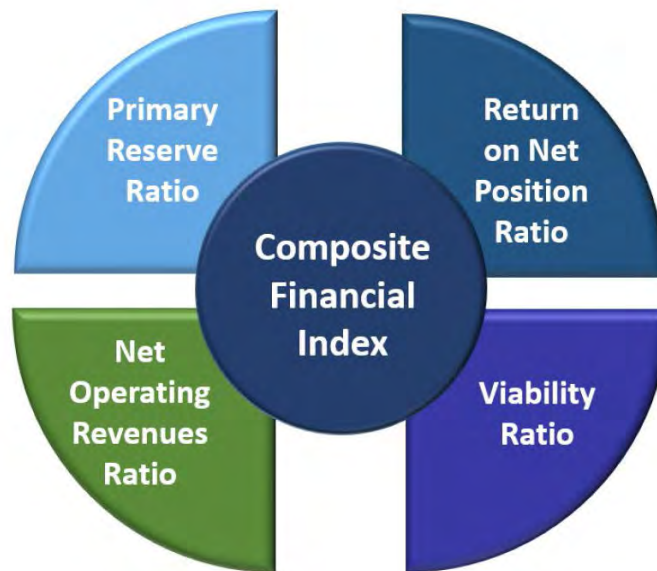




# 2020 Core Financial Ratios and Composite Financial Index



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## Introduction

The financial health of the University of Maine at Fort Kent (UMFK) 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 UMFK’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:

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

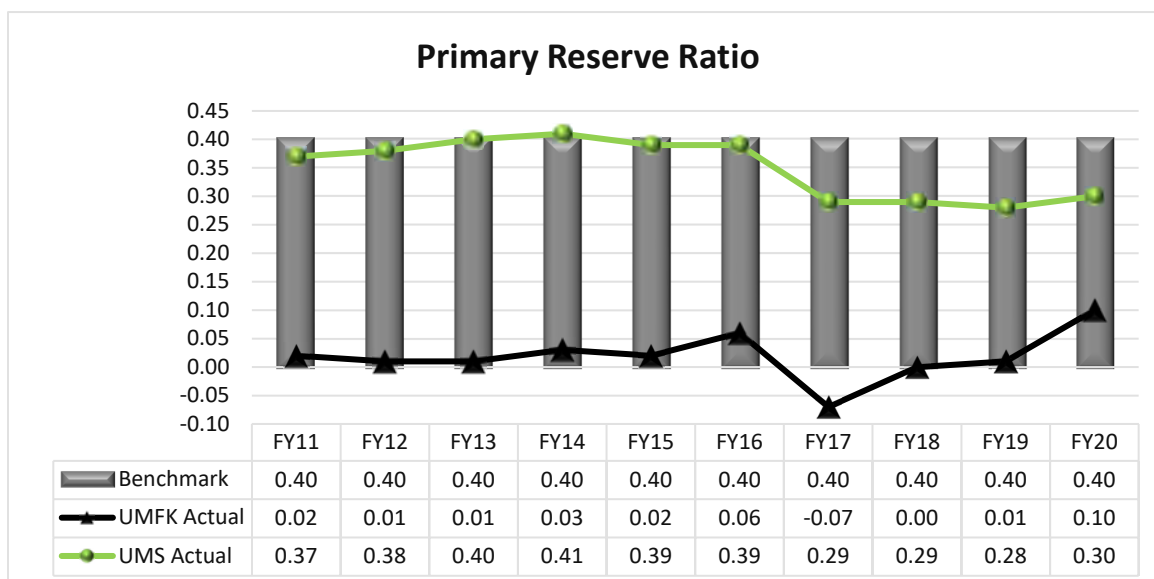
\* Excluding net position restricted for capital investments

### 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.

UMFK's FY20 Primary Reserve Ratio sits at .10x, representing a ten-year high and providing about five weeks of expense coverage.



## Primary Reserve Ratio Components

	<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	(\$496)	(\$540)	(\$672)	(\$596)	(\$647)	(\$531)	(\$2,833)	(\$2,479)	(\$2,232)	(\$550)
Restricted expendable net position	\$825	\$731	\$806	\$1,111	\$961	\$1,546	\$1,701	\$2,432	\$2,344	\$2,359
<b>Total expendable net position</b>	<b>\$329</b>	<b>\$191</b>	<b>\$134</b>	<b>\$515</b>	<b>\$314</b>	<b>\$1,015</b>	<b>(\$1,132)</b>	<b>(\$47)</b>	<b>\$112</b>	<b>\$1,809</b>
<b>Total expenses</b>	<b>\$14,652</b>	<b>\$14,596</b>	<b>\$14,708</b>	<b>\$15,466</b>	<b>\$16,123</b>	<b>\$16,868</b>	<b>\$17,390</b>	<b>\$17,216</b>	<b>\$18,214</b>	<b>\$18,337</b>

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

Although the Primary Reserve Ratio is calculated using the total of restricted and unrestricted expendable net position, the breakdown between the two categories is important in analyzing UMFK's ratio as restricted expendable net position must be spent in accordance with restrictions imposed by third parties and is not available to pay all operating expenses. UMFK's unrestricted expendable net position has a deficit balance for each of the ten years presented in this report.

UMFK's unrestricted expendable net position increased from FY19 to FY20 as a \$1 million increase in noncapital State of Maine appropriations and an \$840 thousand increase in noncapital transfers helped UMFK experience a positive return from unrestricted operations. Both restricted expendable net position and expenses remained fairly flat in comparison to FY19.

## 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:

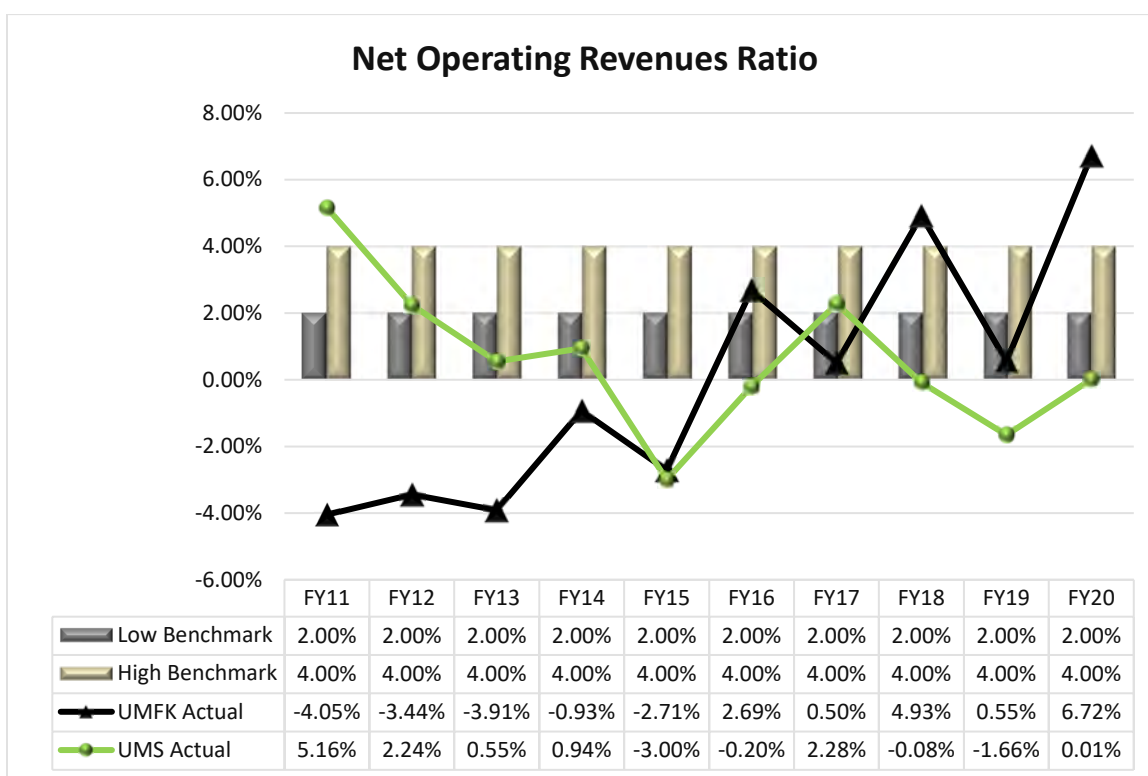
$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

**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*

UMFK has maintained positive Net Operating Revenues Ratios for the past five years with the current year rate of 6.72% being the highest ratio in the ten years presented.



Net Operating Revenues 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 revenues	\$9,036	\$8,607	\$9,084	\$9,295	\$9,458	\$10,394	\$10,852	\$10,450	\$10,675	\$9,588
Operating expenses	(\$14,355)	(\$14,309)	(\$14,439)	(\$15,268)	(\$15,936)	(\$16,658)	(\$17,185)	(\$17,019)	(\$18,026)	(\$18,158)
Operating loss	(\$5,319)	(\$5,702)	(\$5,355)	(\$5,972)	(\$6,477)	(\$6,263)	(\$6,333)	(\$6,569)	(\$7,351)	(\$8,570)
Net nonoperating revenues	\$4,749	\$5,217	\$4,802	\$5,830	\$6,052	\$6,729	\$6,420	\$7,462	\$7,451	\$9,890
<b>Operating income (loss) plus net nonoperating revenues (expenses)</b>	<b>(\$570)</b>	<b>(\$485)</b>	<b>(\$553)</b>	<b>(\$143)</b>	<b>(\$426)</b>	<b>\$466</b>	<b>\$87</b>	<b>\$893</b>	<b>\$100</b>	<b>\$1,320</b>
<b>Operating revenues plus nonoperating revenues</b>	<b>\$14,082</b>	<b>\$14,111</b>	<b>\$14,155</b>	<b>\$15,323</b>	<b>\$15,697</b>	<b>\$17,333</b>	<b>\$17,477</b>	<b>\$18,109</b>	<b>\$18,314</b>	<b>\$19,657</b>

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

UMFK's operating loss grew \$1.2 million from FY19 to FY20 as the university faced a number of challenges including an enrollment decline and a global pandemic that occurred during the last quarter of FY20. Like the other campuses within the UMS, UMFk sent its students home in mid-March and moved classes to online delivery for the remainder of the semester and partially refunded room and board charges for the spring 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 \$2.4 million increase in net nonoperating revenues in FY20 is the primary factor in the increase in UMFk's Net Operating Revenues Ratio from FY19 to FY20. Key components of the increase in revenue include a \$1.1 million increase in noncapital state appropriations, an \$840 thousand increase in noncapital transfers from UMSGUS/other campuses, and \$563 thousand in federal CARES Act funding to address the pandemic (used for scholarships and room and board refunds).



## 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:

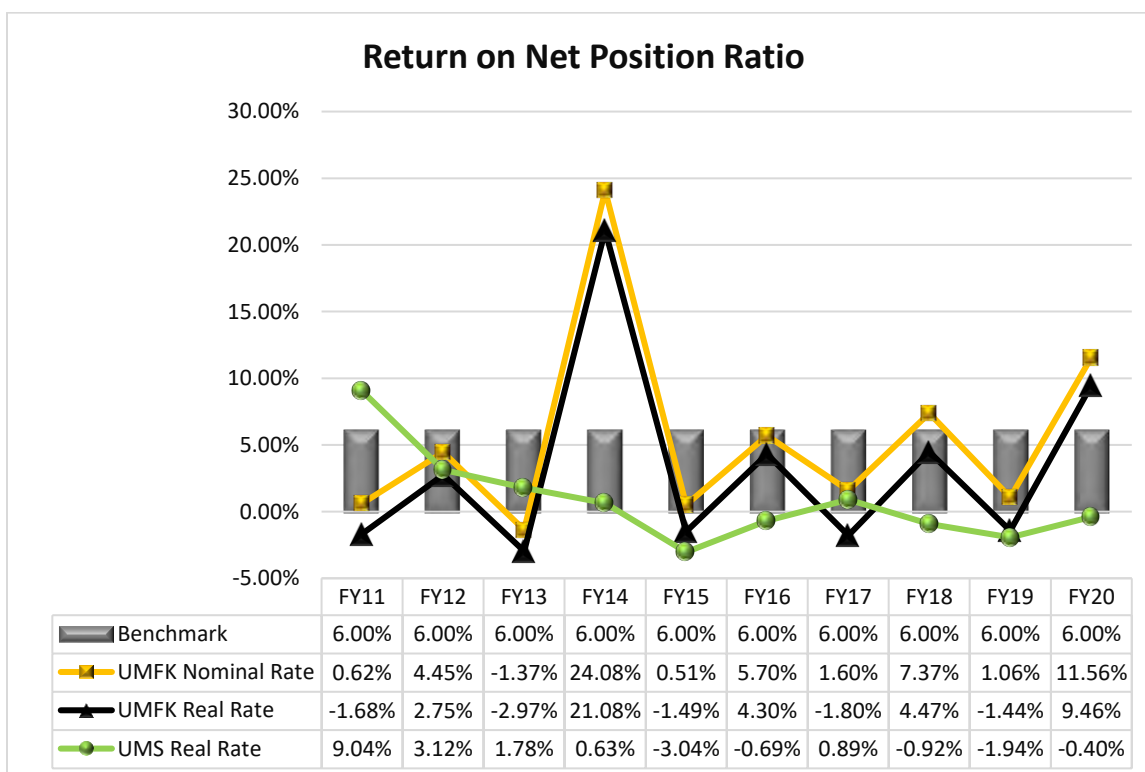
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

### 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.

UMFK's Return on Net Position Ratio has fluctuated significantly over the years.



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 nonoperating revenues (expenses)	(\$570)	(\$485)	(\$553)	(\$143)	(\$426)	\$466	\$87	\$893	\$100	\$1,320
Other changes in net position	\$639	\$983	\$393	\$2,881	\$498	\$343	\$118	\$69	\$50	\$317
<b>Change in total net position</b>	<b>\$69</b>	<b>\$498</b>	<b>(\$160)</b>	<b>\$2,738</b>	<b>\$72</b>	<b>\$809</b>	<b>\$205</b>	<b>\$962</b>	<b>\$149</b>	<b>\$1,637</b>
<b>Total net position (beginning of year)</b>	<b>\$11,112</b>	<b>\$11,181</b>	<b>\$11,679</b>	<b>\$11,372</b>	<b>\$14,110</b>	<b>\$14,182</b>	<b>\$12,840</b>	<b>\$13,046</b>	<b>\$14,008</b>	<b>\$14,157</b>

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

For many years, other changes in net position was the sole source of UMFK's positive return on net position; however, for each of the five most recent years, UMFK has also experienced a positive return from operations. See the previous discussion of the Net Operating Revenues Ratio for more information.

## 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:

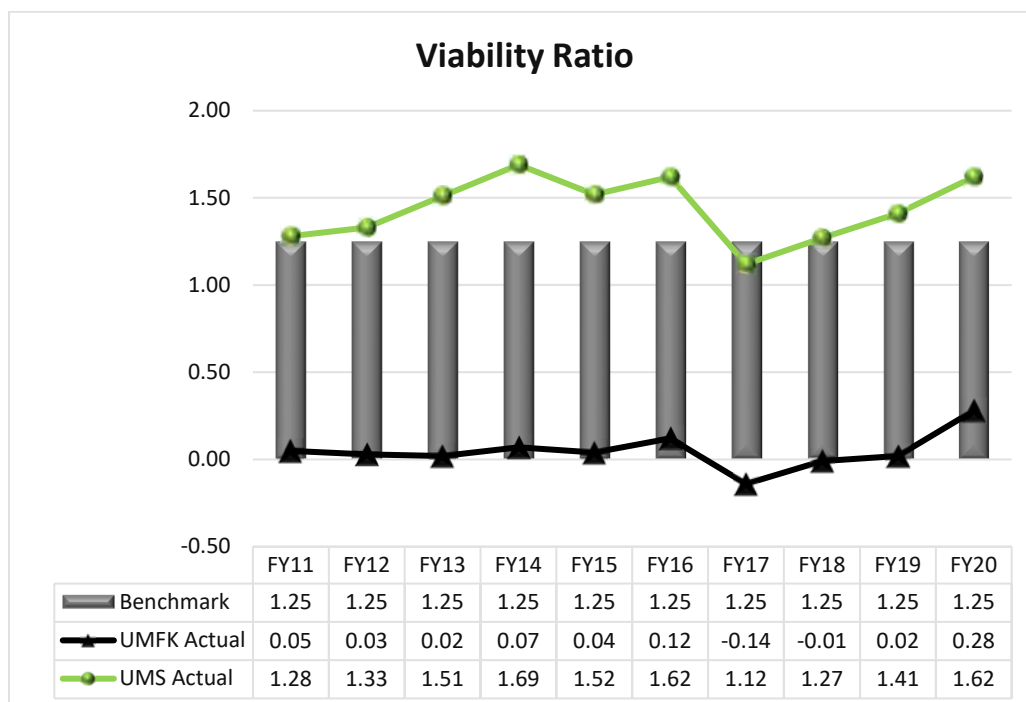
- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

**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.

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Following a sharp decline in FY17 related to the adoption of a new accounting standard related to postemployment health; UMFK's ratio continued to improve, increasing to 0.28x for 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	(\$496)	(\$540)	(\$672)	(\$596)	(\$647)	(\$531)	(\$2,833)	(\$2,479)	(\$2,232)	(\$550)
Restricted expendable net position	\$825	\$731	\$806	\$1,111	\$961	\$1,546	\$1,701	\$2,432	\$2,344	\$2,359
<b>Total expendable net position</b>	<b>\$329</b>	<b>\$191</b>	<b>\$134</b>	<b>\$515</b>	<b>\$314</b>	<b>\$1,015</b>	<b>(\$1,132)</b>	<b>(\$47)</b>	<b>\$112</b>	<b>\$1,809</b>
<b>Long-term debt</b>	<b>\$6,991</b>	<b>\$7,229</b>	<b>\$7,172</b>	<b>\$6,974</b>	<b>\$7,652</b>	<b>\$8,722</b>	<b>\$8,315</b>	<b>\$7,699</b>	<b>\$7,089</b>	<b>\$6,474</b>

*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.

During FY20, UMFK's outstanding debt balance continued to decrease as UMFK made scheduled debt service payments.

## Composite Financial Index

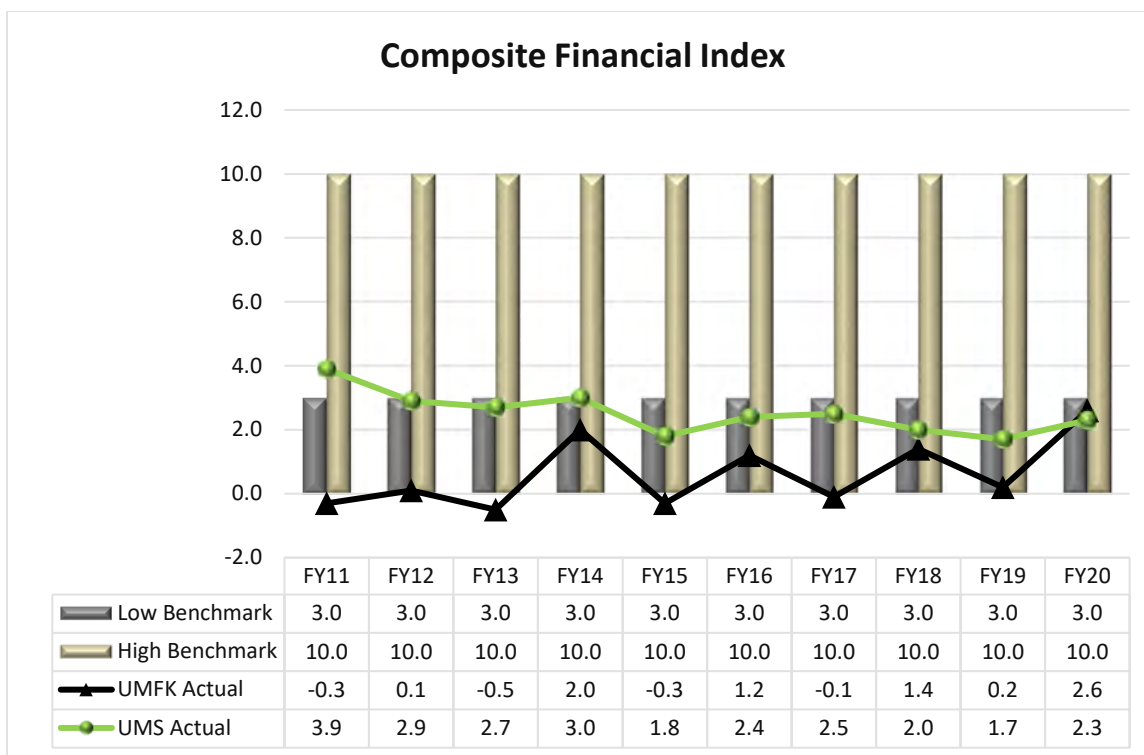
The Composite Financial Index (CFI) creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into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

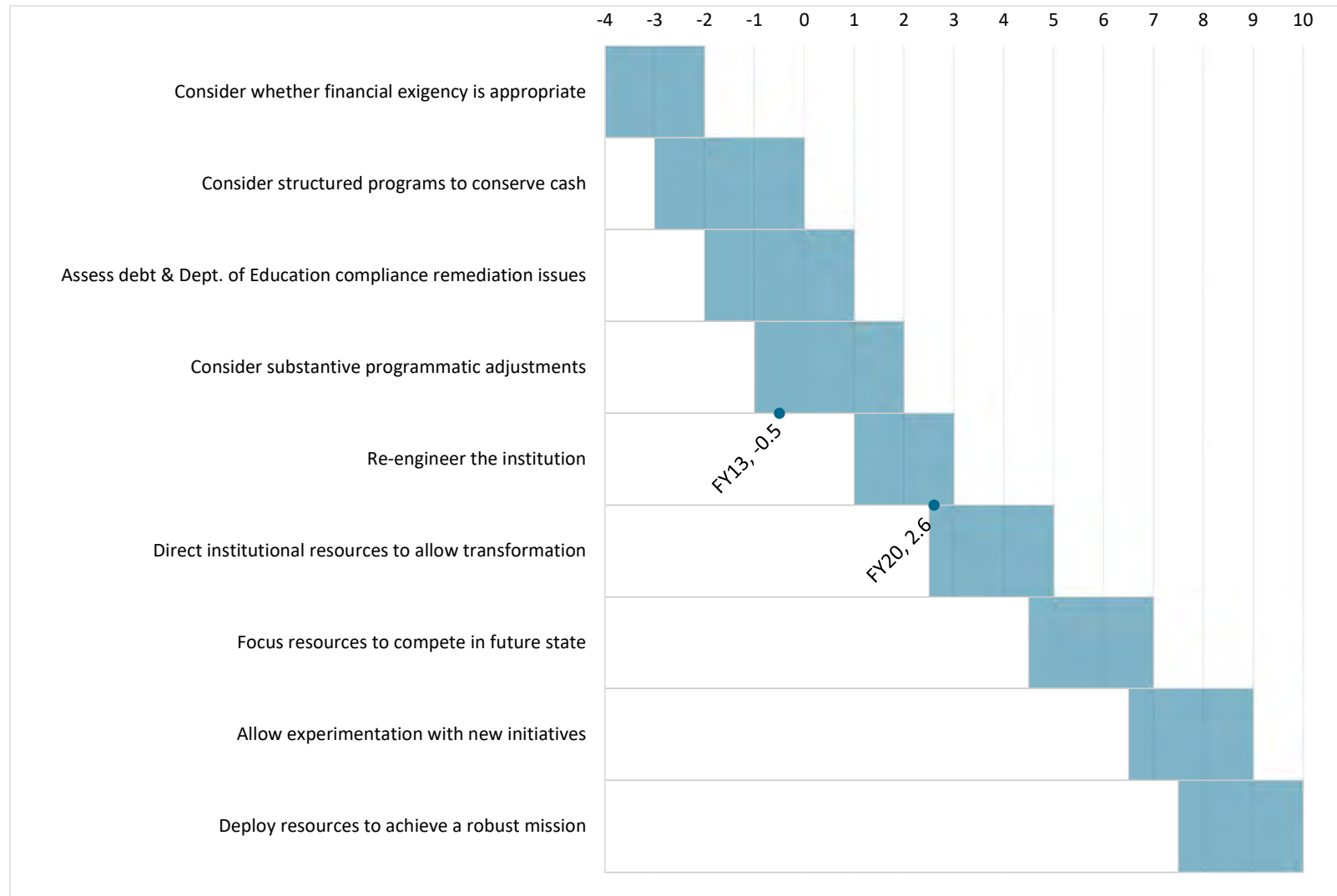
**A score of 1.0 indicates very little financial health; 3, the low benchmark, represents a relatively stronger financial position; and 10 is the top of the scale.**

UMFK's CFI score has fluctuated significantly over the years with the fluctuations in its Net Operating Revenues and Return on Net Position ratios.



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 UMFK's lowest (FY13) and highest (FY20) CFI scores to assist in evaluating UMFK's performance.



CFI Calculation										
Fiscal Year	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
<b>+ Primary Reserve Ratio</b>	0.02	0.01	0.01	0.03	0.02	0.06	-0.07	0.00	0.01	0.10
/ Common Scale Value *	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
<b>= Strength Factor **</b>	<b>0.15</b>	<b>0.08</b>	<b>0.08</b>	<b>0.23</b>	<b>0.15</b>	<b>0.45</b>	<b>-0.53</b>	<b>0.00</b>	<b>0.08</b>	<b>0.75</b>
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
<b>Ratio Score</b>	<b>0.05</b>	<b>0.03</b>	<b>0.03</b>	<b>0.08</b>	<b>0.05</b>	<b>0.16</b>	<b>-0.19</b>	<b>0.00</b>	<b>0.03</b>	<b>0.26</b>
<b>+ Net Operating Revenues Ratio</b>	-4.05%	-3.44%	-3.91%	-0.93%	-2.71%	2.69%	0.50%	4.93%	0.55%	6.72%
/ Common Scale Value *	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
<b>= Strength Factor **</b>	<b>-4.00</b>	<b>-4.00</b>	<b>-4.00</b>	<b>-1.33</b>	<b>-3.87</b>	<b>3.84</b>	<b>0.71</b>	<b>7.04</b>	<b>0.79</b>	<b>9.60</b>
X Weighting Factor ***	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
<b>Ratio Score</b>	<b>-0.40</b>	<b>-0.40</b>	<b>-0.40</b>	<b>-0.13</b>	<b>-0.39</b>	<b>0.38</b>	<b>0.07</b>	<b>0.70</b>	<b>0.08</b>	<b>0.96</b>
<b>+ Return on Net Position Ratio</b>	0.62%	4.45%	-1.37%	24.08%	0.51%	5.70%	1.60%	7.37%	1.06%	11.56%
/ Common Scale Value *	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>= Strength Factor **</b>	<b>0.31</b>	<b>2.23</b>	<b>-0.69</b>	<b>10.00</b>	<b>0.26</b>	<b>2.85</b>	<b>0.80</b>	<b>3.69</b>	<b>0.53</b>	<b>5.78</b>
X Weighting Factor ***	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
<b>Ratio Score</b>	<b>0.06</b>	<b>0.45</b>	<b>-0.14</b>	<b>2.00</b>	<b>0.05</b>	<b>0.57</b>	<b>0.16</b>	<b>0.74</b>	<b>0.11</b>	<b>1.16</b>
<b>+ Viability Ratio</b>	0.05	0.03	0.02	0.07	0.04	0.12	-0.14	-0.01	0.02	0.28
/ Common Scale Value *	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
<b>= Strength Factor **</b>	<b>0.12</b>	<b>0.07</b>	<b>0.05</b>	<b>0.17</b>	<b>0.10</b>	<b>0.29</b>	<b>-0.34</b>	<b>-0.02</b>	<b>0.05</b>	<b>0.67</b>
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
<b>Ratio Score</b>	<b>0.04</b>	<b>0.02</b>	<b>0.02</b>	<b>0.06</b>	<b>0.04</b>	<b>0.10</b>	<b>-0.12</b>	<b>-0.01</b>	<b>0.02</b>	<b>0.23</b>
<b>Composite Financial Index</b>	<b>-0.3</b>	<b>0.1</b>	<b>-0.5</b>	<b>2.0</b>	<b>-0.3</b>	<b>1.2</b>	<b>-0.1</b>	<b>1.4</b>	<b>0.2</b>	<b>2.6</b>

\* = 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.

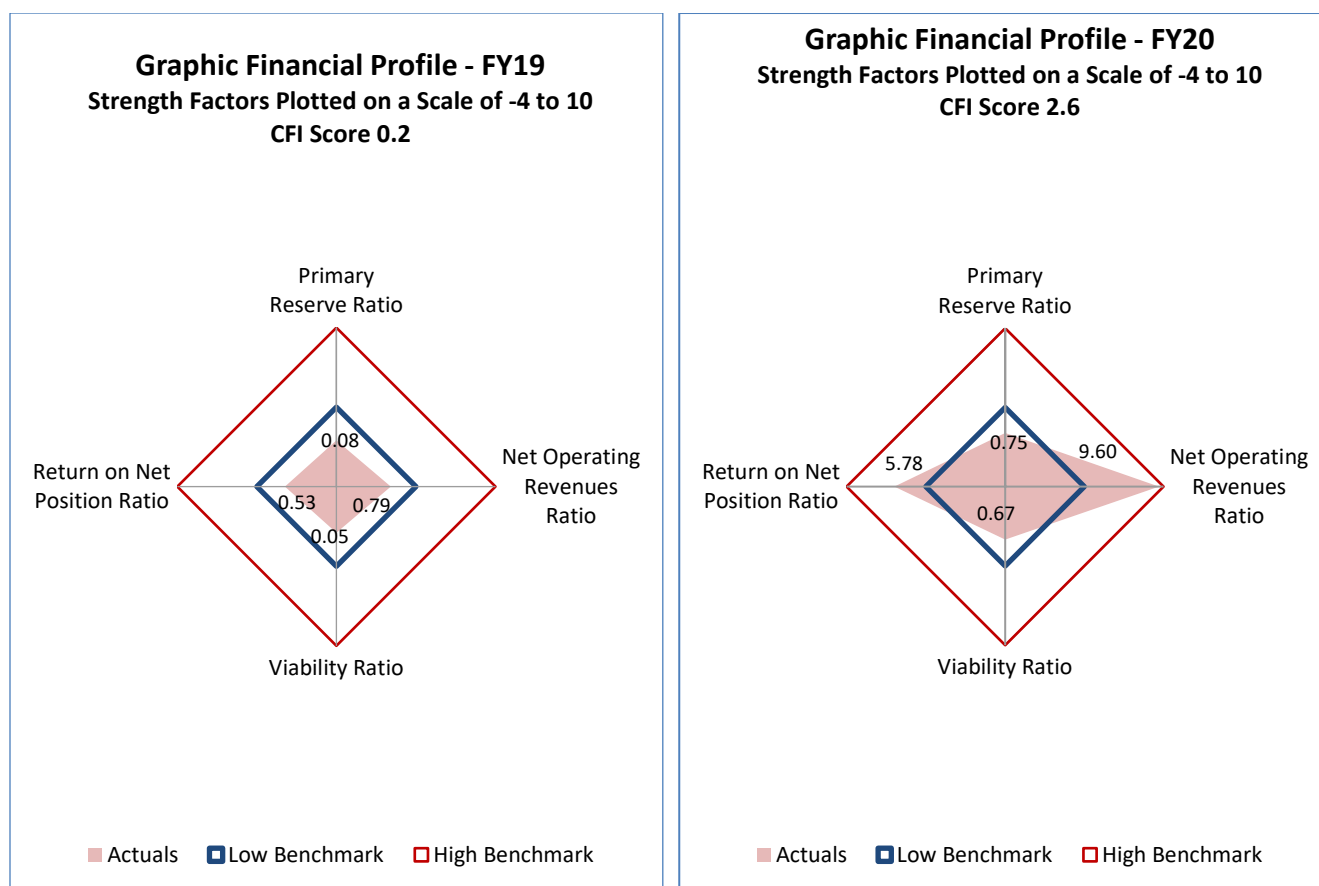
## Graphic Financial Profile

The strength factors used in calculating the CFI can be mapped on a diamond 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 UMFK's ratio strength factors are plotted and shaded to show how UMA's health compares with the low (3) and high (10) industry benchmarks.

### UMFK Graphic Financial Profiles FY19 and FY20

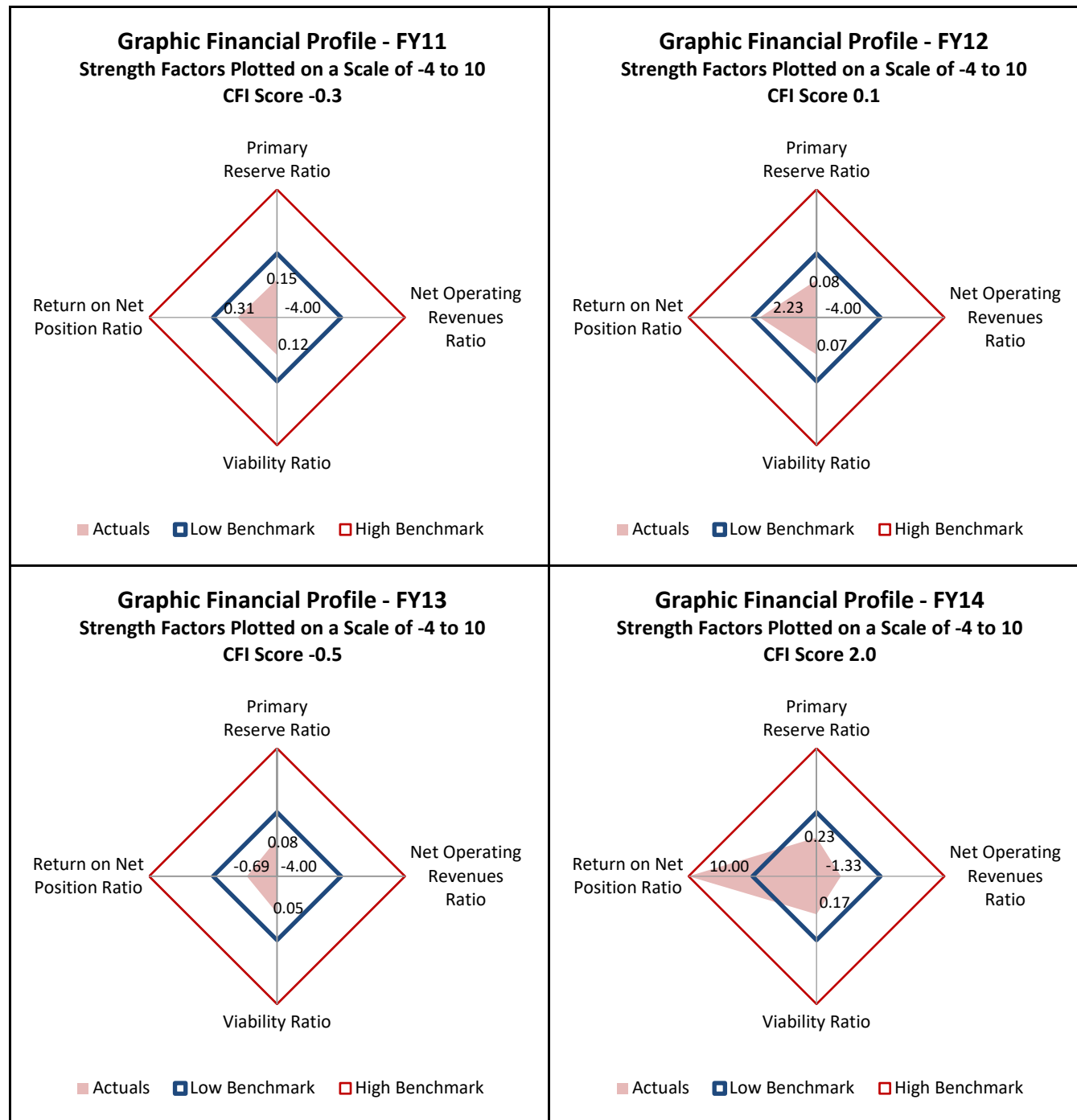
In FY20, the shape of UMFK's graphic financial profile expanded outward from the center as UMFK experienced improvements in all of its ratios.



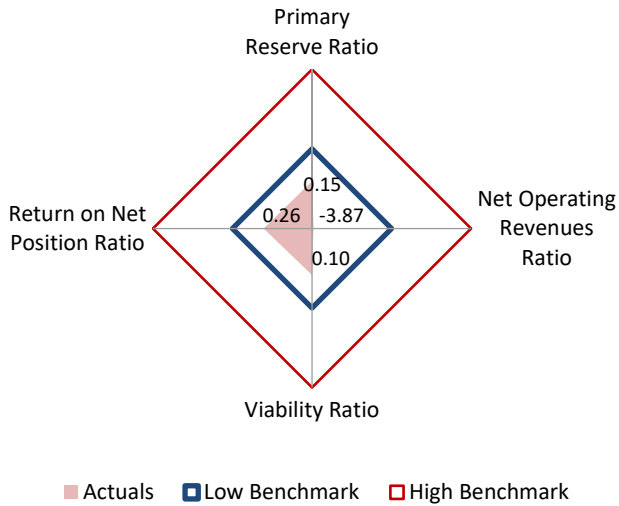


## UMFK Graphic Financial Profiles FY11 to FY18

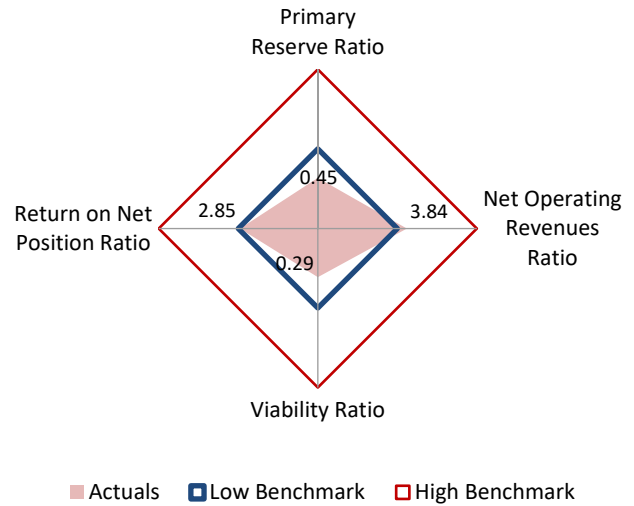
Changes in the shape of UMFK's graphic financial for FY11 thru FY18 can be seen below and on the next page.



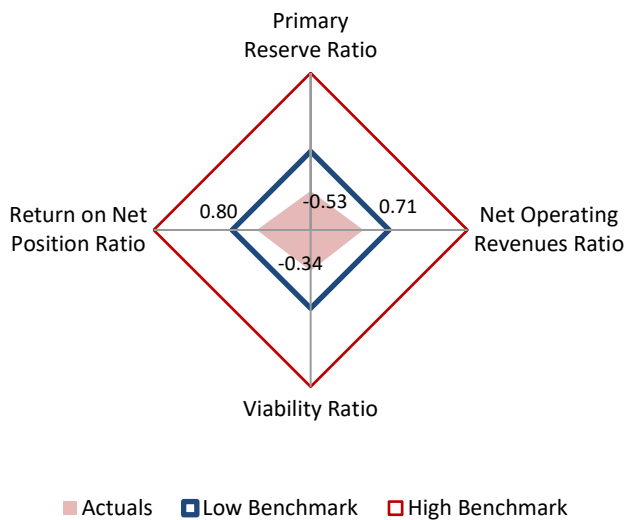
**Graphic Financial Profile - FY15**  
Strength Factors Plotted on a Scale of -4 to 10  
CFI Score -0.3



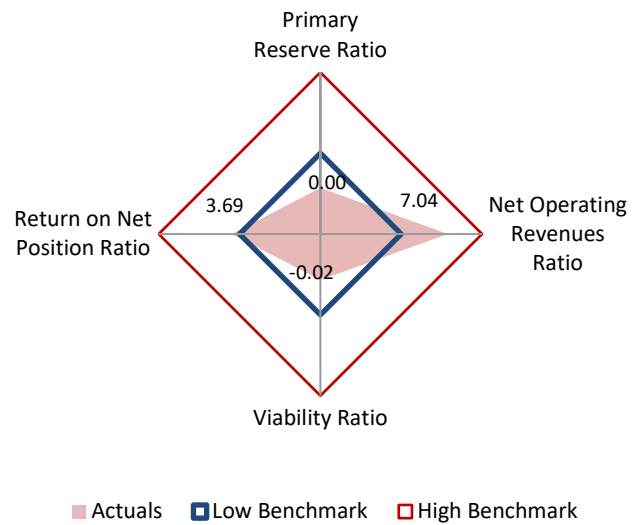
**Graphic Financial Profile - FY16**  
Strength Factors Plotted on a Scale of -4 to 10  
CFI Score 1.2



**Graphic Financial Profile - FY17**  
Strength Factors Plotted on a Scale of -4 to 10  
CFI Score -0.1



**Graphic Financial Profile - FY18**  
Strength Factors Plotted on a Scale of -4 to 10  
CFI Score 1.4



## UMFK 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 UMFK's originally reported FY17 revenues and expenses; however, the restatement did include a \$2.2 million decrease in UMFK's originally reported FY17 beginning of year expendable net position; thus, significantly impacting UMFK'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 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 expenses closes to expendable net position. Therefore, see pages 16 and 17 of this report for a discussion of the Net Operating Revenues Ratio.

**FY11:** The Primary Reserve Ratio fell as UMFK experienced a greater loss from operations in FY11 than it did in FY10.

**FY12:** UMFK reduced expenses from FY11 to FY12; however, the Primary Reserve Ratio fell to a seven-year low as UMFK's expendable net position dropped \$138 thousand. Key contributors to this drop include negative endowment returns and the utilization of expendable net position to fund various construction projects, including renovation of the student service center, acquisition and maintenance of the armory, and installation of the sports center boiler.

**FY13:** A \$206 thousand increase in endowment returns helped to offset the loss from operations and allow UMFK's Primary Reserve Ratio to remain at .01x.

**FY14:** Endowment returns were the primary factor in the FY14 increase in UMFK's restricted expendable net position from the prior fiscal year.

**FY15:** Restricted expendable net position decreased from the prior year due to negative endowment returns and a focused expenditure of Racino Scholarship monies. Unrestricted net position decreased due to a loss from operations.

**FY16:** Restricted expendable net position increased from the prior year as negative endowment returns were more than offset by receipt of the following items that remained unspent as of June 30, 2016: \$500 thousand gift for the Irving Wood Professorship of Forestry and \$109 thousand Maine Economic Improvement Fund award for the Enhancing Application of Remote Sensing Research in Maine through Ground-Based Spectroradiometry project.

The deficit in unrestricted net position decreased from the prior year primarily due to the receipt of \$1.5 million in budget stabilization transfers from UMGUS which helped UMFK pay for FY16 operations and set aside monies for future projects, including \$173 thousand for the Cyr Hall Roof Replacement project.

**FY17:** The \$2.2 million reduction of UMFK's expendable net position pursuant to the implementation of a new accounting standard on post-employment health benefits (GASB No. 75) caused UMFK's restated FY17 expendable net position to be a deficit of \$1.1 million. During FY17, UMFK utilized \$359 thousand of unrestricted expendable net position to finance capital construction projects, including \$115 thousand for the Nadeau Hall Roof Replacement project and \$114 thousand to acquire the Kelly House.

**FY18:** UMFK's unrestricted expendable net position increased from FY17 to FY18 as a \$1.2 million increase in noncapital State of Maine appropriations revenue helped UMFK to experience a positive return from unrestricted operations. The increase in expendable restricted net position from FY17 to FY18 is attributable to positive endowment returns and a \$509 thousand increase in revenue from gifts currently expendable as UMFK received a \$500 thousand gift in FY18 for the Irving Wood Professorship of Forestry.

**FY19:** UMFK's unrestricted expendable net position increased from FY18 to FY19 as UMFK experienced a positive return from unrestricted operations. The primary reason for the decrease in UMFK's restricted expendable net position from FY18 to FY19 was UMFK's expenditure of \$116 thousand of a Maine Economic Improvement Fund award received in a prior year for its Spectroradiometry project.

#### Net Operating Revenues Ratio

**FY11:** The increase in revenues from the prior year was outpaced by an increase in operating expenses. Where appropriate, management spent down restricted net position balances to pay operating costs that otherwise would have

been paid from unrestricted funds. Although total expendable net position decreased, the decision to utilize restricted net position allowed UMFK to reduce the deficit in its unrestricted net position.

**FY12:** Noncapital transfers of \$1.09 million from UMSGUS (formerly the "System Office") from both strategic investment funds and other sources were the primary contributor to the increase in UMFK's total operating and nonoperating revenues and therefore the improved net operating revenues ratio.

**FY13:** An increase in enrollment contributed to the \$512 thousand increase over FY12 tuition and fees revenue. This increase was not, however, enough to offset the impact of other significant factors in FY13: increases in financial aid costs and other operating expenses and a \$444 thousand decrease in noncapital transfers from UMSGUS.

**FY14:** The \$1.2 million increase in total operating and non-operating revenues from the prior year is primarily attributable to an \$862 thousand increase in noncapital transfers from UMSGUS. A \$140 thousand increase in noncapital grants and a \$117 thousand increase in educational sales and services were the other significant contributors to the overall increase in revenues. Expenses increased \$760 thousand.

**FY15:** Total expenses increased \$668 thousand from the prior year, but total operating and non-operating revenues only increased \$374 thousand. Non-operating revenues once again included transfers from UMSGUS in the amount of \$1.7 million, up \$179 thousand from FY14. Noncapital grant revenue increased again in FY15, this time by \$143 thousand.

**FY16:** UMFK generated its first positive return from operations in a period that spans at least eleven years. Total operating and operating revenues increased \$1.6 million from the prior year. Notable items contributing to this increase include a \$761 increase in net student fees revenue, a \$227 increase in educational sales and services revenue, a \$474 thousand increase in noncapital State of Maine appropriations revenue, a \$470 increase in expendable gifts revenue, and a \$259 decrease in noncapital transfers from UMSGUS. Expenses increased just \$745 thousand.

**FY17:** Noncapital transfers from UMSGUS to UMFK are part of nonoperating revenues. UMFK received such transfers in each of the ten years ending in FY17 and has been heavily reliant on them since FY12, having received an accumulated \$7.4 million from FY12 thru FY17. Transfers for FY17 were \$1 million.

**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 UMFK 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:** UMFK received noncapital transfers of \$308 thousand from UMSGUS in FY18, down from the \$1 million received in FY17.

**FY19:** The \$1 million increase in operating expenses in FY19 is the primary factor in the reduction in UMFK's Net Operating Revenue Ratio from FY18 to FY19. The majority of the increased expenses were in the areas of Student Services and Institutional Support. Meanwhile, revenues remained relatively flat for the same period.

## 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 UMFK'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 Return Net of Amount Used for Operations \$ in thousands

<b>FY11</b>	\$224	<b>FY16</b>	(\$100)
<b>FY12</b>	(\$93)	<b>FY17</b>	\$90
<b>FY13</b>	\$124	<b>FY18</b>	\$37
<b>FY14</b>	\$209	<b>FY19</b>	(\$27)
<b>FY15</b>	(\$79)	<b>FY20</b>	(\$51)

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

\$ in thousands			
<b>FY11</b>	\$328	<b>FY16</b>	\$446
<b>FY12</b>	\$194	<b>FY17</b>	\$32
<b>FY13</b>	\$30	<b>FY18</b>	\$42
<b>FY14</b>	\$138	<b>FY19</b>	\$25
<b>FY15</b>	\$606	<b>FY20</b>	\$212

- Capital grants and gifts have not been a consistent revenue stream for UMFK; however, in the years that UMFK receives them, they are usually significant: \$500 thousand in FY12, \$146 thousand in FY13, and \$2.5 million in FY14.

## Viability Ratio

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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.

The issuance and repayment of debt also impact this ratio. Over the past ten years UMFK has borrowed:

- \$475 thousand from UMSGUS in FY12 to fund the Sports Center boiler, Crocker Hall, and Student Success and Learning Center capital projects.
- \$2.6 million from Efficiency Maine Trust over the course of FY15 and FY16 to partially fund UMFK's biomass boiler project.
- \$230 thousand in UMS Revenue bonds in FY17 to finance classroom technology upgrades. The State of Maine is providing appropriation dollars restricted to pay the debt service on these new bonds.

## University of Maine at Fort Kent

### 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	RESTATED 2018	RESTATED 2019	2020
<b>OPERATING REVENUES</b>										
Tuition and fees	\$ 6,789	\$ 6,828	\$ 7,340	\$ 7,368	\$ 7,215	\$ 7,848	\$ 8,786	\$ 8,676	\$ 8,681	\$8,188
Residence and dining fees	1,333	1,342	1,420	1,593	1,604	1,653	1,512	1,298	1,392	1,124
Less: scholarship allowances	(2,292)	(2,273)	(2,471)	(2,748)	(2,673)	(2,594)	(2,862)	(2,833)	(3,069)	(2,979)
Net student fees	5,830	5,897	6,289	6,213	6,146	6,907	7,436	7,141	7,004	6,333
Federal, state, and private grants and contracts	2,365	2,257	2,329	2,469	2,612	2,672	2,767	2,746	2,890	2,598
Recovery of indirect costs	36	56	47	41	94	37	49	43	38	49
Educational sales and service	320	243	263	380	420	647	462	373	595	441
Other auxiliary enterprises	473	145	146	179	175	122	128	133	136	159
Interest income on loans	12	9	11	12	11	9	11	14	12	9
Total Operating Revenues	9,036	8,607	9,084	9,295	9,458	10,394	10,852	10,450	10,675	9,588
<b>OPERATING EXPENSES</b>										
Instruction	4,397	4,341	4,609	4,755	4,921	4,874	5,005	5,123	5,001	5,157
Research	128	75	40	22	19	82	117	144	189	166
Public service	466	445	489	676	490	547	469	445	509	547
Academic support	1,451	1,526	1,207	1,225	1,276	1,384	1,470	1,566	1,608	1,772
Student services	1,937	1,918	2,177	2,306	2,445	2,469	2,350	2,650	2,896	3,017
Institutional support	1,672	1,759	1,640	1,659	2,075	2,619	2,764	2,314	2,692	2,118
Operation and maintenance of plant	1,524	1,682	1,595	1,610	1,629	1,582	1,835	1,681	1,808	1,979
Depreciation and amortization	530	560	561	669	809	867	898	865	949	954
Student aid	609	604	657	721	710	690	904	894	969	1,094
Auxiliary	1,641	1,399	1,462	1,625	1,563	1,545	1,372	1,336	1,406	1,354
Total Operating Expenses	14,355	14,309	14,439	15,268	15,936	16,658	17,185	17,019	18,026	18,158
Operating Income (Loss)	(5,319)	(5,702)	(5,355)	(5,972)	(6,477)	(6,263)	(6,333)	(6,569)	(7,351)	(8,570)
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Noncapital State of Maine appropriations	4,309	4,262	4,305	4,331	4,339	4,813	5,397	6,645	6,999	8,066
CARES Act funding	-	-	-	-	-	-	-	-	-	563
State Fiscal Stabilization Program	238	9	-	-	-	-	-	-	-	-
Gifts currently expendable	55	45	41	72	79	549	42	551	201	171
Endowment income distributed for operations	80	99	82	119	136	149	134	141	68	67
Investment income	2	1	1	-	-	2	4	16	31	22
Interest expense	(297)	(287)	(269)	(198)	(187)	(210)	(205)	(197)	(188)	(179)
Noncapital transfers	361	1,087	643	1,505	1,684	1,425	1,048	305	339	1,179
Net Nonoperating Revenue (Expense)	4,749	5,217	4,802	5,830	6,052	6,729	6,420	7,462	7,451	9,890
Income (Loss) Before Other Changes in Net Position	(570)	(485)	(553)	(143)	(426)	466	87	893	99	1,320
<b>OTHER CHANGES IN NET POSITION</b>										
State of Maine capital appropriations	328	194	30	138	606	446	32	42	25	212
Capital grants and gifts	-	500	146	2,471	-	-	-	-	-	-
Endowment return, net of amount used for operations	224	(93)	124	209	(79)	(100)	90	37	(27)	(51)
Endowment gifts	1	1	-	2	3	2	4	9	3	-
Gain on disposal of capital assets and other changes	-	-	-	-	(2)	-	-	-	36	-
Capital transfers	86	380	92	61	(29)	(4)	(8)	(18)	12	156
Total Other Changes in Net Position	639	982	393	2,881	498	343	118	69	50	317
Increase (Decrease) in Net Position	69	498	(160)	2,738	72	809	205	962	149	1,637
<b>NET POSITION</b>										
Net Position – beginning of year	11,112	11,181	11,679	11,372	14,110	14,182	12,840	13,046	14,008	14,157
Net Position – end of year	\$11,181	\$11,679	\$11,519	\$14,110	\$14,182	\$14,991	\$13,046	\$14,008	\$14,157	\$15,794

The above totals have not been adjusted for rounding.