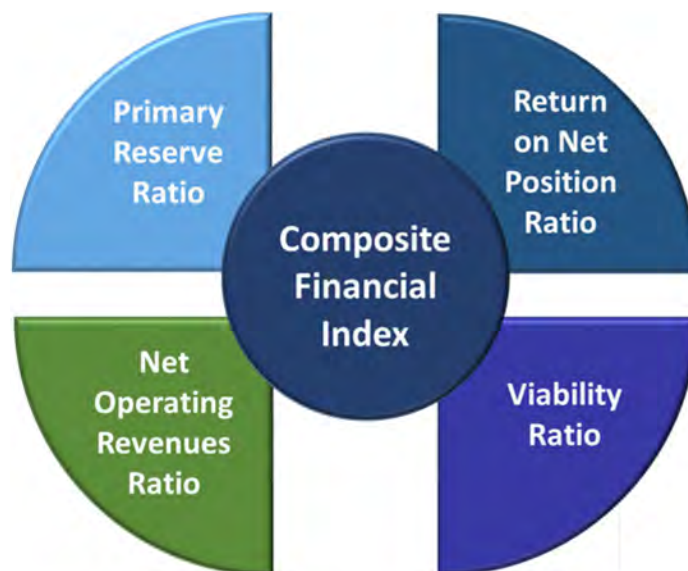




2020 Core Financial Ratios and Composite Financial Index



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Introduction

The financial health of the University of Maine at Presque Isle (UMPI) 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 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

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:

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

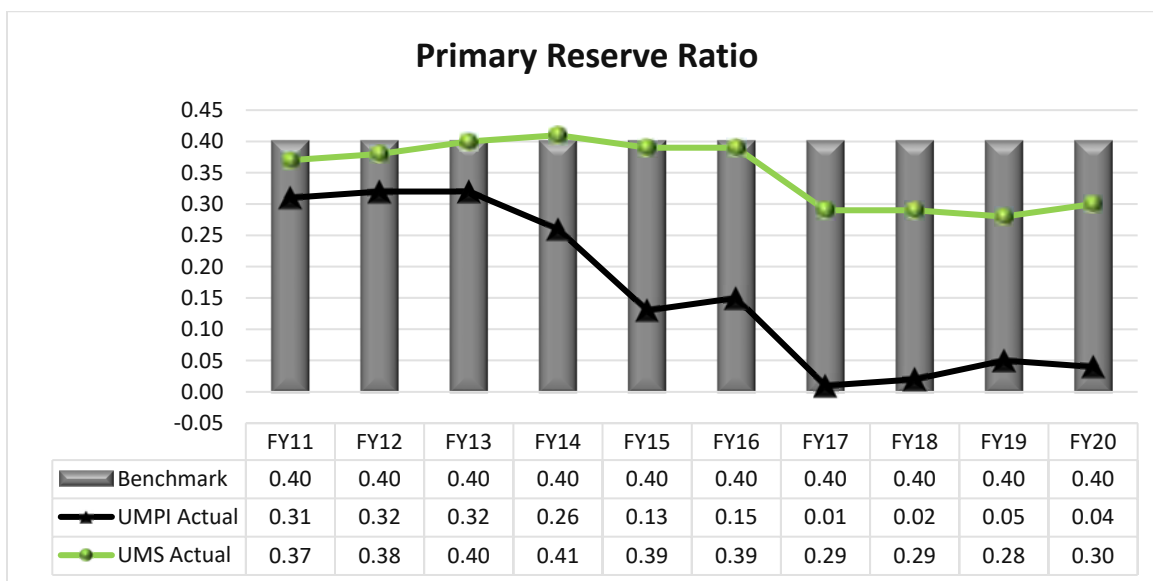
* Excluding net position restricted for capital investments

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 FY20, UMPI’s Primary Reserve ratio fell slightly from the prior year to 0.04x, which provides about two weeks of expense coverage.



| 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 | \$5,194 | \$5,559 | \$5,360 | \$3,793 | \$1,284 | \$1,604 | (\$1,397) | (\$1,113) | (\$564) | (\$762) |
| Restricted expendable net position | \$1,072 | \$985 | \$1,297 | \$1,436 | \$1,430 | \$1,413 | \$1,524 | \$1,542 | \$1,536 | \$1,599 |
| Total expendable net position | \$6,266 | \$6,544 | \$6,657 | \$5,229 | \$2,714 | \$3,017 | \$127 | \$429 | \$972 | \$837 |
| Total expenses | \$20,377 | \$20,673 | \$21,113 | \$20,379 | \$20,463 | \$20,384 | \$20,551 | \$20,653 | \$21,123 | \$21,548 |

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

In FY20, UMPI's unrestricted net position decreased \$198 thousand from the prior year and remained at a deficit balance for the fourth consecutive year. Within this net decrease is \$192 of unrestricted net position used for capital construction projects: Telecom Upgrades, Solar Array, and Emerson Hall Kitchen.

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:

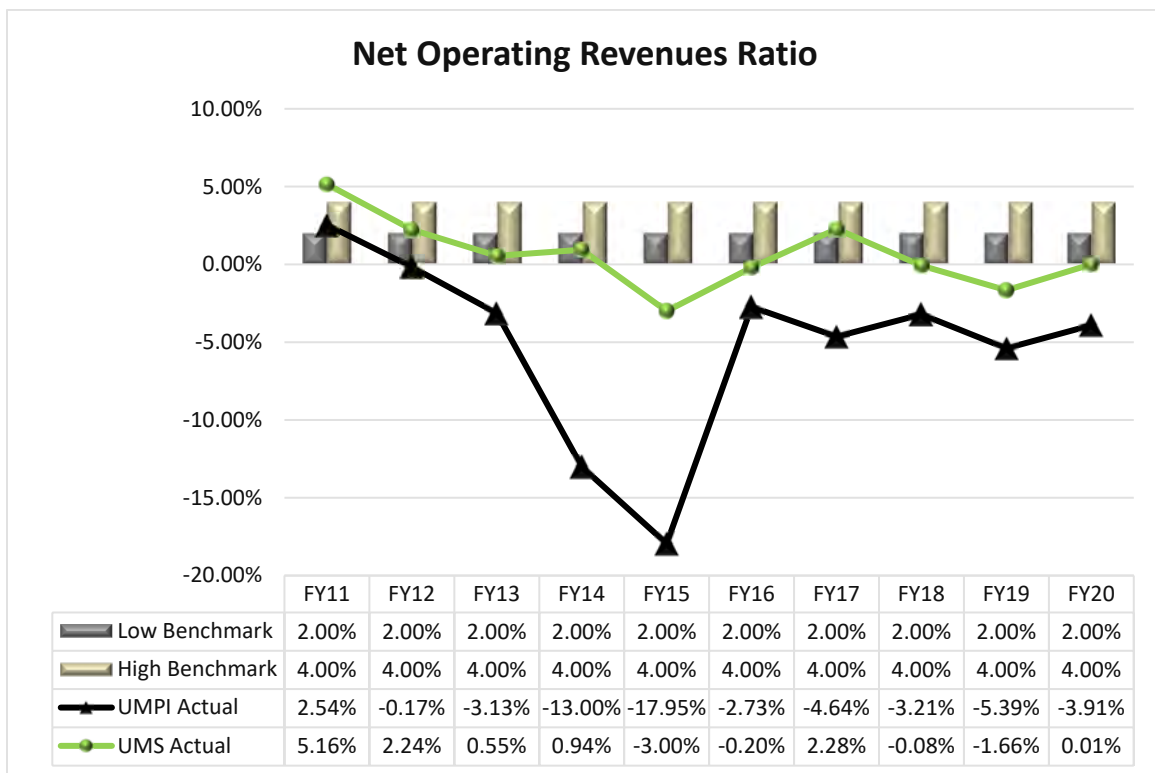
$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

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, generating negative returns in each of the most recent nine years.



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 | \$13,615 | \$13,465 | \$13,303 | \$11,225 | \$10,649 | \$10,760 | \$10,688 | \$11,340 | \$11,501 | \$10,934 |
| Operating expenses | (\$20,300) | (\$20,598) | (\$21,043) | (\$20,330) | (\$20,420) | (\$20,341) | (\$20,507) | (\$20,599) | (\$21,070) | (\$21,496) |
| Operating loss | (\$6,684) | (\$7,133) | (\$7,740) | (\$9,106) | (\$9,771) | (\$9,580) | (\$9,819) | (\$9,259) | (\$9,570) | (\$10,563) |
| Net nonoperating revenues | \$7,216 | \$7,097 | \$7,099 | \$6,761 | \$6,657 | \$9,039 | \$8,907 | \$8,617 | \$8,489 | \$9,753 |
| Operating income (loss) plus net nonoperating revenues (expenses) | \$532 | (\$36) | (\$641) | (\$2,344) | (\$3,114) | (\$542) | (\$912) | (\$642) | (\$1,081) | (\$810) |
| Operating revenues plus nonoperating revenues | \$20,908 | \$20,637 | \$20,472 | \$18,035 | \$17,349 | \$19,842 | \$19,639 | \$20,011 | \$20,043 | \$20,739 |

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

A global pandemic occurred during the last quarter of FY20 and UMPI 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.

A primary factor in the \$567 thousand or 4.9% decrease in operating revenues from FY19 to FY20, was a \$512 thousand decrease in residence and dining fees revenue. \$347 thousand of the decrease in this revenue line is associated with room and board refunds to the students sent home early in response to the pandemic.

Nonoperating revenues increased \$1.3 million or nearly 15% from FY19 to FY20 as UMPI received an additional \$507 thousand in noncapital State of Maine appropriation revenue and \$545 thousand in federal CARES Act funding to address the pandemic (used for scholarships and 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:

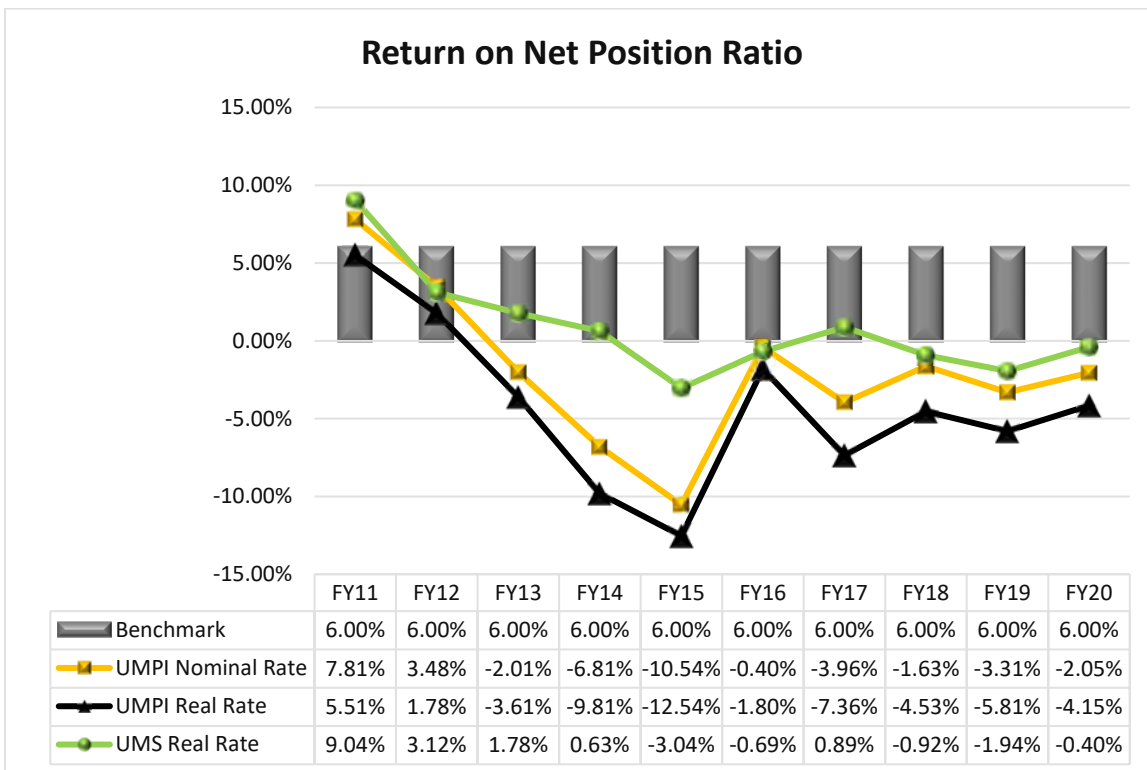
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

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.

UMPI's return on net position last kept pace with inflation in FY12. At -4.15% UMPI's FY20 real rate of return has improved slightly over the prior year.



| 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) | \$532 | (\$36) | (\$641) | (\$2,344) | (\$3,114) | (\$542) | (\$912) | (\$642) | (\$1,081) | (\$810) |
| Other changes in net position | \$1,382 | \$954 | \$91 | \$524 | \$488 | \$452 | \$132 | \$334 | \$466 | \$440 |
| Change in total net position | \$1,914 | \$918 | (\$550) | (\$1,820) | (\$2,626) | (\$90) | (\$780) | (\$308) | (\$615) | (\$369) |
| Total net position (beginning of year) | \$24,492 | \$26,406 | \$27,324 | \$26,735 | \$24,916 | \$22,289 | \$19,690 | \$18,910 | \$18,602 | \$17,987 |

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

UMPI's net position has been steadily decreasing as the university 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:

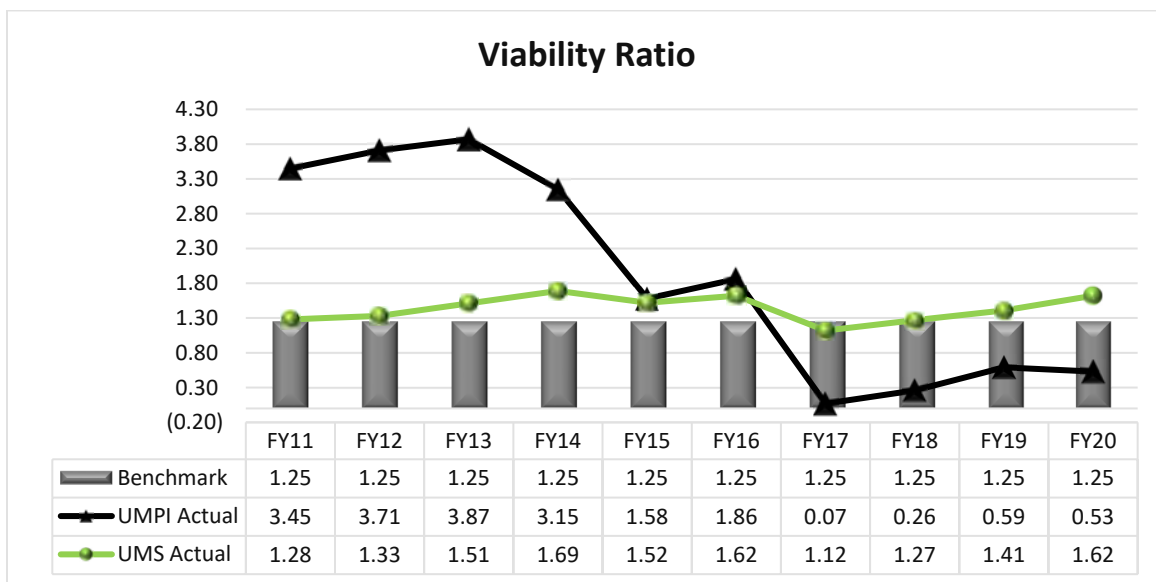
- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

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 decreased to 0.53x in FY20, down from 0.59x in the previous year.



| 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 | \$5,194 | \$5,559 | \$5,360 | \$3,793 | \$1,284 | \$1,604 | (\$1,397) | (\$1,113) | (\$564) | (\$762) |
| Restricted expendable net position | \$1,072 | \$985 | \$1,297 | \$1,436 | \$1,430 | \$1,413 | \$1,524 | \$1,542 | \$1,536 | \$1,599 |
| Total expendable net position | \$6,266 | \$6,544 | \$6,657 | \$5,229 | \$2,714 | \$3,017 | \$127 | \$429 | \$972 | \$837 |
| Long-term debt | \$1,816 | \$1,766 | \$1,722 | \$1,662 | \$1,713 | \$1,620 | \$1,781 | \$1,673 | \$1,638 | \$1,576 |

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

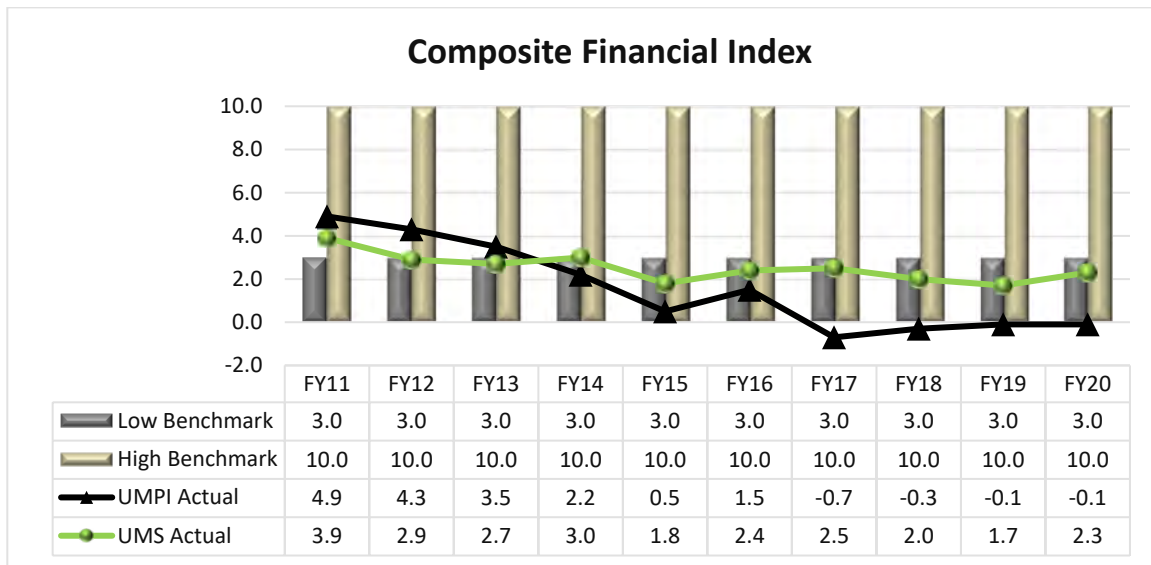
The Composite Financial Index (CFI) creates one overall financial measurement of the institution’s health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into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

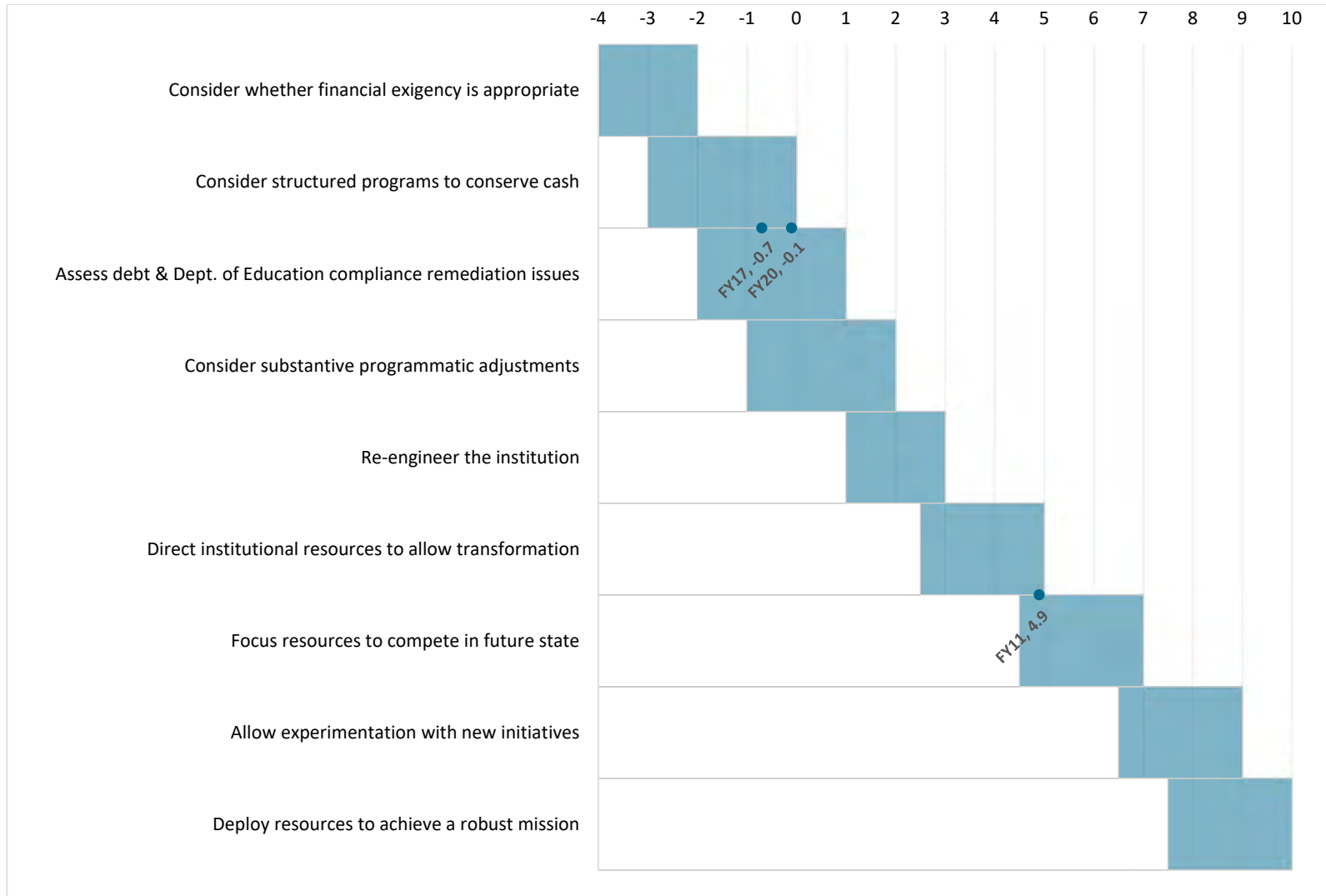
A score of 1.0 indicates very little financial health; 3, the low benchmark, represents a relatively stronger financial position; and 10 is the top of the scale.

In FY20, UMPI’s CFI score remains unchanged from the prior year at -0.1.



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 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
| + Primary Reserve Ratio | 0.31 | 0.32 | 0.32 | 0.26 | 0.13 | 0.15 | 0.01 | 0.02 | 0.05 | 0.04 |
| / 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 ** | 2.33 | 2.41 | 2.41 | 1.95 | 0.98 | 1.13 | 0.08 | 0.15 | 0.38 | 0.30 |
| X Weighting Factor *** | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| Ratio Score | 0.82 | 0.84 | 0.84 | 0.68 | 0.34 | 0.40 | 0.03 | 0.05 | 0.13 | 0.11 |
| + Net Operating Revenues Ratio | 2.54% | -0.17% | -3.13% | -13.00% | -17.95% | -2.73% | -4.64% | -3.21% | -5.39% | -3.91% |
| / 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 ** | 3.63 | -0.24 | -4.00 | -4.00 | -4.00 | -3.90 | -4.00 | -4.00 | -4.00 | -4.00 |
| X Weighting Factor *** | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| Ratio Score | 0.36 | -0.02 | -0.40 | -0.40 | -0.40 | -0.39 | -0.40 | -0.40 | -0.40 | -0.40 |
| + Return on Net Position Ratio | 7.81% | 3.48% | -2.01% | -6.81% | -10.54% | -0.40% | -3.96% | -1.63% | -3.31% | -2.05% |
| / 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 ** | 3.91 | 1.74 | -1.01 | -3.41 | -4.00 | -0.20 | -1.98 | -0.82 | -1.66 | -1.03 |
| X Weighting Factor *** | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| Ratio Score | 0.78 | 0.35 | -0.20 | -0.68 | -0.80 | -0.04 | -0.40 | -0.16 | -0.33 | -0.21 |
| + Viability Ratio | 3.45 | 3.71 | 3.87 | 3.15 | 1.58 | 1.86 | 0.07 | 0.26 | 0.59 | 0.53 |
| / 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 ** | 8.27 | 8.90 | 9.28 | 7.55 | 3.79 | 4.46 | 0.17 | 0.62 | 1.41 | 1.27 |
| X Weighting Factor *** | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% | 35% |
| Ratio Score | 2.89 | 3.12 | 3.25 | 2.64 | 1.33 | 1.56 | 0.06 | 0.22 | 0.49 | 0.44 |
| Composite Financial Index | 4.9 | 4.3 | 3.5 | 2.2 | 0.5 | 1.5 | -0.7 | -0.3 | -0.1 | -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.

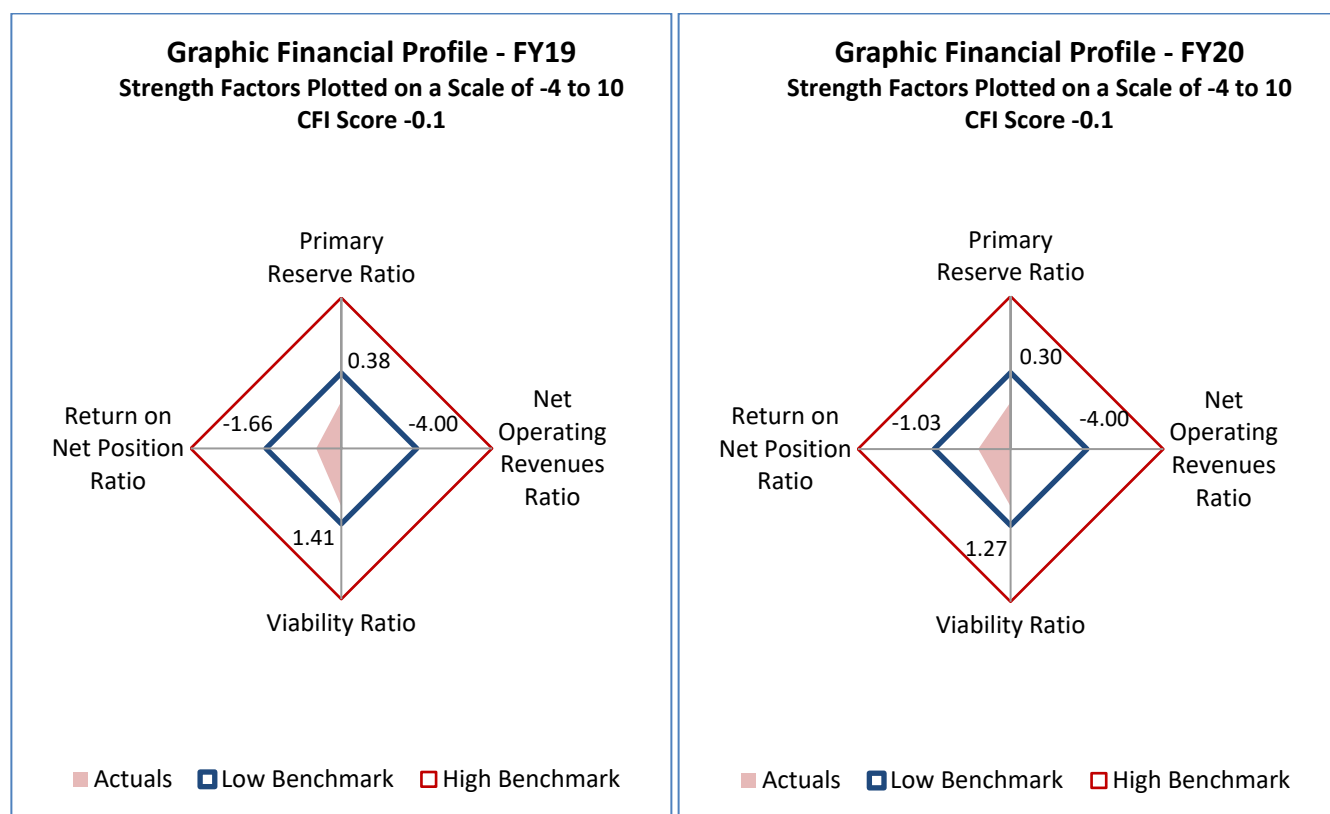
Graphic Financial Profile

The strength factors 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 FY19 and FY20

The shape of UMPI’s FY20 graphic financial profile is marginally wider than that for FY19 as UMPI experienced a small improvement in return on net position.



UMPI Graphic Financial Profiles FY11 to FY18

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





UMPI Financial Highlights FY11 to FY19

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.

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 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 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.

FY11: UMPI's Primary Reserve Ratio increased from FY10 to 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.

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

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, we 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 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.

FY19: 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. The decrease in appropriations was offset by sizeable increases in a number of revenue lines including \$99 thousand in net student fees, \$110 thousand in federal, state, and private grants and contracts, \$194 thousand in gifts currently expendable, and \$256 in noncapital transfers. However, these increases were not enough to offset the \$471 thousand increase in operating expenses.

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

| | | | |
|-------------|--------|-------------|--------|
| FY11 | \$154 | FY16 | (\$84) |
| FY12 | (\$70) | FY17 | \$75 |
| FY13 | \$80 | FY18 | \$31 |
| FY14 | \$141 | FY19 | (\$22) |
| FY15 | (\$67) | FY20 | (\$36) |

- 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 all but two of the ten years presented:

State of Maine Capital Appropriations \$ in thousands

| | | | |
|-------------|-------|-------------|-------|
| FY11 | \$220 | FY16 | \$420 |
| FY12 | \$255 | FY17 | \$58 |
| FY13 | \$ -- | FY18 | \$36 |
| FY14 | \$ -- | FY19 | \$124 |
| FY15 | \$575 | FY20 | \$291 |

- With the exception of the following five 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, 2011 to 2020

(\$ in thousands)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | RESTATED 2017 | 2018 | 2019 | 2020 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|-----------------|
| OPERATING REVENUES | | | | | | | | | | |
| Tuition and fees | \$8,552 | \$8,402 | \$8,179 | \$7,041 | \$6,274 | \$6,493 | \$6,830 | \$7,631 | \$7,710 | \$7,763 |
| Residence and dining fees: | 2,126 | 2,142 | 2,117 | 1,960 | 1,845 | 2,132 | 2,111 | 1,986 | 2,166 | 1,654 |
| Less: scholarship allowances: | (3,464) | (3,401) | (3,240) | (3,215) | (3,074) | (3,410) | (3,693) | (3,765) | (3,925) | (4,151) |
| Net student fees | 7,214 | 7,143 | 7,056 | 5,786 | 5,045 | 5,215 | 5,248 | 5,852 | 5,951 | 5,267 |
| Federal, state, and private grants and contracts | 4,892 | 4,924 | 4,931 | 4,295 | 4,438 | 4,366 | 4,467 | 4,507 | 4,617 | 4,813 |
| Recovery of indirect costs | 137 | 160 | 191 | 117 | 192 | 157 | 146 | 154 | 139 | 174 |
| Educational sales and service | 823 | 692 | 654 | 852 | 818 | 923 | 725 | 749 | 731 | 599 |
| Other auxiliary enterprises | 531 | 524 | 455 | 159 | 137 | 78 | 78 | 58 | 44 | 61 |
| Interest income on loans | 18 | 21 | 16 | 17 | 20 | 21 | 24 | 20 | 18 | 19 |
| Total Operating Revenues | 13,615 | 13,465 | 13,303 | 11,225 | 10,649 | 10,760 | 10,688 | 11,340 | 11,501 | 10,934 |
| OPERATING EXPENSES | | | | | | | | | | |
| Instruction | 5,817 | 5,989 | 6,091 | 6,013 | 5,641 | 5,390 | 5,240 | 5,286 | 5,602 | 5,882 |
| Research | 16 | 28 | 24 | 15 | 17 | 38 | 65 | 82 | 67 | 130 |
| Public service | 1,220 | 1,406 | 1,516 | 1,429 | 1,395 | 1,431 | 1,475 | 1,521 | 1,545 | 1,510 |
| Academic support | 1,896 | 1,924 | 1,944 | 1,907 | 1,973 | 1,865 | 1,897 | 1,861 | 1,904 | 2,047 |
| Student services | 2,821 | 2,659 | 2,610 | 2,440 | 3,197 | 3,141 | 3,133 | 3,118 | 3,254 | 3,116 |
| Institutional support | 1,908 | 1,964 | 1,965 | 2,175 | 1,899 | 2,359 | 2,602 | 2,612 | 2,573 | 2,854 |
| Operation and maintenance of plant | 2,076 | 2,067 | 2,345 | 2,309 | 2,369 | 2,245 | 2,138 | 2,498 | 2,376 | 2,368 |
| Depreciation and amortization | 764 | 806 | 850 | 843 | 855 | 894 | 921 | 987 | 900 | 881 |
| Student aid | 1,282 | 1,257 | 1,198 | 988 | 971 | 1,077 | 811 | 827 | 861 | 796 |
| Auxiliary | 2,501 | 2,498 | 2,500 | 2,209 | 2,104 | 1,904 | 2,227 | 1,807 | 1,989 | 1,973 |
| Total Operating Expenses | 20,300 | 20,598 | 21,043 | 20,330 | 20,420 | 20,341 | 20,507 | 20,599 | 21,070 | 21,496 |
| Operating Income (Loss) | (6,684) | (7,133) | (7,740) | (9,106) | (9,771) | (9,580) | (9,819) | (9,259) | (9,570) | (10,563) |
| NONOPERATING REVENUES (EXPENSE) | | | | | | | | | | |
| Noncapital State of Maine appropriations | 6,408 | 6,375 | 6,484 | 6,460 | 6,318 | 6,575 | 7,247 | 8,225 | 7,643 | 8,150 |
| CARES Act funding | - | - | - | - | - | - | - | - | - | 545 |
| State Fiscal Stabilization Program | 478 | 10 | - | - | - | - | - | - | - | - |
| Gifts currently expendable | 170 | 135 | 105 | 101 | 111 | 549 | 142 | 128 | 322 | 332 |
| Endowment income distributed for operations | 52 | 46 | 48 | 45 | 54 | 57 | 59 | 58 | 57 | 51 |
| Investment income | 1 | 2 | 1 | - | - | 2 | 4 | 19 | 24 | 18 |
| Interest expense | (77) | (75) | (70) | (49) | (43) | (43) | (44) | (54) | (53) | (52) |
| Noncapital transfers | 183 | 603 | 532 | 204 | 217 | 1,899 | 1,498 | 240 | 496 | 710 |
| Net Nonoperating Revenue (Expense) | 7,216 | 7,097 | 7,099 | 6,761 | 6,657 | 9,039 | 8,907 | 8,617 | 8,489 | 9,753 |
| Income Before Other Changes in Net Assets | 532 | (36) | (641) | (2,344) | (3,114) | (542) | (912) | (642) | (1,081) | (809) |
| OTHER CHANGES IN NET ASSETS | | | | | | | | | | |
| State of Maine capital appropriations | 220 | 255 | - | - | 575 | 420 | 58 | 36 | 124 | 291 |
| Capital grants and gifts | 1,005 | 746 | - | 242 | - | 2 | 5 | 147 | 340 | 81 |
| Endowment return, net of amount used for operations | 154 | (70) | 80 | 141 | (67) | (84) | 75 | 31 | (22) | (36) |
| Endowment gifts | - | - | - | 101 | - | - | - | - | - | - |
| Gain on disposal of capital assets and other changes | - | - | - | - | - | - | - | (122) | (297) | - |
| Capital transfers | 3 | 23 | 11 | 40 | (21) | 113 | (7) | 243 | 322 | 104 |
| Total Other Changes in Net Assets | 1,382 | 955 | 91 | 524 | 487 | 452 | 132 | 334 | 466 | 440 |
| Increase (Decrease) in Net Assets | 1,914 | 918 | (550) | (1,820) | (2,626) | (90) | (780) | (308) | (615) | (369) |
| NET POSITION | | | | | | | | | | |
| Net Position - beginning of year | 24,492 | 26,406 | 27,324 | 26,735 | 24,916 | 22,289 | 19,690 | 18,910 | 18,602 | 17,987 |
| Net Position - end of year | \$26,406 | \$27,324 | \$26,774 | \$24,916 | \$22,289 | \$22,199 | \$18,910 | \$18,602 | \$17,987 | \$17,618 |

The above totals have not been adjusted for rounding.