	(780)	(308)	(615)
NET POSITION										
Net Position - beginning of year	24,329	24,492	26,406	27,324	26,735	24,916	22,289	19,690	18,910	18,602
Net Position - end of year	$24,492	$26,406	$27,324	$26,774	$24,916	$22,289	$22,199	$18,910	$18,602	$17,987