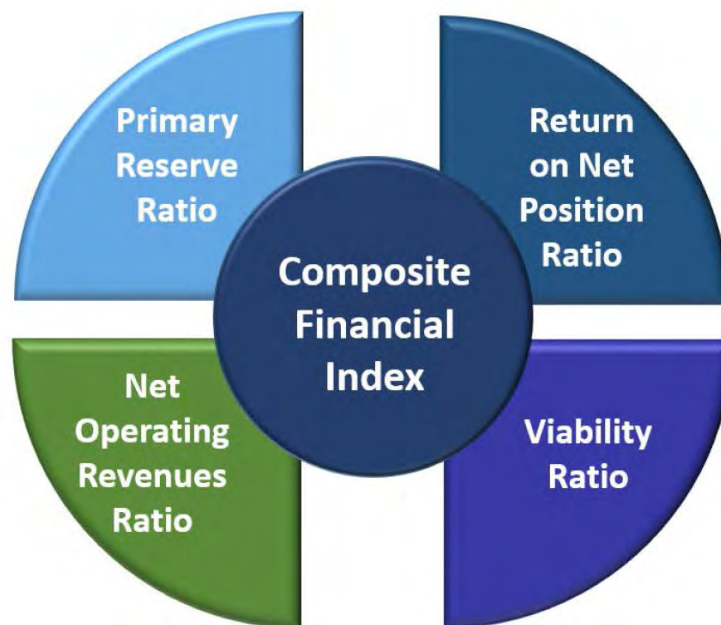




FY2020 Core Financial Ratios and Composite Financial Index



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Introduction

The financial health of the University of Maine at Farmington (UMF) can be evaluated using 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. Ratios presented for the University of Maine System (UMS) were obtained from the separately prepared “Core Financial Ratios and Composite Financial Index” report prepared for the UMS.

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 UMF’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

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:

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

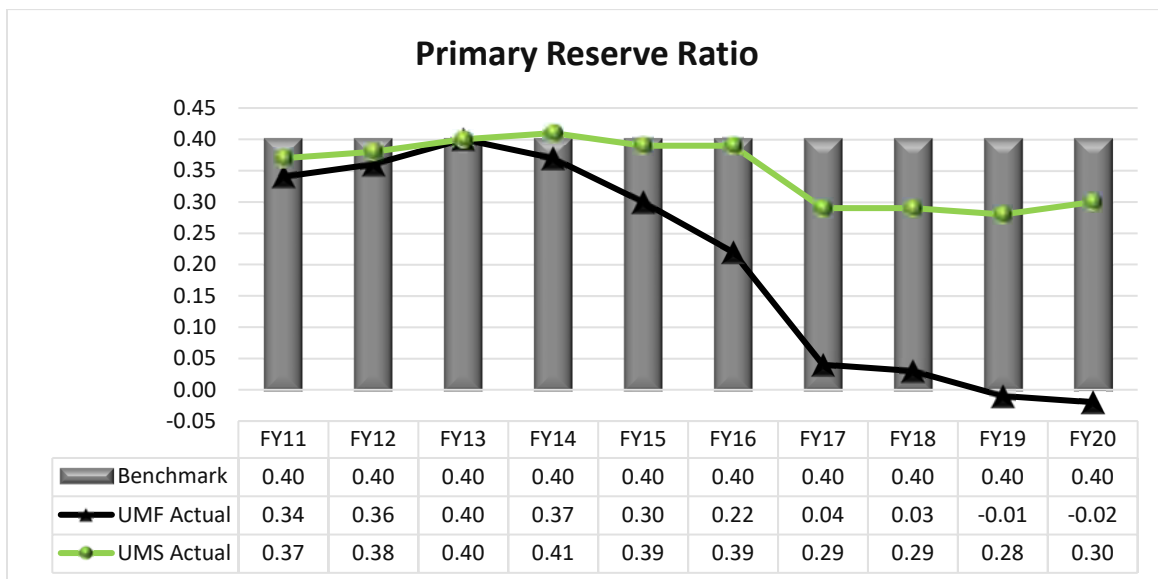
* Excluding net position restricted for capital investments

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.

UMF’s FY20 Primary Reserve Ratio of -0.02x does not provide any expense coverage. UMF’s ratio has been steadily trending down since the significant decrease experienced from FY16 to FY17 when the new accounting standard related to post employment health was implemented. See page 16 for more information on this accounting standard.



Primary Reserve Ratio Components										
\$ in thousands										
	<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>	<u>FY20</u>
Unrestricted expendable net position	\$8,465	\$9,747	\$9,869	\$7,142	\$5,074	\$3,301	(\$5,582)	(\$6,662)	(\$9,174)	\$(11,085)
Restricted expendable net position	\$6,567	\$6,152	\$7,127	\$8,481	\$7,749	\$6,848	\$7,662	\$7,981	\$8,885	\$10,127
Total expendable net position	\$15,032	\$15,899	\$16,996	\$15,623	\$12,823	\$10,149	\$2,080	\$1,319	(\$289)	(\$958)
Total expenses	\$44,179	\$43,743	\$43,006	\$42,766	\$42,765	\$45,199	\$47,209	\$48,211	\$49,049	\$50,148

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

Unrestricted expendable net position decreased \$1.9 million from FY19 to FY20 as UMF utilized \$1.3 million to pay budgeted debt service on outstanding long-term debt and an additional \$457 thousand on capital construction costs. UMF's restricted expendable net position increased \$1.2 million from FY19 to FY20 primarily due to new, unexpended gifts benefiting the Catalyst Fund.

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:

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

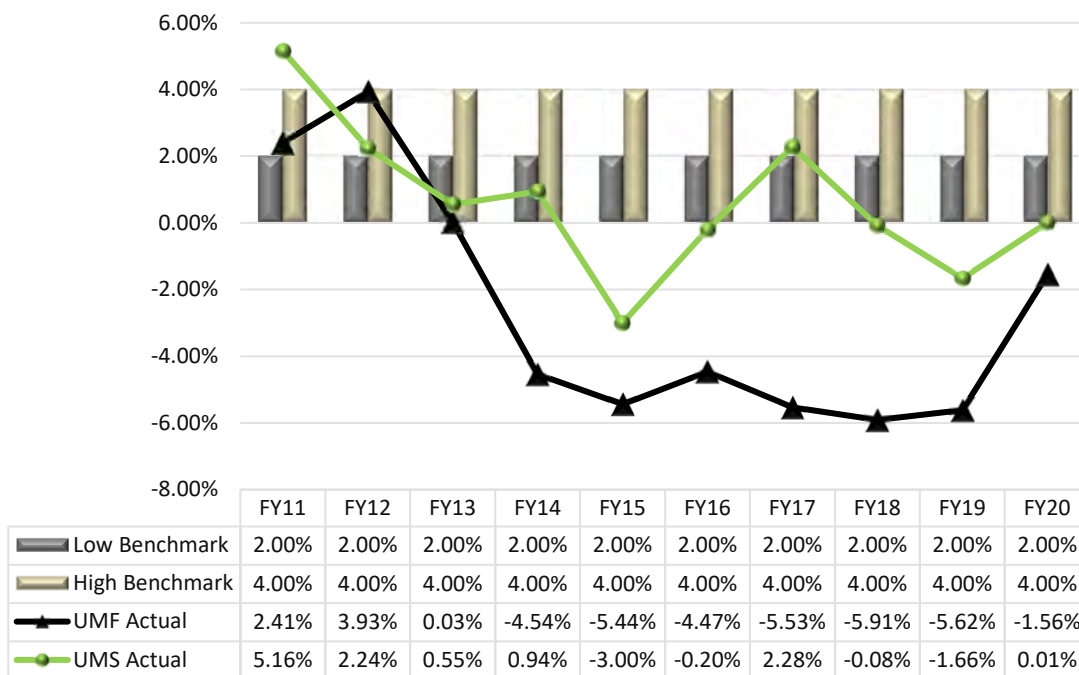
A target of at least 2% to 4% is a goal over an extended time period, although fluctuations from year to year are likely. A key consideration for institutions establishing a benchmark for this ratio would be the anticipated growth in total expenses.

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 FY20, UMF experienced a negative Net Operating Revenues Ratio for a seventh consecutive year, but at -1.56%, UMF’s FY20 ratio was significantly improved from the FY19 rate of -5.62%.

Net Operating Revenues Ratio



Net Operating Revenues Ratio Components
\$ in thousands

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Operating revenues	\$33,652	\$34,375	\$31,796	\$29,644	\$29,119	\$30,877	\$31,079	\$31,535	\$31,365	\$29,333
Operating expenses	(\$43,769)	(\$43,361)	(\$42,671)	(\$42,508)	(\$42,537)	(\$44,875)	(\$46,774)	(\$47,785)	(\$48,634)	(\$49,755)
Operating loss	(\$10,117)	(\$8,986)	(\$10,875)	(\$12,864)	(\$13,418)	(\$13,998)	(\$15,695)	(\$16,250)	(\$17,270)	(\$20,421)
Net nonoperating revenues	\$11,206	\$10,776	\$10,886	\$11,007	\$11,213	\$12,062	\$13,223	\$13,561	\$14,659	\$19,651
Operating income (loss) plus net non-operating revenues (expenses)	\$1,089	\$1,790	\$11	(\$1,857)	(\$2,205)	(\$1,936)	(\$2,472)	(\$2,689)	(\$2,611)	(\$770)
Operating revenues plus non-operating revenues	\$45,268	\$45,533	\$43,017	\$40,909	\$40,560	\$43,263	\$44,737	\$45,522	\$46,439	\$49,377

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

A global pandemic occurred during the last quarter of FY20 and UMF and the other campuses within the UMS sent students home in mid-March and moved classes to online delivery for the remainder of the semester. Campuses remained closed through the end of the fiscal year, resulting in the cancellation of services and programs that are key in supporting the universities' operating budgets.

The primary factor in the \$2 million or 6.5% decrease in total operating revenues from FY19 to FY20, was \$1.6 million in room and board refunds to the students sent home early in response to the pandemic.

Total nonoperating revenues increased \$5 million or 33% from FY19 to FY20 as UMF received an additional \$863 thousand in State of Maine noncapital appropriations, nearly \$2 million in federal CARES Act funding to address the pandemic (used for scholarships and refunds), \$1.2 million in additional gifts, and an additional \$862 thousand in noncapital transfers from UMSGUS/other campuses.

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:

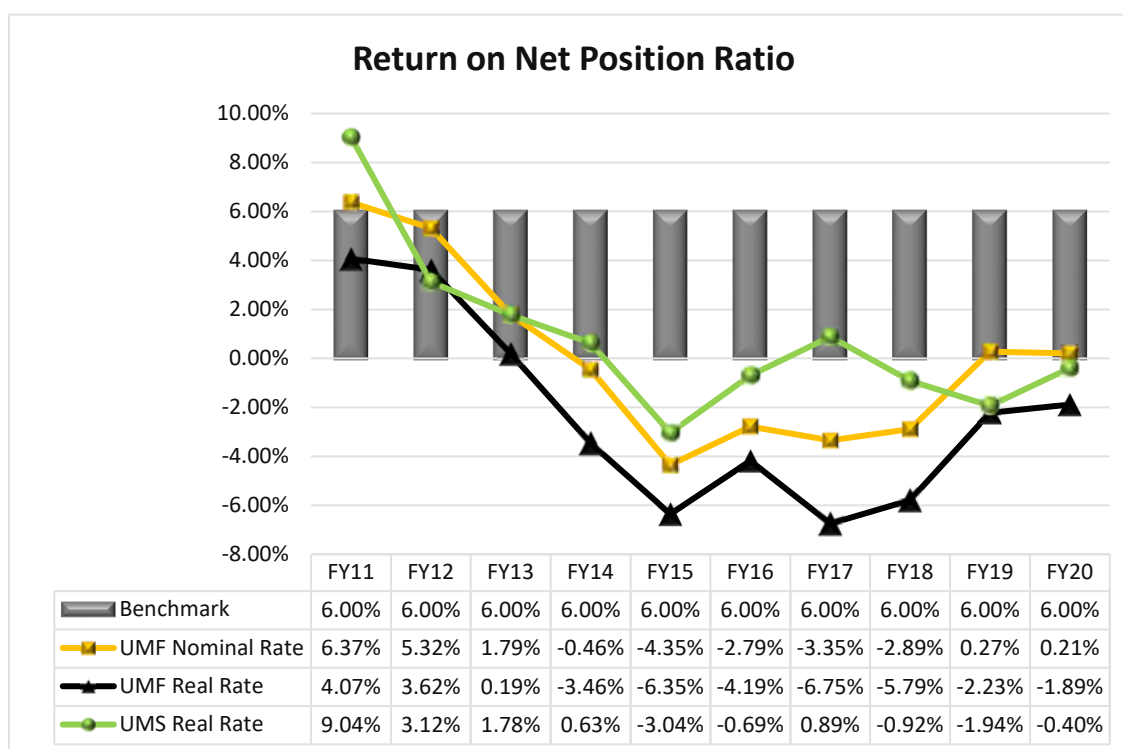
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

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 (HEPI). Publishers of the HEPI sometimes revise data for prior years as new information becomes available. The real rates presented below reflect the HEPI inflation factors published for August 31, 2020 and may differ from rates presented in previous years' reports.

At .21%, UMF's FY20 nominal return on net position decreased slightly from FY19. This positive return did not; however, keep pace with inflation, and UMF experienced a real rate of return of -1.89%.



Return on Net Position Ratio Components										
\$ in thousands										
	<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>	<u>FY20</u>
Operating income (loss) plus net non-operating revenues (expenses)	\$1,089	\$1,790	\$11	(\$1,857)	(\$2,205)	(\$1,936)	(\$2,472)	(\$2,689)	(\$2,611)	(\$770)
Other changes in net position	\$2,208	\$1,142	\$1,025	\$1,585	(\$344)	\$369	\$857	\$1,341	\$2,731	\$865
Change in total net position	\$3,297	\$2,932	\$1,036	(\$272)	(\$2,549)	(\$1,567)	(\$1,615)	(\$1,347)	\$121	\$94
Total net position (beginning of year)	\$51,796	\$55,093	\$58,026	\$58,906	\$58,633	\$56,085	\$48,156	\$46,541	\$45,194	\$45,315

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

In FY20, UMF experienced a positive return on net position for a second straight year. The positive return for both years is attributable to 'other changes in net position'. As can be seen in the above table, the other changes in net position line can fluctuate greatly from year to year. The reduction from FY19 to FY20 is mainly attributable to a \$1.1 million decrease in endowment gifts.

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:

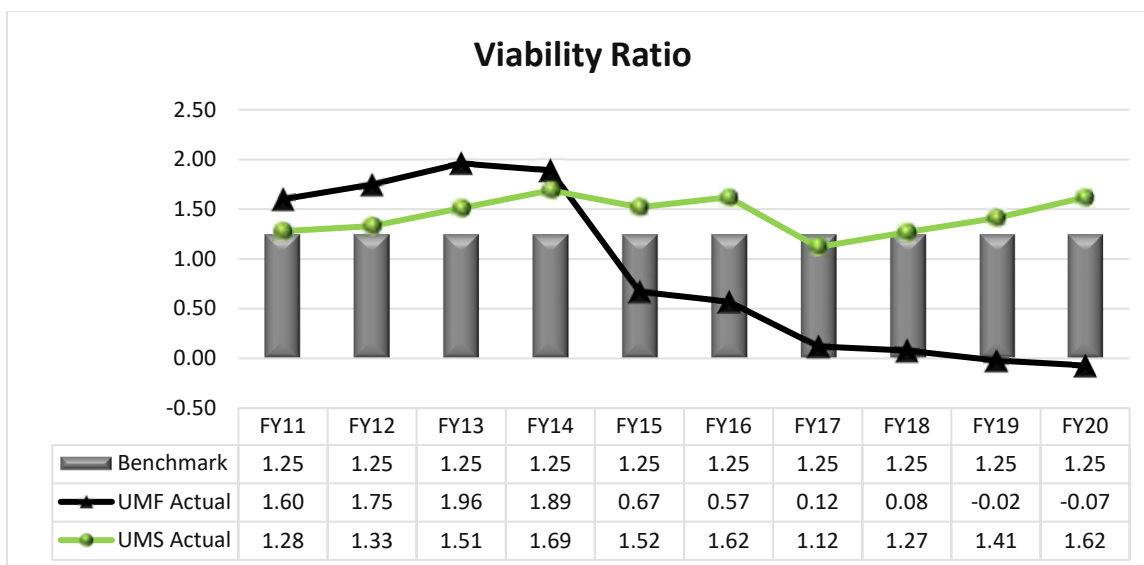
- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

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

In FY14, UMF’s Viability Ratio was 1.89x and surpassed the industry benchmark of 1.25x. UMF’s ratio has decreased each year since then and dropped to -0.07x in FY20.



Viability Ratio Components										
\$ in thousands										
	<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>	<u>FY20</u>
Unrestricted expendable net position	\$8,465	\$9,747	\$9,869	\$7,142	\$5,074	\$3,301	(\$5,582)	(\$6,662)	(\$9,174)	(\$11,085)
Restricted expendable net position	\$6,567	\$6,152	\$7,127	\$8,481	\$7,749	\$6,848	\$7,662	\$7,981	\$8,885	\$10,127
Total expendable net position	\$15,032	\$15,899	\$16,996	\$15,623	\$12,823	\$10,149	\$2,080	\$1,319	(\$289)	(\$958)
Long-term debt	\$9,367	\$9,075	\$8,682	\$8,257	\$19,131	\$17,894	\$17,231	\$16,106	\$14,893	\$13,610

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.

Composite Financial Index

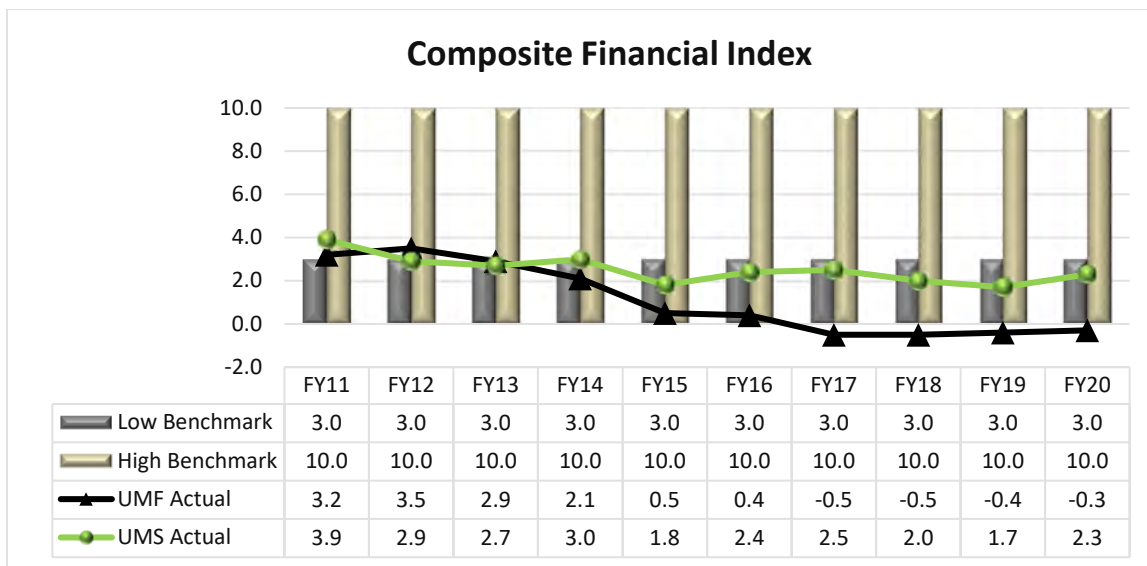
The Composite Financial Index (CFI) creates one overall financial measurement of the institution’s health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into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

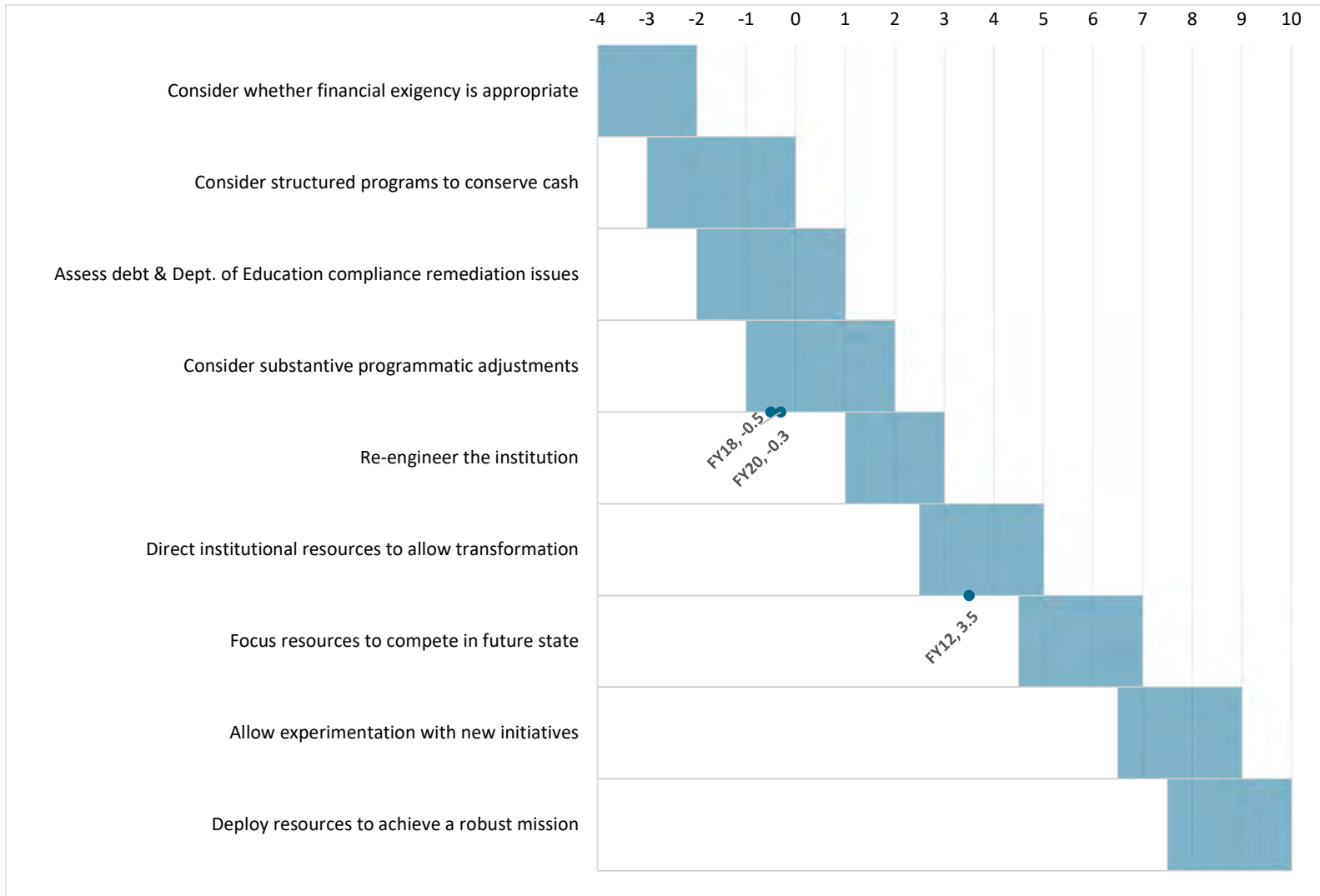
A score of 1.0 indicates very little financial health; 3, the low benchmark, represents a relatively stronger financial position; and 10 is the top of the scale.

At -.3, UMF’s FY20 CFI score is basically unchanged from the previous fiscal year.



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 UMF’s highest (FY12), lowest (FY18) and most recent CFI scores to assist in evaluating UMF’s performance.



CFI Calculation										
Fiscal Year	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
+ Primary Reserve Ratio	0.34	0.36	0.40	0.37	0.30	0.22	0.04	0.03	-0.01	-0.02
/ 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 **	2.56	2.71	3.01	2.78	2.26	1.65	0.30	0.23	-0.08	-0.15
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	0.90	0.95	1.05	0.97	0.79	0.58	0.11	0.08	-0.03	-0.05
+ Net Operating Revenues Ratio	2.41%	3.93%	0.03%	-4.54%	-5.44%	-4.47%	-5.53%	-5.91%	-5.62%	-1.56%
/ 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 **	3.44	5.61	0.04	-4.00	-4.00	-4.00	-4.00	-4.00	-4.00	-2.23
X Weighting Factor ***	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Ratio Score	0.34	0.56	0.00	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.22
+ Return on Net Position Ratio	6.37%	5.32%	1.79%	-0.46%	-4.35%	-2.79%	-3.35%	-2.89%	0.27%	0.21%
/ 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 **	3.19	2.66	0.90	-0.23	-2.18	-1.40	-1.68	-1.45	0.14	0.11
X Weighting Factor ***	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Ratio Score	0.64	0.53	0.18	-0.05	-0.44	-0.28	-0.34	-0.29	0.03	0.02
+ Viability Ratio	1.60	1.75	1.96	1.89	0.67	0.57	0.12	0.08	-0.02	-0.07
/ 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 **	3.84	4.20	4.70	4.53	1.61	1.37	0.29	0.19	-0.05	-0.17
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	1.34	1.47	1.65	1.59	0.56	0.48	0.10	0.07	-0.02	-0.06
Composite Financial Index	3.2	3.5	2.9	2.1	0.5	0.4	-0.5	-0.5	-0.4	-0.3

* = 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.

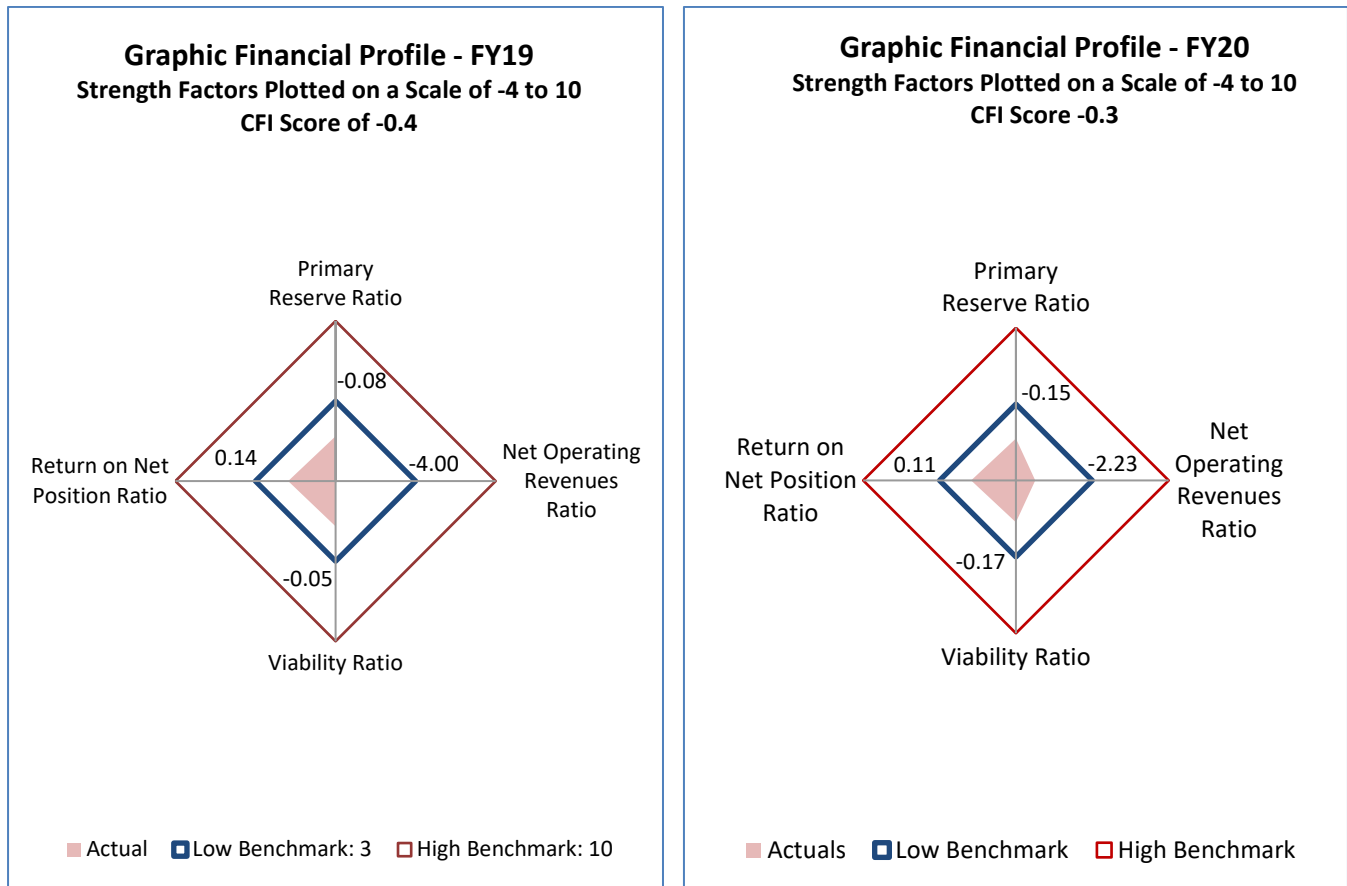
Graphic Financial Profile

The strength factors 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 UMF’s ratio strength factors to show how UMF’s health compares with the low (3) and high (10) industry benchmarks.

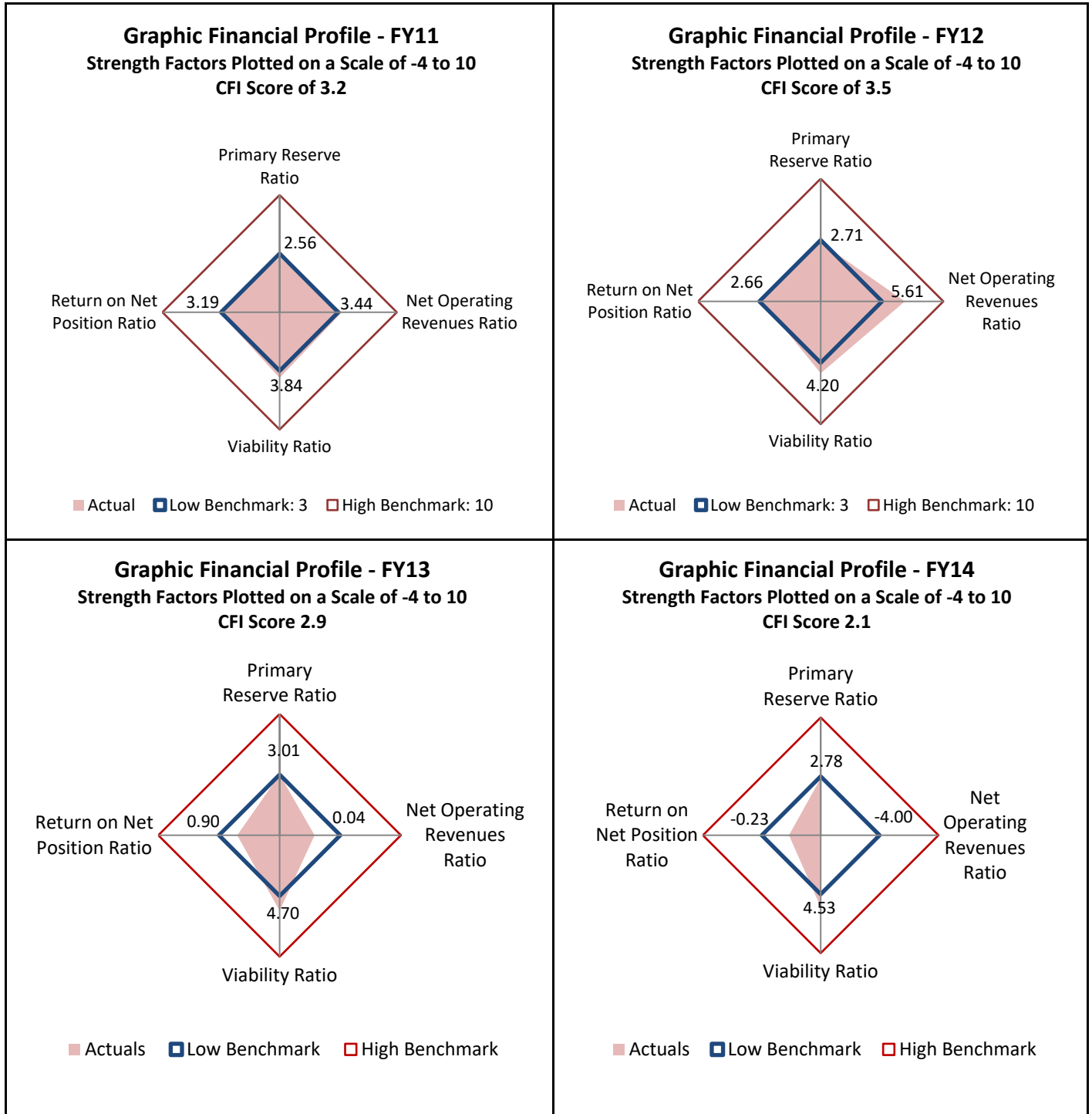
Graphic Financial Profiles FY19 and FY20

The shape of UMF’s FY20 graphic financial profile has moved marginally to the right as UMF experienced an improved net operating revenues ratio. The shape has basically been the same since FY14.



Graphic Financial Profiles FY11 to FY18

Changes in the shape of UMF’s graphic financial for FY11 thru FY18 can be seen below and on the next page.





UMF Financial Highlights FY11 - FY19

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

Prior Adoption of New Accounting Standard – Impact on FY17 Results

As required by generally accepted accounting principles, in FY18 the 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 UMF's originally reported FY17 revenues and expenses; however, the restatement did include a \$6.4 million decrease in UMF's originally reported FY17 beginning of year expendable net position; thus, significantly impacting UMF'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

FY11: A high endowment return was the primary contributor to the ratio increase as operating results were lower than in FY10 and more unrestricted net position was used for capital construction than in FY10.

FY12: UMF decreased expenses, increased its return on operations, and utilized less expendable net position on capital construction, resulting in an increase in its Primary Reserve Ratio.

FY13: A high endowment return is the primary contributor to the increase in UMF's Primary Reserve Ratio. Despite a \$737 thousand decrease in total expenses, the return from operations decreased \$1.8 million from FY12.

FY14: UMF's expenses decreased from FY13 to FY14; however, expendable net position decreased as positive endowment returns were outpaced by a negative return from operations and the utilization of \$2.1 million of unrestricted expendable net position for capital construction, including \$942 thousand for a geothermal well field project and \$476 thousand for the Merrill Hall Boiler Replacement project.

FY15: Expenses remained flat, but expendable net position decreased \$2.8 million as UMF experienced negative endowment returns and a loss from operations and utilized

\$1.3 million of unrestricted expendable net position for capital construction, including \$928 thousand for the Dearborn Gym Renovation project and \$234 thousand for the South Dining Hall Beam Replacement project.

FY16: UMF again experienced negative endowment returns and a loss from operations. They also used \$613 thousand of unrestricted expendable net position to fund capital construction, including \$453 thousand for the Lockwood 1st Floor project.

FY17: UMF's restricted expendable net position increased from FY16 to FY17 primarily due to positive endowment returns. Prior to restatement of FY17, unrestricted net position decreased \$2.5 million or 80% as UMF

- incurred a small loss from unrestricted operations (after adding back depreciation expense which closes to invested in plant);
- utilized \$1 million to fund capital construction, including \$481 thousand for the Prescott Field Acquisition project and \$122 thousand for the Card Access project; and
- utilized \$900 thousand to pay budgeted debt service on outstanding long-term debt.

Pursuant to the implementation of GASB No. 75, UMF's FY17 opening unrestricted expendable net position was reduced by \$6.4 million, resulting in the FY17 Primary Reserve Ratio falling to 0.04x from 0.22x in FY16.

FY18: UMF's restricted expendable net position increased from FY17 to FY18 primarily due to positive endowment returns. Unrestricted net position; however, decreased \$1.1 million as UMF

- incurred a small loss from unrestricted operations (after adding back depreciation expense which closes to invested in plant),
- utilized \$408 thousand to fund capital construction, and
- utilized \$952 thousand to pay budgeted debt service on outstanding long-term debt.

FY19: Unrestricted net position decreased \$2.5 million from FY18 to FY19 as UMF incurred a small loss from unrestricted operations (after adding back depreciation expense which closes to invested in plant) and utilized \$1.1 million to pay budgeted debt service on outstanding long-term debt. UMF's restricted expendable net position increased \$904 thousand from FY18 to FY19 primarily due to a single gift of just over \$1 million to benefit UMF's 'Catalyst Fund'.

Net Operating Revenues Ratio

FY11: A 1.5% increase in operating revenues from the prior year was outpaced by a 2.8% increase in expenses, primarily in the areas of academic support, operations and maintenance, student aid, and auxiliary.

FY12: UMF reduced its operating expenses and increased its operating revenues to offset the loss of State Fiscal Stabilization monies.

FY13: Total expenses decreased \$737 thousand; however, total operating and nonoperating revenues decreased \$2.5 million or 5.5%. A freeze of in-state tuition rates combined with a drop in enrollment resulted in a \$1.6 million decrease in net student fees revenue.

FY14: Net student fees revenue decreased \$1.8 million or 8.35% from FY13 as the combination of a freeze of in-state tuition rates and a drop in enrollment had a major impact on UMF's operating results for a second consecutive year.

FY15: The freeze on in-state tuition rates remained in effect and UMF's net student fees revenues declined for a third consecutive year. The decline from FY14 to FY15 was \$714 thousand compared with the \$1.8 million decrease from FY13 to FY14. Expenses were flat from FY14 to FY15.

FY16: The freeze on in-state tuition rates remained in effect and UMF's net student fees revenues declined just \$76 thousand. Both overall operating revenues and non-operating revenues increased from the prior year, but could not keep pace with the \$2.4 million or 6% increase in expenses.

FY17: FY17 operating plus non-operating revenues were the highest they have been since FY12; however, they could not cover total expenses, which were at a ten-year high.

FY15/FY16/FY17: Although the exact impact on this ratio is not readily determinable, please note 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 UMF 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: FY18 operating plus non-operating revenues were the highest they have been since FY12 and increased \$785 thousand over the FY17 total. This increase in revenue was not enough; however, to cover the \$1 million increase in operating expenses.

FY19: At \$46.4 million, FY19 total operating plus nonoperating revenues were at a ten-year high and increased \$917 thousand over the FY18 total. Much of the increase is related to a gift in excess of \$1 million received in FY19. Operating expenses increased \$849 thousand, primarily in the areas of instruction and institutional support costs.

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 UMF'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

FY11	\$1,322	FY16	(\$885)
FY12	(\$624)	FY17	\$767
FY13	\$899	FY18	\$336
FY14	\$1,463	FY19	(\$217)
FY15	(\$648)	FY20	(\$484)

- State of Maine Capital appropriations revenue fluctuates with the availability of voter approved bond proceeds and the timing of UMF's expenditure of those proceeds. Over the past ten years, UMF has received some level of this revenue in all years except FY13 and FY14.
- UMF has had capital grants and gifts revenue in only three of the ten years presented: \$120 thousand in FY16, \$1 thousand in FY19, and \$7 thousand in FY20.
- UMF received endowment gifts in each of the ten years presented in this report. Notable gift totals are \$646 thousand for FY11, \$1.5 million for FY12, \$716 thousand in FY18, and \$1.2 million in FY19. The FY12 total included a \$1.3 million gift of assets from the University of Maine at Farmington Alumni Foundation upon its dissolution.

Viability Ratio

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

University of Maine at Farmington

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2011 to 2020

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	RESTATED 2017	2018	2019	2020
OPERATING REVENUES										
Tuition and fees	\$20,953	\$21,491	\$20,364	\$19,541	\$19,163	\$19,087	\$19,352	\$19,902	\$19,803	\$19,185
Residence and dining fees	8,607	8,530	7,934	7,800	7,646	7,997	8,072	8,586	8,559	6,624
Less: scholarship allowances	(7,280)	(6,697)	(6,542)	(7,402)	(7,583)	(8,126)	(8,311)	(8,910)	(8,886)	(8,684)
Net student fees	22,280	23,324	21,756	19,939	19,225	18,958	19,113	19,579	19,476	17,126
Federal, state, and private grants and contracts	8,892	8,547	7,700	7,710	8,153	10,289	10,171	10,351	10,107	10,396
Recovery of indirect costs	358	406	364	316	287	270	260	220	211	251
Educational sales and service	1,160	1,218	1,118	1,094	1,077	1,118	1,117	1,133	1,310	1,288
Other auxiliary enterprises	899	804	795	522	319	185	365	199	202	220
Interest income on loans	64	77	63	64	57	58	52	54	57	54
Total Operating Revenues	33,652	34,375	31,796	29,644	29,119	30,877	31,079	31,535	31,365	29,333
OPERATING EXPENSES										
Instruction	16,022	15,530	15,483	15,787	16,243	18,019	18,608	18,656	19,058	18,511
Research	603	661	601	502	619	555	626	603	526	824
Public service	667	743	815	872	809	797	762	845	1,014	1,091
Academic support	3,731	3,812	3,540	3,484	2,967	2,763	2,850	3,171	2,989	3,093
Student services	4,104	4,227	4,247	4,468	4,526	4,571	4,805	5,241	5,341	5,601
Institutional support	2,521	2,728	2,533	2,473	2,692	4,023	3,926	4,070	4,471	4,598
Operation and maintenance of plant	3,897	4,098	3,570	3,925	3,646	3,228	3,525	3,150	3,107	3,315
Depreciation and amortization	1,484	1,641	1,741	1,718	1,766	2,059	2,349	2,523	2,577	2,571
Student aid	2,299	2,115	2,063	1,595	1,665	1,784	1,824	1,956	1,951	3,305
Auxiliary	8,441	7,806	8,078	7,685	7,604	7,075	7,501	7,569	7,600	6,846
Total Operating Expenses	43,769	43,361	42,671	42,508	42,537	44,875	46,774	47,785	48,634	49,755
Operating Income (Loss)	(10,117)	(8,986)	(10,875)	(12,864)	(13,418)	(13,998)	(15,695)	(16,250)	(17,270)	(20,421)
NONOPERATING REVENUES (EXPENSES)										
Noncapital State of Maine appropriations	10,343	10,234	10,398	10,512	10,454	11,560	12,547	12,529	12,672	13,535
CARES Act funding	-	-	-	-	-	-	-	-	-	1,985
State Fiscal Stabilization Program	615	34	-	-	-	-	-	-	-	-
Gifts currently expendable	132	140	202	223	245	190	392	332	1,304	2,515
Endowment income distributed for operations	422	449	430	449	523	560	577	572	598	638
Investment income	5	4	2	1	1	5	8	27	45	52
Interest expense	(410)	(382)	(335)	(258)	(228)	(324)	(435)	(426)	(415)	(393)
Other nonoperating expenses	-	-	-	-	-	-	-	-	-	-
Noncapital transfers	100	297	188	81	219	71	135	529	455	1,317
Net Nonoperating Revenue (Expense)	11,206	10,776	10,886	11,007	11,213	12,062	13,223	13,561	14,659	19,651
Income (Loss) Before Other Changes in Net Position	1,089	1,790	10	(1,857)	(2,205)	(1,936)	(2,472)	(2,688)	(2,610)	(770)
OTHER CHANGES IN NET POSITION										
State of Maine capital appropriations	152	224	-	-	118	885	67	99	1,391	1,279
Capital grants and gifts	-	-	-	-	-	120	-	-	1	7
Endowment return, net of amount used for operations	1,322	(624)	899	1,463	(648)	(885)	767	336	(217)	(484)
Endowment gifts	646	1,475	105	100	57	194	39	716	1,192	70
Gain on disposal of capital assets and other changes	-	(60)	-	-	-	-	-	-	-	-
Capital transfers	87	127	21	22	129	(7)	(16)	191	363	(8)
Total Other Changes in Net Position	2,208	1,142	1,026	1,585	(344)	369	857	1,341	2,731	865
Increase (Decrease) in Net Position	3,297	2,932	1,036	(272)	(2,549)	(1,567)	(1,615)	(1,347)	121	94
NET POSITION										
Net Position – beginning of year	51,796	55,093	58,026	58,906	58,633	56,085	48,156	46,541	45,194	45,315
Net Position – end of year	\$55,093	\$58,026	\$59,061	\$58,633	\$56,085	\$54,518	\$46,541	\$45,194	\$45,315	\$45,409

The above totals have not been adjusted for rounding.